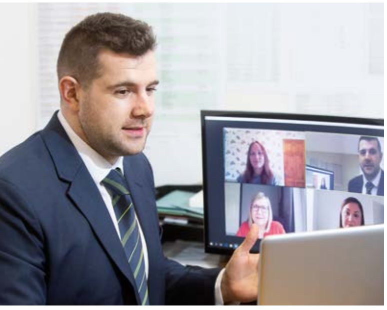
DELIVERING HOMES FOR ALL

Annual Report 2020



Persimmon Plc

What's inside this report?

Strategic report

Governance

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Other information

STRATEGIC HIGHLIGHTS

Number of homes sold

13,575

2019: 15,855

Average selling price

£230,534

2019: £215,709

Revenue

£3.33bn

2019: £3.65bn

Underlying new housing operating margin[1]

27.6%

2019: 30.3%

Profit before tax

£783.8m

2019: £1,040.8m

Cash generation pre land investment[2]

£1,066.8m

2019: £996.2m

Dividend paid in the year

110p

2019: 235p

Current customer satisfaction score[3]

89.7%

2019: 83.7%

Affordable homes[4]

2,433

2019: 3,589

Construction and supply chain jobs supported[5]

c.86,000

2019: 99,500

Trainees and apprentices

c.680

2019: c.750

Investment in local communities[6]

£376m

2019: £522m

1 Stated on new housing revenue of £3,129.5m (2019: £3,420.1m) and underlying profit from operations of £862.8m (2019: £1,036.7m) stated before legacy buildings provisions of £75.0m (2019: £nil) and goodwill impairment of £4.3m (2019: £7.3m). The Group's operating margin is 23.5% (2019: 28.2%) based on revenue of £3,328.2m (2019: £3,649.4m) and profit from operations of £783.5m (2019: £1,029.4m).

2 Cash generation pre land investment is net cash flow before capital return (£350.7m) and net land investment (£325.9m) (2019: capital return £747.8m and net land investment £452.6m).

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

4 Homes provided to our housing association partners and Discounted Open Market Value homes.

5 Estimated using an economic toolkit which has been updated to reflect latest guidance.

6 The value of homes delivered to housing associations, the value of Discounted Open Market Value Housing plus the value of planning contributions we have made.

OUR PURPOSE

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

At a glance

PROVIDING HOMES AND SERVING OUR COMMUNITIES ACROSS THE UK

We are a leading UK housebuilder with 31 operating businesses, three house building brands and three off-site manufacturing facilities providing homes and serving their local communities across the UK.

Persimmon
Together, we make a home.

Persimmon Homes
See page 32

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.

£239,318
average selling price 2020

CHARLES CHURCH

Charles Church
See page 33

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.

£361,147
average selling price 2020

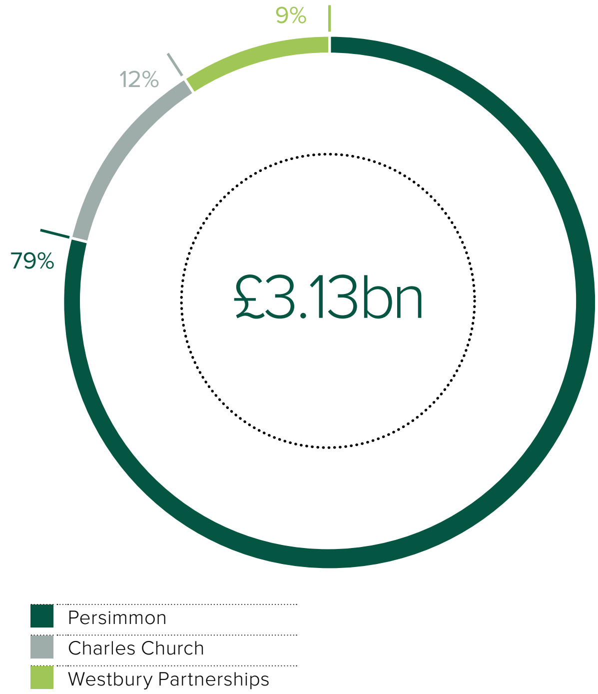
Westbury partnerships

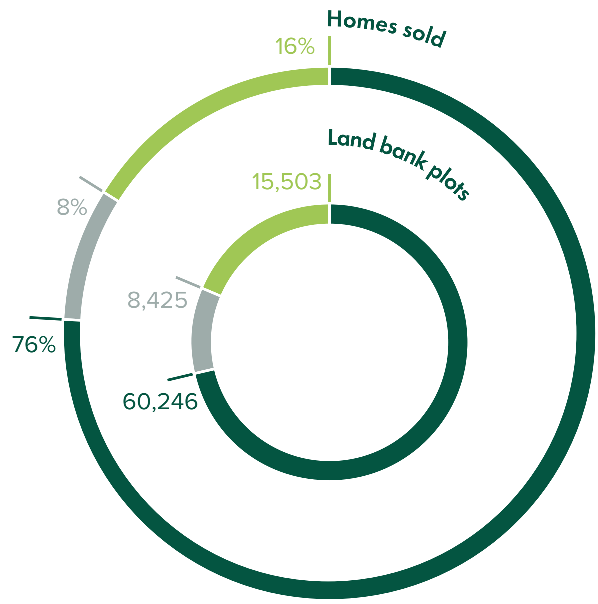
Westbury Partnerships
See page 33

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 problems.

£125,930
average selling price 2020

Contribution to Group housing revenue





c.17% lower
average private selling price lower than the UK national average*

* 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.

Broadband provider

FibreNest is the Group's own ultrafast, full fibre to the home, broadband service which aims to ensure all our customers are connected to the internet from moving in day onwards. Working with an experienced partner, FibreNest provides ultrafast speeds coupled with excellent levels of service both during installation and for the duration of the service.

Off-site manufacturing

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 unique modern method of construction system helps us to improve site productivity, increase build capacity and mitigate construction industry skills shortages. Space4 supports all of our brands and supplied 5,300 timber frame kits and roof systems to the Group in 2020.

Our Brickworks produces concrete bricks and is entirely focused on supplying the Group's housebuilding operations. During 2020, the brickworks supplied c.35 million bricks to the Group. The factory has the capacity to produce c.80 million bricks a year, which approximates to two thirds of the Group's brick requirements.

Tileworks, the Group's own concrete roof tile manufacturing plant, commenced deliveries to site in early 2020 and has supplied c.2.5 million tiles to 115 sites across the Group.

4 STAR HOME BUILDER CUSTOMER SATISFACTION HBF 2019 HOME BUILDERS FEDERATION

We participate in a National New Homes Survey run by the HBF. The rating system is based on the number of customers who would recommend their builder to a friend.

National coverage, local presence

- Northern offices
- Southern offices
- Off-site manufacturing

Northern offices

1. North Scotland
2. West Scotland
3. East Scotland
4. North East
5. Durham
6. Teesside
7. Lancashire
8. West Yorkshire
9. Yorkshire and Group Head Office
10. North West
11. South Yorkshire
12. Nottingham
13. North Midlands
14. West Midlands
15. East Midlands
16. Anglia

Southern offices

17. Central
18. South Midlands
19. Midlands
20. Essex
21. Suffolk
22. West Wales
23. East Wales
24. Severn Valley
25. Wessex
26. North London
27. Thames Valley
28. South East
29. South Coast
30. South West
31. Cornwall

Off-site manufacturing

32. Space4
33. Brickworks
34. Tileworks

Persimmon Charitable Foundation

Throughout the year, the Persimmon Charitable Foundation has continued to make donations to charities and good causes across the UK. The Community Champions campaign focused on charities and good causes that benefit the over-70s, a group particularly affected by the pandemic.

c.£2.0m

donated to c.900 local charities and community groups

2019: £2.3m

Chairman's statement

MAINTAINING A STRONG PLATFORM TO DELIVER VALUE FOR ALL OUR STAKEHOLDERS

"Persimmon is a company with many great strengths. We not only provide many of the new houses the country needs but also the opportunity of homeownership to thousands of families a year. In so doing we generate jobs across the country and value for local communities and shareholders alike."

Roger Devlin
Chairman

Operational highlights

Homes sold
13,575
2019: 15,855

Average selling price
£230,534
2019: £215,709

Forward sales
£2.27bn*
2020: £1.98bn

Owned land holdings (plots)
67,205
2019: 71,942

Investment in local communities
c.£2.4bn
over the last six years

Construction and supply chain jobs supported
c.86,000**
2019: c.99,500

* As at 2 March 2021 (2020 figure as at 26 February 2020).
** Estimated using an economic toolkit which has been updated to reflect latest guidance.

Persimmon is a company with many great strengths. We not only provide many of the new houses the country needs but also the opportunity of homeownership to thousands of families a year. In so doing we generate jobs across the country and value for local communities and shareholders alike.

I set out last year how Persimmon recognised that there were areas for improvement and that we were embarking on a period of cultural and operational change to enhance our customer care and build quality in particular. While the intervening year has seen the business and country confront the significant challenge of the pandemic, I am pleased we have still managed to make important progress.

As well as delivering a strong operational and financial performance despite the pandemic, we have also seen the implementation of the important parts of the change programme. The enhanced build quality standards in the Persimmon Way have already helped improve our HBF eight-week post-sale customer satisfaction scores so that they are trending above five-star, for example. We have also made important new appointments to steer us through the next stages of this change.

In this vein, I am delighted that Dean Finch has joined as Group Chief Executive. Dean brings a strong track record of financial success achieved through good customer service and operational excellence. I welcome Dean's determination to build on our recent progress by accelerating and further enhancing Persimmon's approach to customer care and build quality. Dean's statement sets this out in more detail.

Covid-19 update

As the Group responded to the pandemic, our overarching principle was to ensure the wellbeing of our customers, workforce and local communities. A controlled and orderly shutdown of the Group's sites, sales offices, and off-site manufacturing facilities was therefore announced on 25 March 2020.

Having regard to the long-term interests of all of our stakeholders, all colleagues were retained on full pay throughout the shutdown period. This ensured that we could continue to serve our customers and maintain some operational momentum within the business, enabling the Group to mobilise its workforce effectively when sites were made Covid-secure and re-opened.

By the end of April 2020, the Group had introduced effective Covid-secure operating procedures, aligned with Government guidelines, covering all of its sites, offices and manufacturing facilities. Subject to local devolved Government regulations, the Group began re-opening its operations from the end of April with our sites in Scotland being the last to re-open at the end of June. The Group's build programmes, which have observed the stringent two metre social distancing rules throughout, returned to normal levels in July 2020 and have been maintained since.

We remain confident in our ability to continue to operate safely and effectively. As the second and third lockdowns were introduced we reviewed and revised our Covid-secure protocols in line with the changing requirements. I commend the management teams and colleagues across the whole country who have ensured they are fully embedded within the business and the Group's operations have continued to run effectively. The Group's own absentee levels have been relatively low and our regional businesses have managed resource efficiently where unplanned absences have occurred.

We recognise, however, the highly uncertain nature of the pandemic and continue to monitor the situation and any potential impact of increased transmission rates or social distancing measures on our ongoing operations.

Whilst uncertainty persists around the Covid-19 pandemic and its potential to further disrupt our operations, there has been no significant disruption to the business caused by the UK's exit from the EU and the completion of the free trade agreement. We maintain close contact with our supply chain and remain mindful of any potentially adverse impacts.

Results

Whilst facing the challenges presented by Covid-19 customer demand remained resilient, supported by low interest rates, good levels of mortgage availability and the Government's support measures introduced in response to the pandemic. The Group's diverse active outlet network and strong forward build levels coming into 2020 ensured it was well placed to meet the rise in sales rates seen coming out of the first national lockdown. The strength of underlying housing demand across the UK is reflected in the Group's sales rates continuing to surpass historical normal seasonal trends throughout the remainder of the year.

Whilst recognising the disruption caused during the first national lockdown, Persimmon delivered a robust trading performance for the year, legally completing the sale of 13,575 new homes (2019: 15,855). The Group's total revenues were £3,328m (2019: £3,649m) with new housing revenues of £3,130m (2019: £3,420m).

The Group's underlying profit before tax[1] for 2020 was £863m, (2019: £1,048m) with an underlying new housing operating margin[2] of 27.6% (2019: 30.3%), supported by the quality of the Group's asset base. The Group's balance sheet is strong with cash balances of £1,234m (2019: £844m) and reduced land creditors of £329m (2019: £435m) at the end of the year.

Legacy buildings provision

Our results also reflect our decision to act decisively on legacy concerns around now-banned cladding. As a responsible business, we believe that although we have no legal obligation on properties we do not currently own, we have a duty to act.

As announced on 10 February 2021, we have therefore decided that for any multi-storey developments we have built, we will ensure that the necessary work to protect residents is undertaken. Where we own the building, we will act to do what is necessary to keep the residents safe. Where we do not own the building we will work with the owner and offer our support. Ultimately, if the owners do not step up and meet their obligations, we will ensure the work is done to make the buildings safe. To meet this commitment we have recognised a £75m provision. We will work with the Government on its proposals to balance the need to generate income to help address the broader cladding challenge while ensuring their housing targets can be delivered.

1 Stated before legacy buildings provision of £75.0m, (2019: £nil) and goodwill impairment (2020: £4.3m, 2019: £7.3m). The Group's profit before tax is £783.8m (2019: £1,040.8m).

2 Stated before legacy buildings provision (2020: £75.0m, 2019: £nil), goodwill impairment (2020: £4.3m, 2019: £7.3m) and based on new housing revenue (2020: £3,129.5m, 2019: £3,420.1m).

Chairman's statement

MAINTAINING A STRONG PLATFORM TO DELIVER VALUE FOR ALL OUR STAKEHOLDERS CONTINUED

Our customers

As I set out above, the Group has made progress in its important programme of implementing operational improvements to support higher levels of customer service and build quality assurance processes. Persimmon's HBF eight-week customer satisfaction score[1] is now above the threshold needed to achieve a five-star rating. This is clear evidence that our customers are seeing these benefits in their new homes and in the service they receive.

We have maintained our strategy of putting customers before volume, ensuring that our build programmes allow for the effective completion of all our quality assurance processes before we hand over homes to our customers. The Persimmon Way, the Group wide consolidated approach to new home construction, which encompasses improved technology for our site managers and enhanced training for all relevant members of our workforce, is now embedded within the business and making a real difference. An external audit of this process, to ensure consistency across the Group, will be undertaken in 2021.

Our Homebuyer Retention Scheme, the first in the industry, has been utilised by c.50% of our private customers since 1 July 2020 and continues to drive operational improvements across our developments whilst providing greater reassurance to our customers that their new home will fulfil their expectations.

We are continuously seeking innovative and effective ways to further this excellent progress. Dean sets out an ambition that we should aim to 'build right, first time, every time'. The enhancements he sets out in build quality standards, the expansion of our team of Independent Quality Inspectors and the investment in training are all aimed at driving improvements in both the consistency of higher build quality and our efficiency as a result. We also intend to invest further in technology to aid our site and sales staff and our Inspectors, as well as engage our customers more closely. We welcome the introduction of a New Homes Ombudsman to drive improvements in quality standards throughout the industry.

Supporting our communities

We remain committed to supporting our communities during these unprecedented times. The social and economic disruption caused by the pandemic is significant and we are determined to play our part in the UK's recovery. We have recently pledged a £250,000 donation to the Daily Mail's Mailforce campaign to provide laptops to all children in the UK, so they can fully participate in online home schooling.

We support our communities in a number of ways, designing our developments in places where people wish to live and work within attractive open spaces and environments, with a balance of different house types and prices and providing homes to our local Housing Association partners.

Our average selling price to owner occupiers is c.17% lower than the UK national average[2] and we help a significant number of younger people onto the housing ladder with c.50% of our private homes sold to first time buyers. In addition, the Group contributes to local services and amenities including education provision and new infrastructure benefiting its communities. In 2020, the Group contributed £376m to its local communities, bringing the total community investment to c.£2.4bn over the last 6 years.

Persimmon remains keen to employ significant numbers of employees from the communities we serve. At 31 December 2020, we directly employed 5,221 people (2019: 5,285) and supported c.86,000[3] jobs across our communities and within our wider supply chain. Our financial resilience enabled us to support our colleagues and our supply chain through the significant disruption experienced this year and retain all of our colleagues on full pay, including those that were stood down during periods of site closure. We provided our suppliers and subcontractors with secure forward orders, prepaying for material deliveries to support our supply chain's cash flows, whilst, as a member of the Prompt Payment Code, continuing with our prompt payment processes.

Persimmon is industry lead to the Social Mobility pledge, providing opportunities to young people with c.680 trainees and apprentices in the business. In addition, the Group is a signatory to the Covid-19 Business Pledge supporting colleagues, customers and communities through the pandemic. The Group is determined to attract a more diverse workforce, recognising the benefits that this brings. We have therefore set new diversity targets to improve the Group's gender diversity with the aim to have females composing 40% of our employees, 35% of our senior management team and 45% of employees in management roles by the end of 2025.

The Persimmon Charitable Foundation continued to support local charities and good causes, through its Building Futures and Community Champions campaigns donating c.£2m to c.900 organisations during 2020.

For more information on our Charitable Foundation's campaigns, please visit www.persimmonhomes.com/charity

1 The Group participates in a National New Homes Survey, run by the Home Builders Federation. The Survey year covers the period from 1 October to 30 September. The rating system is based on the number of customers who would recommend their builder to a friend.

2 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.

3 Estimated using an economic toolkit, updated in 2020 to reflect latest best practice and Government guidance.

4 Calculated based on operating profit and the Group's capital employed which includes land creditors.

Long-term strategy and capital return programme

Persimmon's strategy, which has been executed over a sustained period, recognises the cyclical nature of the housing market by minimising financial risk and judging the deployment of capital at the appropriate points in the cycle. Over the last 20 years, the Group's average return on capital[4] has been 22.1% reflecting the sustainable performance of the business. Total shareholder returns have been 2,631% over the same extended period (FTSE 100: 114%). The Group has a strong track record in the land market and it has undoubtedly been a key asset in the business' success. While maintaining our robust and disciplined approach to returns we anticipate increasing our land buying to more typical annual levels as we seek to grow the business. We are of course mindful of the uncertainty surrounding the housing market and future economic conditions, so are ready to adapt quickly should circumstances demand. Reflecting the Group's strong positioning in its markets, our current forward sales are £2.3bn, 15% higher year on year.

The Board considers that, under normal circumstances, cash holdings of c.£700m are appropriate for the business, providing the right balance between ensuring appropriate liquidity levels are maintained to cover the Group's annual working capital requirements and providing sufficient funds to take advantage of attractive land investment opportunities.

A key element of the Group's strategy remains the return of any capital that is deemed surplus to the needs of the business, having regard to existing economic and market conditions, the Group's existing land holdings and other investment opportunities. The availability of surplus capital is continually assessed by the Board. Given the significant social and economic disruption and uncertainties resulting from the onset of the Covid-19 pandemic and the mitigating Government response measures, the Board cancelled the prospective payment of the previously assessed surplus capital of £1.25 per share due to be paid to shareholders on 2 April 2020. In addition the Board postponed the payment of the final dividend for the 2019 financial year of £1.10 per share that was scheduled to be paid on 6 July 2020.

During the second half of 2020, as part of the Board's ongoing commitment to its strategy, and recognising the importance of dividend income to all investors – including support to retired workers and their families – the Board continued to assess the ability of the Company to make distributions to its shareholders. Reflecting the continued good progress made by the business, on 18 August 2020 the Board announced a dividend of 40p per share, which was paid on 14 September 2020, and on 10 November 2020 announced a further dividend of 70p per share, which was paid on 14 December 2020. These two distributions fulfilled the payment of the final dividend of £1.10 per share for the year ended 31 December 2019 which had previously been postponed. No further distributions are to be made regarding the financial year ended 31 December 2019.

Having concluded its 2020 assessment of the availability of surplus capital, as part of the regular annual assessment of the Capital Return Programme, the Board is pleased to reiterate its commitment to total capital returns of £2.35 per share in regard of the financial year ended 31 December 2020.

However, the Board has concluded that it intends to make these distributions according to an amended profile. Firstly, the payment of £1.25 per share, representing the regular annual distribution for the year ended 31 December 2020 will be accelerated from early July to be made on 26 March 2021 to shareholders on the register on 12 March 2021 as an interim dividend. It is envisaged that this acceleration will be for one year only, the payment of the regular annual distribution returning to being made in early July in successive years which is designed to mitigate the traditional peak working capital requirements of the Group. In addition, but subject to continual review, the Board intends to split the payment of surplus capital of 110p per share previously anticipated to be paid in late March/early April into two payments. A first payment of surplus capital of 55p per share will be made in August 2021, with a second payment of surplus capital of 55p per share to follow in December 2021. Further details of the Board's ongoing assessment of its Capital Return Programme will be provided as part of Persimmon's normal market updates.

Looking forward to 2022, the Board currently intends to return to the pre-Covid profile of capital return, with the payment of the regular annual distribution of 125p per share being made in early July 2022 aligned to the traditional working capital profile of the business. In line with the Group's strategy, the Board will continue to assess the investment needs of the business and capital deemed surplus to these needs will be returned to shareholders.

Sustainability

For Persimmon, sustainability is about looking after our customers, our workforce and our suppliers and adopting innovative build and design techniques to reduce our environmental impact. We believe that this will generate superior long-term returns for the benefit of all our stakeholders.

The Group's newly formed Sustainability Committee has set the Group's sustainability approach (see page 18 for more details) which was approved by the Board in October 2020. As Dean sets out, an early outcome of the strategy has been to adopt science based targets to reduce our greenhouse gases in line with the Paris Agreement and to set new targets to have net zero homes in use by 2030 and achieve net zero carbon emissions across our operations by 2040.

Board changes

Dean Finch joined as the new Group Chief Executive on 28 September and has made a strong start in the business with his focus on build quality, customer service and sustainability. We would like to thank Dave Jenkinson for his valuable contribution to the business over his 23 years with Persimmon.

In addition, the Board welcomes Joanna Place, Annemarie Durbin and Andrew Wyllie, who joined as Non-Executive Directors during the year.

Finally, during an exceptionally difficult year, our colleagues, subcontractors and suppliers have risen to the challenge, showing flexibility, commitment and hard work. The Board would like to take this opportunity to thank them for their efforts.

Roger Devlin
Chairman
2 March 2021

The UK housing market

OUR MARKETPLACE

There has been significant political and economic upheaval during 2020. The year started well with strong forward sales, a robust economic environment and a more stable political backdrop following a decisive General Election with the Government Elections securing the largest Parliamentary majority for 15 years.

The onset of the Covid-19 pandemic brought significant uncertainty, however, demand for new build homes has remained resilient. During the second half of the year, the housing market has been boosted in part by pent up demand following the first national lockdown and Government stimulus, such as the stamp duty holiday and the original Help to Buy scheme which closed for new reservations on 15 December 2020 in England. Strong sales rates continued through to the end of the year, with the Group achieving a 12% higher weekly average private sales rate compared to the same period last year. The near term outlook is more mixed with the end of the Brexit transition period, the risk of increased unemployment and reduction in mortgage availability at higher loan to value ratios. Despite these headwinds, the longer term outlook remains favourable as demand for new build homes remains strong.

UK sales rose by

+32.1%

year on year
Source: HMRC

Mortgage approvals

c.819,000

approved in 2020

HOUSING SUPPLY

The chronic shortage of homes in the UK continues. Despite generally increasing output, it is estimated that a shortfall of over 1.2m homes since 2008 exists in England. The Government remains committed to its current target of supplying 300,000 homes per year by the mid-2020s to attempt to combat the imbalance between supply and demand. The Group has delivered 116,702 new homes in the last eight years. With its strong liquidity, high quality land holdings, diverse network of sites and 31 regional operating businesses, the Group is well placed to grow volumes and continues to play its part in delivering much needed housing supply.

Average private selling price

£250,897

2019: £241,985

MORTGAGE AVAILABILITY AND AFFORDABILITY

At the start of 2020, the mortgage market was competitive with a wide variety of products available for customers at different loan to value ratios. Since the initial lockdown period, there has been a tightening of mortgage availability, particularly in respect of higher loan to value products.

Interest rates remain at all time lows with each of the devolved Government's Help to Buy policy and other equity loan schemes and the stamp duty holiday increasing affordability for homes. This has provided support to the housing market. The original Help to Buy scheme in England closed on 15 December 2020 for new reservations and has been replaced by a new scheme. The new scheme is open to first time buyers only and is subject to regional price caps. In Wales, the property price cap under the Help to Buy scheme reduces to £250,000 from 1 April 2021 and in Scotland, the Help to Buy scheme closed on 5 February 2021. The Scottish First Home Fund will re-open on 1 April 2021. The Group provides homes for all, having a private average selling price of £250,897, c.17% below the UK national average*. Approximately 50% of its private completions were to first time buyers.

SKILLED LABOUR

The availability of skilled labour remains a key issue and developing the supply of trade skills will be essential if the industry is to continue to increase the volume of new homes built in the UK. Brexit and its impact on the free movement of construction workers is also likely to be a factor although this will have more of an impact in the London and South East regions (an area where the Group has a lower presence) due to the relatively high proportion of EU nationals working within the construction industry in those areas.

PLANNING AND REGULATION

The Government remains supportive of the housebuilding industry. Its ambition is to deliver 300,000 new homes by the mid-2020s. Local planning authorities are required to put in place five-year plans to meet their housing needs which should ensure a consistent supply of consented land to enable the housebuilding industry to commit capital to long-term projects. The Government's Revised National Planning Policy Framework, published in July 2018, aims to make it easier for planners, developers and local councils to deliver good quality housing at a faster pace in places where people want to live.

In August 2020, the Government released its White Paper 'Planning for the Future' focusing on streamlining the planning process and bringing new focus to design and sustainability. We welcome proposals to speed up and simplify the planning system and look forward to working with Government in developing reforms which benefit all stakeholders.

On 1 October 2019, the Government launched a two-part consultation on proposed changes to Building Regulations for new dwellings. The proposed new regulations aim to ensure that all new homes built from 2025 will produce 75-80% less carbon emissions than homes delivered under current regulations. The Group has established a low carbon home Steering Group to manage the Group's transition to low carbon homes (see page 48 for more details).

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

Our strategic objective

DELIVERING HOMES FOR ALL

Persimmon's purpose is to build good quality homes at a range of price points across the UK. The strategy we have adopted to deliver our purpose concentrates on driving value through our six core focus areas.

Supporting our customers

- Build right, first time, every time – consistently building safe, good quality, homes in places where people want to live and work across the UK
- Reinforcing trust in the brands
- Continuing to put our customers before volume
- Deliver excellent customer service
- Deliver affordable new homes tailored to our Housing Association residents' needs

How we measure progress

- Eight-week survey – customer satisfaction score – achieve five-star rating and maintain year on year
- c.50% of private homes sold under the Group's industry leading Homebuyer Retention Scheme
- Persimmon Way fully embedded across operations
- Customer portal rolled out across the business

Creating and supporting sustainable and inclusive communities

- Create attractive communities with high amenity value
- Invest in local infrastructure to improve community environments
- Deliver housing that fulfils our customers' requirements
- Play an active role in developing and supporting our local communities

How we measure progress

- £376m invested in local communities in 2020
- c.50% of our private legal completions were to first time buyers
- Our private average selling price is c.17% below the UK national average*
- Support c.86,000** jobs across our communities and within our wider supply chain
- c.£2m donated by the Persimmon Charitable Foundation to local community groups and good causes

* 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.

** Estimated using an economic toolkit which has been updated to reflect latest Government guidance.

Investing in our colleagues

- Continue to invest in our workforce and their skills development, ensuring talent is recognised, nurtured and supported
- Engage with our employees to ensure that they are fully aligned with the purpose and strategic aims of the Group
- Continue to address the skills shortage within the housebuilding industry by investing in trainees and apprentices
- Create a supportive, hard-working and customer-focused culture
- Increase diversity in our workforce to enrich our culture and grow our talent and skill base

How we measure progress

- c.680 trainees and apprentices
- c.12,600 training days delivered
- 26% females on our senior executive management team and direct reports
- Employee engagement score of 80%
- Delivery of Persimmon Pathway to all direct employees

TO ACHIEVE OUR PURPOSE WE

- Invest in land at the right price, at the right time in the housing market cycle and in places where people want to live and work
- Provide high levels of customer service throughout our customers' home buying journey
- Aim to build right, first time, every time
- Operate our sites safely, efficiently and responsibly
- Invest in recruiting, training and retaining a highly skilled and motivated workforce
- Operate efficiently in all areas, providing a sound investment case, generating strong cash flows, maintaining financial flexibility and retaining financial strength through the housing cycle

Continue to invest in high quality land

- Identify and fulfil the needs of local communities through our on market, and strategic, planning and land acquisition processes
- Through well-judged land replacement, deliver a supply of high quality sustainable land to capture the opportunities that exist and meet the housing needs of our customers and their communities
- Deliver our strategic land holdings for development
- Maintain high quality consented land holdings enabling the Group to be resilient to any volatile movements in the land market
- Environmental and climate change considerations are integral to the Group's approach to acquiring land

Working safely, responsibly and efficiently

- Maintain excellent health and safety standards on our sites and in our off-site manufacturing facilities
- Minimise our environmental impact
- Further embed sustainability considerations into our core operations
- Support a secure, collaborative and sustainable supply chain
- Continue to strengthen our off-site manufacturing capabilities

Maintaining financial strength through the housing cycle

- Maintain a strong balance sheet sustaining continued investment and future returns
- Invest in appropriate levels of working capital and land replacement to capture the opportunities that exist and meet the housing needs of our customers and their communities
- Maintain discipline over the appropriate level of capital employed within the business through the housing cycle whilst supporting the Group's strategy of putting customers before volume
- Identify capital that is surplus to the operational needs of the business and distribute to shareholders

How we measure progress

Continue to invest in high quality land

- Owned and controlled land holdings of 84,174 plots at 31 December 2020
- Underlying gross margin* of 31% delivered during 2020 demonstrating the quality of the Group's land holdings
- 6,827 plots brought into the business in 2020

Working safely, responsibly and efficiently

- Established Covid-19 secure operating sites, manufacturing facilities and offices by April 2020
- Developed and delivered Covid-19 training to all staff
- Annual Injury Incidence Rate of 1.7 per 1,000 workers
- 6,376 pro-active site inspections
- GHG emissions of 2.16 tonnes CO_2e per home sold
- The Group has set a pathway to net zero (see page 48)

Maintaining financial strength through the housing cycle

- Underlying gross margin* of 31% delivered during 2020 demonstrating the quality of the Group's land holdings
- Cash balance of £1.2bn at 31 December 2020
- Total dividend payment of 110p paid during 2020 in respect of the 2019 financial year
- Return on average capital employed of 29.4%**

* Stated before legacy buildings provision (2020: £75.0m, 2019: £nil) and based on new housing revenue (2020: £3,129.5m, 2019: £3,420.1m).

** 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 (2020: £75.0m, 2019: £nil) and, goodwill impairment (2020: £4.3m, 2019: £7.3m).

Our business model

HOW WE CREATE SUSTAINABLE VALUE

The Group's established strategy, implemented over many years, of minimising financial risks and deploying capital at the right time, recognises the cyclical nature of the housing industry and ensures the business is well placed to face periods of uncertainty.

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

THE RESOURCES WE NEED

High quality land holdings

See pages 42 to 44

A diverse and talented workforce

See pages 36 to 41

A secure supply chain

See pages 49 to 51

Good relationships with our local communities

See pages 34 to 35

Good relationships with local Government

See page 43

Financial strength

See pages 52 to 57

Details of how we engage with all of our stakeholders can be found on pages 72 to 75.

THE SUSTAINABLE VALUE WE CREATE

Our business model delivers sustainable value for all our stakeholders.

New homes delivered
13,575
2,212 delivered to housing associations

Investing in communities
c.£2.4bn
over the last six years

'Homes for all'
c.17%
our private average selling price is c.17% lower than the UK national average*

HBF score
89.7%
HBF survey – percentage of customers who would recommend Persimmon to a friend

Employment
5,156
people directly employed on average in 2020

Jobs supported**
c.86,000
construction and supply chain jobs

Financial strength
£3.5bn
Balance sheet net assets at 31 December 2020

Surplus capital returned to shareholders
£351m
in the year to 31 December 2020

* 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.

** Estimated using an economic toolkit.

Further information regarding the ways in which our business model supports communities in which we build, the economy and the environment can be found on pages 28 to 53.

WHAT WE DO

See the progress on our core focus areas from page 28.

Identify areas of housing need

We have skilled Group and regional operational management and land planning and design teams who have a good knowledge of their local areas and understand where communities need more homes. Our teams work closely with local Government, land owners and their communities to identify and plan developments that best suit local needs. They identify areas that have good transport links, are close to local amenities and determine which mix of house types will best meet the needs of the local communities.

Linkage to strategy

Disciplined land investment at the right time in the housing cycle

The Group has high quality land holdings providing it with continuity of supply of outlets, a geographically diverse network of upcoming and current developments and the flexibility to invest only when it is the right time in the cycle and when the investment meets the Group's strict criteria. The Group prioritises strategic land investment – e.g. securing options over areas of land, having found that this secures a stronger return on investment.

Linkage to strategy

Design communities

The Group's planning and design teams aim to design developments with open space and the right balance of house types to meet local communities' needs. The Group has well designed core house types which provide a range of affordably priced homes meeting the lifestyle needs of our customers from first time buyers to larger family homes. Our newly built homes are on average 40% more energy efficient than existing housing stock meaning that our customers will generate lower carbon emissions and live more affordably in their new home.

Linkage to strategy

Material supplies, vertical integration and construction

Our Group Procurement department secures group deals for key material components. Each of our regional businesses have an experienced local buying team who utilise the Group deals and have the ability to secure deals with local suppliers where beneficial. The Group owns Space4 (a timber frame, wall panel and roof cassette manufacturing facility) and has built its own brickworks and tileworks facilities. This in-house manufacturing capability provides security of supply of key materials. The Persimmon Way, the Group wide consolidated approach to new home construction, is embedded within the business and making a real difference to improving build quality across the Group.

Linkage to strategy

Customer service

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

Linkage to strategy

Our Key Performance Indicators (KPIs)

HOW WE PERFORMED

FINANCIAL KPIs

Revenue measures

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

New housing revenue (£m)

-8%

2020	3,129.5
2019	3,420.1
2018	3,545.8
2017	3,422.3
2016	3,136.8

Linkage to strategy

Forward sales at 31 December(£m)

+15%

2020	1,689.2
2019	1,356.5
2018	1,397.2
2017	1,356.1
2016	1,234.1

Linkage to strategy

Profit measures

We have a long track record of delivering returns that are amongst the best in the sector. Our land replacement processes, cost management and efficiency programmes aim to generate superior returns which provides a platform for further investment in the Group's resources to support our disciplined growth.

Underlying new housing operating margin (%)[1]

-9%

2020	27.6
2019	30.3
2018	30.8
2017	28.2
2016	24.8

Linkage to strategy

Linkage to remuneration on pages 110 to 127

Underlying profit before tax (£m)[2]

-18%

2020	863.1
2019	1,048.1
2018	1,100.0
2017	977.1
2016	782.8

Linkage to strategy

Linkage to remuneration on pages 110 to 127

1 Stated before legacy buildings provision of £75.0m (2019: £nil) and goodwill impairment (2020: £4.3m, 2019: £7.3m). After legacy buildings provision and goodwill impairment the figures are as follows: Housing operating margin: 25.0% (2019: 30.1%; 2018: 30.5%; 2017: 27.9%; 2016: 24.6%).

2 Stated before legacy buildings provision of £75.0m (2019: £nil) and goodwill impairment (2020: £4.3m, 2019: £7.3m). After legacy buildings provision and goodwill impairment the figures are as follows: Profit before tax: £783.8m (2019: £1,040.8m; 2018: £1,090.8m; 2017: £966.1m; 2016: £774.8m).

Cash and cash flow measures

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

Free cash generation (£m)[1]

+23%

2020	748.8
2019	608.0
2018	686.0
2017	806.3
2016	684.3

Linkage to strategy

Linkage to remuneration on pages 110 to 127

Cash (£m)

+46%

2020	1,234.1
2019	843.9
2018	1,048.1
2017	1,302.7
2016	913.0

Linkage to strategy

Linkage to remuneration on pages 110 to 127

Return measures

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

Return on average capital employed (%)[2]

-21%

2020	29.4
2019	37.0
2018	41.3
2017	40.3
2016	30.7

Linkage to strategy

Linkage to remuneration on pages 110 to 127

Net assets per share (pence)

+8%

2020	1,102.7
2019	1,021.7
2018	1,006.0
2017	1,036.6
2016	887.3

Linkage to strategy

1 Free cash generation is defined as net cash flow before financing activities and before £0.7m of employers' National Insurance contribution payments in respect of share-based payments (2019: £13.9m; 2018: £46.7m; 2016-17: nil).

2 12 month rolling average calculated on underlying operating profit and total capital employed (including land payables). Capital employed is the Group's net assets less cash and cash equivalents plus land payables. After legacy buildings provision and goodwill impairment the figures are as follows: Return on average capital employed: 26.7% (2019: 36.7%; 2018: 41.0%; 2017: 39.8%; 2016: 30.3%).

Our Key Performance Indicators (KPIs)

HOW WE PERFORMED CONTINUED

NON-FINANCIAL KPIs

Customer survey

We participate in the Home Builders Federation National New Homes Customer Satisfaction Survey[1]. This helps us to monitor our overall service and the quality of our homes.

	Customer satisfaction scores	Quality
2020	89.7	84.7
2019	83.7	79.2
2018	78.9	77.6
2017	79.1	78.3
2016	74.6	74.6

Linkage to strategy

Linkage to remuneration on pages 110 to 127

Construction work related incidents

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

	Number
2020	3.4
2019	3.8
2018	3.2
2017	3.6
2016	3.6

Linkage to strategy

Linkage to sustainability on pages 46 to 47

Percentage of waste recycled

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

	Percentage recycled
2020	96%
2019	97%
2018	96%
2017	92%
2016	93%

Linkage to strategy

Land holdings

Land is our key raw material and we monitor the amount of land we control with planning permission to ensure that we have continuity of supply.

	Plots
2020	84,174
2019	93,246
2018	99,088
2017	98,445
2016	97,187

Linkage to strategy

1 Questionnaires returned for homes sold from October to September each year.

Our sustainability approach

PART OF OUR EVERY DAY

For Persimmon, sustainability is about looking after our customers, our workforce and our suppliers. It's about adopting innovative build and design techniques to reduce our environmental impact, while continuing to ensure we deliver strong financial results.

Materiality assessment – identifying what's important

To assist in shaping the Group's sustainability approach, Persimmon undertook a sustainability materiality assessment. This helps identify the key environmental, social and governance risks and opportunities for Persimmon, taking into account potential impact on the business and the current issues that matters most to our key stakeholder groups.

A number of relevant issues were considered against recent stakeholder engagement, Government strategy, ongoing trends, publications, media analysis and customer insight.

The exercise identified ten material issues for the Group. These material issues provide a clear direction of travel for the business ensuring our sustainability approach is aligned to the issues that matter most.

Material issues		
1 Climate change action and resilience	5 Health and safety	9 Talent, attraction, development, diversity and engagement
2 Strategy	6 Governance	10 Cyber security and protection
3 Build quality and safety	7 Helping customers live sustainably	
4 Customer satisfaction	8 Social value/enhancing communities	

Our material issues are reflected in our three pillars which you'll find more information about overleaf.

Our sustainability approach

PART OF OUR EVERY DAY BUSINESS CONTINUED

WE HAVE IDENTIFIED THREE KEY PILLARS TO DRIVE OUR FOCUS AND PERFORMANCE

Building for tomorrow

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

Transforming communities

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

Safe and inclusive

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

The results of the materiality assessment have helped shape our sustainability approach. Our three key pillars reflect our material issues and are aligned to the Group's strategic objectives ensuring that sustainability is a core part of the Group's ongoing operations.

The UN Sustainable Development Goals ('UN SDGs') universally apply to all and aim to end all forms of poverty, fight inequalities and tackle climate change on a global scale by 2030. At Persimmon, we want to address these global challenges in a meaningful way that is relevant and aligned to our sustainability approach and our strategic objectives. The table below shows how we align to ten of the UN SDGs.

See our Sustainability Report, www.persimmonhomes.com/corporate

Building for tomorrow	Transforming communities	Safe and inclusive
Alignment with our core focus areas		
UN SDG alignment		
7 Affordable and clean energy; 11 Sustainable cities and communities; 12 Responsible consumption and production; 13 Climate action; 15 Life on land	11 Sustainable cities and communities; 15 Life on land	3 Good health and well-being; 4 Quality education; 5 Gender equality; 8 Decent work and economic growth; 10 Reduced inequalities
Key targets		
• We have set science based carbon reduction targets for our operations and our indirect emissions (i.e. our homes in use and our supply chain, see page 48 for more detail). • We wish to take this further and aim to be net zero carbon for our homes in use by 2030 and in our operations by 2040 (see page 68). • 50% of our homes will be built using timber frames from our off-site manufacturing facilities by 2025.	• Achieve HBF five-star rating on the eight-week customer satisfaction scores year on year. • From 2022, we will be proactive to ensure compliance with 10% Biodiversity Net Gain when it is expected to be introduced during 2023. • We will create an internal Persimmon Way placemaking framework for our developments focusing on wellbeing and social value.	• In 2021 we will reduce NHBC Reportable Incidents by 20%. • We will report our Annual Injury Incidence Rate and will improve year on year. • Aim to have females composing: 40% of our employees, 35% of our senior management team and 45% of employees in management roles by the end of 2025. • We will become a Living Wage Foundation accredited employer. • We will deliver a tailored training programme to every direct employee via the 'Persimmon Pathway'.

For TCFD disclosures See page 67.

Our sustainability approach

SUSTAINABILITY ACCOUNTING STANDARDS BOARD (SASB) DISCLOSURES

The Group has chosen to evolve its sustainability reporting further by disclosing sustainability topics and certain accounting metrics in line with the HOME BUILDERS Sustainability Accounting Standard, where possible.

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

Sustainability Disclosure Topics and Accounting Metrics

Activity metric	Code	Category	Unit of measure	Data
Number of owned and controlled plots	IF-HB-000.A	Quantitative	Number	84,174
Number of homes delivered	IF-HB-000.B	Quantitative	Number	13,575
Number of active selling communities	IF-HB-000.C	Quantitative	Number	c.300

Topic	Accounting metric	2020 data	SASB code
Land use and ecological impacts	Number of (1) plots and (2) homes delivered on redevelopment sites	(1) 21,979 plots (2) 3,414 homes	IF-HB-160a.1
	Number of (1) plots and (2) homes delivered in regions with High or Extremely High Baseline Water Stress	(1) 2,842 plots (2) 598 homes	IF-HB-160a.2
	Total amount of monetary losses as a result of legal proceedings associated with environmental regulations	£Nil	IF-HB-160a.3
	Discussion of process to integrate environmental considerations into site selection, site design, and site development and construction	The Group performs a 'Planning and Environmental Risk Assessment' for each potential site identified covering matters including contaminated land, water contamination and biodiversity impacts. This assessment is used to plan and design the site and put in place appropriate measures to mitigate adverse environmental impacts. The Group's technical and construction teams are involved in site planning and development from an early stage in the planning process through 'land technical team meetings' and 'pre-start meetings' to discuss progressing the scheme and ensure the environmental conditions are effectively implemented on-site.	IF-HB-160a.4
	Public open spaces and gardens provided for families**	635 acres	Additional information
Workforce Health and Safety	(1) Total recordable incident rate (TRIR) and (2) fatality rate for (a) direct employees and (b) contract employees	(1) (a) Annual Injury Incidence Rate of 1.7 per 1,000 workers (reported in line with UK Health and Safety Executive (HSE) methodology) (2) (a) 0, (b) 0	IF-HB-320a.1
	Construction work related incidents per 1,000 workers	3.4	Additional information
	Health and safety training days delivered	1,028 days	Additional information

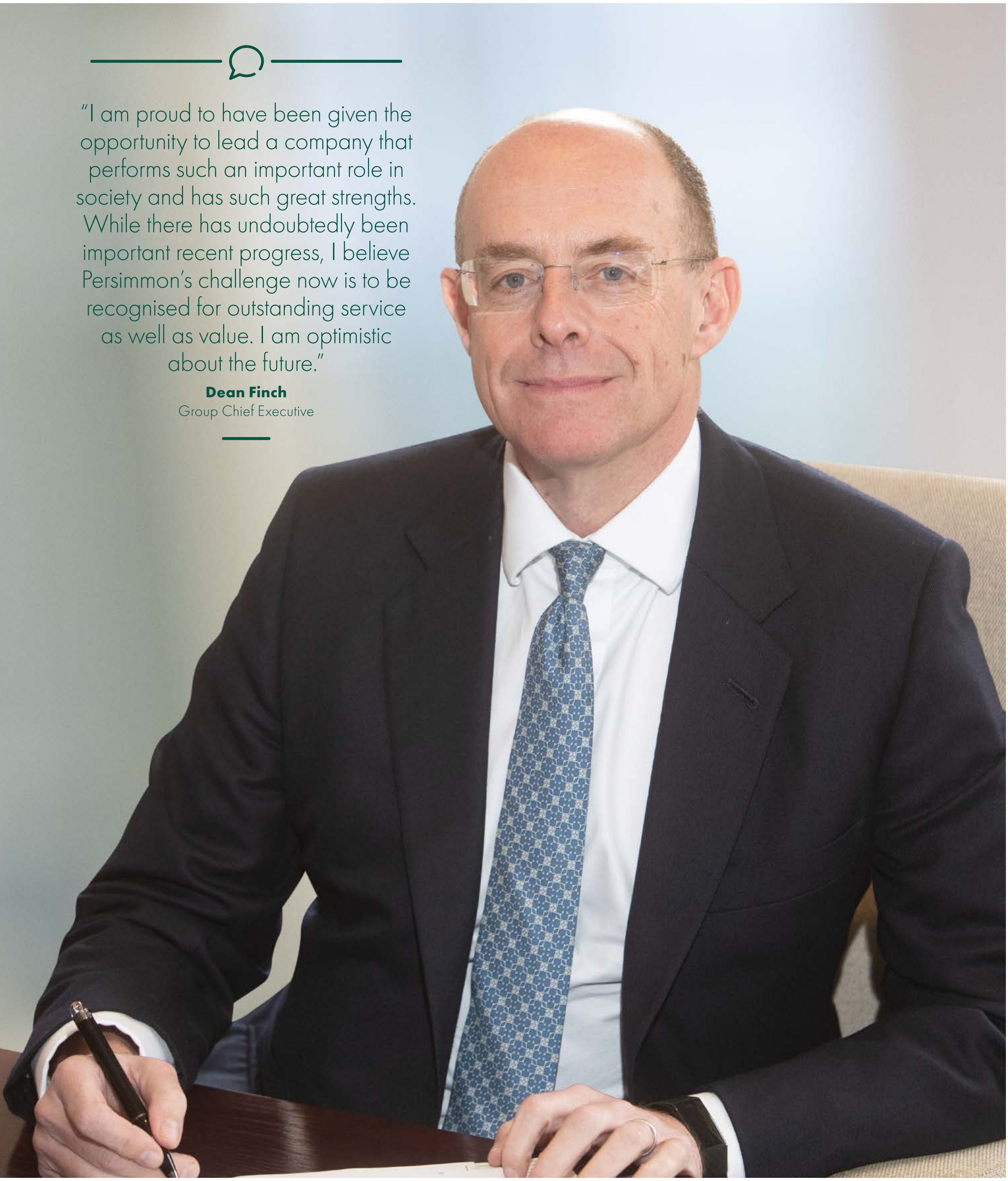
Topic	Accounting metric	2020 data	SASB code
Design for resource efficiency	Average energy efficiency score of our new homes (SAP rating)*	86	IF-HB-410a.1
	Percentage of new homes delivered that were fitted with LED bulbs	100%	Additional information
	Percentage of installed water fixtures certified to WaterSense® specifications	This is a program sponsored by the US Environmental Protection Agency and as such, not specifically relevant to Persimmon. For information on the efficiency of our homes, please see page 48.	IF-HB-410a.2
	Number of homes delivered certified to a third party multi-attribute green building standard	Note that there are no equivalent multi attribute green building standards in the UK.	IF-HB-410a.3
	Description of risks and opportunities related to incorporating resource efficiency into home design, and how benefits are communicated to customers	All of our homes are designed to achieve high levels of energy efficiency, see page 48 for more details.	IF-HB-410a.4
Community impacts of new developments	Description of how proximity and access to infrastructure, services, and economic centres affect site selection and development decisions	When selecting sites for development, Persimmon's objective is to develop natural extensions to existing communities that have the least environmental impact. As such, proximity to existing infrastructure and local amenities such as schools, shops and towns is a key consideration for the Group's land, planning and design teams when identifying potential sites.	IF-HB-410b.1
	Number of (1) plots and (2) homes delivered on infill sites	(1) 60,205 plots (2) 9,819 homes	IF-HB-410b.2
	(1) Number of homes delivered in compact developments and (2) average density	(1) 6,644 homes (2) 17 plots per net developable acre	IF-HB-410b.3
	First occupation expenditure – customers' expenditure on furnishing and decorating their new home**	£74m	Additional information
	Residential expenditure – spending within local shops and services by residents of new homes delivered**	£402m	Additional information
Climate change adaptation	Number of plots located in 100-year flood zones	The Group does not build directly on 100-year flood zones. If any area within our sites fall into this category, it is not developed, in line with the planning requirements, which will have been agreed before land investment.	IF-HB-420a.1
	Percentage of sites with sustainable urban drainage systems	78%	Additional information
	Description of climate change risk exposure analysis, degree of systematic portfolio exposure, and strategies for mitigating risks	Please see the Group's Task Force on Climate related Risk Disclosures (TCFD) on page 67.	IF-HB-420a.2

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

** Estimated using an economic toolkit.

Group Chief Executive's statement

BUILDING ON PERSIMMON'S STRENGTHS



"I am proud to have been given the opportunity to lead a company that performs such an important role in society and has such great strengths. While there has undoubtedly been important recent progress, I believe Persimmon's challenge now is to be recognised for outstanding service as well as value. I am optimistic about the future."

Dean Finch
Group Chief Executive

In my five months at Persimmon I have seen for myself – as I have toured as many of our sites as restrictions will permit – our many great strengths. I want to immediately pay tribute to our employees who have continued to build safely despite the challenge of Covid-19. From right back at the start of the pandemic, Persimmon's response has been very nimble, dealing with a difficult situation well.

Right across the country we have committed teams who combine industry-leading expertise in land purchase with site development efficiency, delivering good value homes at prices substantially below the sector average. We are known for offering outstanding value, and the importance of that is not to be underestimated: Persimmon is opening up the opportunity of home ownership to thousands of families each year who otherwise might not have been able to afford it.

I am proud to have been given the opportunity to lead a company that performs such an important role and has such strengths. Persimmon is incredibly well-positioned in the markets – first time buyer and first time mover, especially – it has served so strongly. We have maintained industry-leading margins, achieved strong financial performance and secured a robust balance sheet by investing smartly through the economic cycle and retaining a competitive edge over our rivals. These are great prizes that must – and will – remain the hallmark of Persimmon's approach and continue to drive strong shareholder returns.

To maintain these leadership positions I believe Persimmon needs to change in some specific areas. There is a need for careful evolution, rather than revolution. While there has undoubtedly been important recent progress, I believe, Persimmon's challenge now is to be recognised for outstanding service as well as value. In my career I have learnt the crucial importance of safety and service and putting the customer at the heart of all that we do. When that is delivered – or even better, you become trusted to deliver it – it sustains financial success.

In some important, targeted areas we have been reviewing our approach. Our product range is strong, but I believe there are opportunities for a small number of additional house types to meet evolving demand within Persimmon's market segments. Persimmon's site development efficiency is outstanding, but there are opportunities to drive even greater benefit from our manufacturing facilities and a 'build right, first time, every time' programme.

I see success here as generating both savings to be reinvested to help maintain our competitive advantage and securing an enhanced capability to supply more homes that consistently achieve a five-star customer satisfaction score.

There is a real opportunity to build on Persimmon's many great strengths and secure the next chapter of its success. At its best Persimmon is a powerful combination of a very disciplined approach to investment and costs coupled with an entrepreneurial spirit that captures new market opportunities. I want us to build on this and enhance our capabilities further, by setting new ambitions for build quality, customer service and growth whilst remaining nimble and being able to respond quickly to any changing economic conditions. As I set out in more detail below, we will invest to help achieve this – for example, in a prudent approach to land – while retaining the discipline that has underpinned our strong shareholder returns.

I have five key priorities to achieve our new ambition and secure a reputation for providing both outstanding service and outstanding value:

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

Group Chief Executive's statement

BUILDING ON PERSIMMON'S STRENGTHS CONTINUED

Quality

To become truly customer-focused we must start with quality, my first priority. I am acutely aware that by purchasing one of our homes, our customers may well be making their largest lifetime financial commitment and one that has significant emotional importance. We must make sure we are providing them with the best quality home at the best possible price, delivered with outstanding service.

This is why further strengthening the Persimmon Way is so important, enhancing existing procedures and establishing new review points to improve standards across the Group. I have seen first-hand the difference this is making, with happier customers and efficiency benefits such as lower remediation costs, protecting our industry-leading margins.

These benefits are why I want to go further and faster in implementing it consistently across the Group. I want the Persimmon Way to be synonymous with a new standard in the industry, one that our customers can trust. Ultimately I want the Persimmon Way to become less our own quality assurance process and more a guarantee for customers.

Our ambition is to build right, first time, every time, by setting new industry standards for construction, independent inspections, and employee training:

- We will adopt more exacting building tolerances than existing industry standards;
- We will employ the industry's largest group of Independent Quality Controllers who will check every stage of construction, by doubling our team of inspectors to over 60 by the end of this year;
- This team, which will directly report to the Group Construction Director, will assess every single plot we build at a number of key stages and only allow work to continue if our higher standards have been met;
- Our new 'Persimmon Pathway' will ultimately ensure that every direct employee will receive a tailored training programme. We are starting with our site-based colleagues, so they can receive the recognised industry qualification in their area of expertise. Alongside our pioneering new NVQ Assessment Centre and a reinvigorated toolbox talk programme for tradespeople, we will ensure our Site Managers, Independent Quality Controllers and sales advisors are amongst the best trained in the industry.

These enhanced standards, the increased investment and enhanced training are targeted at ensuring we build right, first time, every time. With a significantly expanded team under our Group Construction Director and a new Group Technical Director, we are strengthening our central oversight to ensure the consistent application of these standards. This is clearly crucial, but to strengthen our customers' trust we need to go further.

Reinforcing trust

My second priority is to reinforce trust in the Group's brands. I want our customers to feel that we are a dependable partner. As well as setting new quality standards and improving our own processes, I want our customers to feel a valued part of the review process, able in good time to flag any issues and concerns. An immediate focus last year when I joined the company was ensuring consistent compliance with our Persimmon Way policy that properties should be finished 21 days ahead of customers completing their purchase, so that a high quality finish can be achieved before a customer moves in. Whilst this effectively reduced the number of homes we handed over in the second half of 2020 (although we still achieved record levels) crucially, we have already started to see a notable improvement in customer satisfaction scores. While there remains work to be done, this performance shows the further potential of this approach. We also expect, of course, to see a reduction in the corresponding remedial spend, offsetting the investment and maintaining industry-leading margins.

Fundamentally, this is about strengthening our care procedures so that customers feel they have received both outstanding value and outstanding service.

We are strengthening customer service teams across the Group and reviewing how we interact with customers throughout their whole Persimmon experience. We have made positive progress already, with our current customer satisfaction scores trending ahead of the five-star HBF rating in their eight-week post-sale survey. I am determined to both further improve the eight-week score so we are consistently five-star and significantly improve the longer term satisfaction of our customers. We are piloting a new customer portal to enhance their service experience ahead of a wider Group roll-out. This portal will support our customers from the point of reserving their new home.

I am also determined that we reinforce our position as a trusted partner for planning authorities, public bodies and within the industry. The Government has ambitious targets for 300,000 houses a year with expanded homeownership also a key objective. As consistently one of the largest builders by volume at prices below the sector's average, we are ideally placed to help Government deliver.

Growth

My third priority is growth. Assuming a stable market, 2021 will be a year of rebuilding volumes as we emerge from the pandemic. We are targeting pre-pandemic levels of output in 2022 and thereafter Persimmon is particularly well placed to accelerate delivery. The Government housebuilding targets provide an indication of the medium to longer-term growth opportunity in the market.

Persimmon has strong land holdings to draw upon to help achieve this. At 31 December 2020, the Group had 84,174 plots that were owned and under control (2019: 93,246 plots). Specifically, 67,205 plots are owned of which 42,963 have detailed implementable planning consent. A further 16,969 plots are 'under control', being plots that the Group has exchanged contracts on but have yet to complete due to outstanding planning conditions.

Today we have about 300 active outlets which we will expand over the coming years to meet our targets. Our experienced land and planning teams will continue to progress our under control land holdings through the planning system enabling us to achieve our near term growth targets. To meet our medium to longer-term ambitions and capture the opportunities that exist we will need more land. We have a well justified, strong reputation for buying land that I have sought to reinvigorate. I anticipate that land spend in 2021 will start to return to historic levels of c.£0.5bn a year. Recognising that we live in highly uncertain times, and Persimmon's historic success in investing strategically through economic cycles, we will of course proceed carefully and should the economic circumstances change we will adapt quickly and nimbly to meet them.

With our strong capabilities in the land market and our focus on further quality and service improvements we are in an excellent position to capture more of the market with homes that ensure we consistently secure five-star customer satisfaction scores. With the associated efficiency benefits our growth will be designed to continue to deliver industry-leading margins and returns.

We will grow our local teams and have invested in digital technology to increase both our capacity and capabilities in identifying the most sustainable locations for future development. Central oversight has been expanded through a new Land Committee which rigorously scrutinises our purchasing against demanding hurdle rates that guarantee value creation for shareholders whilst ensuring we deliver the homes our customers and local communities need. We will also be looking to build new partnerships, as we seek new sources of land.

Our expertise in developing land is also well earned and something I have witnessed for myself on my site visits. This requires real skill and I believe we have industry leading capabilities and creativity, often identifying good opportunities that our competitors overlook.

We also have strong assets in our timber frame, brick and tile manufacturing facilities that – as I set out below – I believe can drive even greater opportunities for both improved build quality and efficiency. Our FibreNest broadband network is another great business asset and one that we are looking to develop further. Providing high quality, broadband access from the day customers move in is a great service credential and one we want to ensure we provide consistently.

Financial

As I have highlighted, there are real opportunities to drive improved performance from the Group, but we start from incredibly solid foundations. We have a great team, a countrywide footprint and a balance sheet that matches our ambitions. We will not take any of that for granted and instead are determined to continue to lead the industry in financial performance, my fourth key priority. Persimmon has had a very successful capital return programme over recent years and I am determined that we continue to deliver strong shareholder returns for years to come. Indeed, we will look to see how we can improve them further while meeting the investment needs of the business.

I believe there are significant efficiency opportunities for us to capture. I have already mentioned the opportunity our manufacturing facilities and the reduced remedial spend from build right, first time, every time present. Our manufacturing facilities have the opportunity to be an even greater contributor to our operational efficiency. We have recently decided, for example, to expand the range of products made by our tile factory. With this investment in an expanded tile range the factory itself will also work at an even more efficient rate.

Group Chief Executive's statement

BUILDING ON PERSIMMON'S STRENGTHS CONTINUED

New homes delivered

13,575

2019: 15,855

Underlying new housing operating margin*

27.6%

2019: 30.3%

Improvements in our brick factory should lead to the business using substantially more of our own bricks this year. With the growing interest in Modern Methods of Construction, as well as a continual drive for greater efficiency, I have instigated a thorough review of the brick, tile and timber frame manufacturing facilities to ensure we maximise their contribution to Persimmon's future.

There is also a real opportunity from targeting waste and remediation. We have recently taken action to take advantage of the opportunity to eliminate more frequent build process issues to ensure a better finish. We believe this will generate an immediate pay back as well as improve customer satisfaction. Procurement is another area of focus, and we have recently appointed a new Group Commercial Director. Given our size and importance to multiple suppliers we are now taking a more strategic approach, reviewing existing contracts and expanding the use of multi-year deals. We anticipate this will deliver both meaningful cost savings and improved service levels.

We are building from significant financial strength. The resilience demonstrated against the backdrop of a global pandemic is notable. The record number of new homes completed in the second half of the year of 8,675, mitigated some of the impact caused by the on-site and operational disruption experienced in the second quarter of 2020. As such, the Group delivered 13,575 new homes to its customers (14% lower than 2019) generating new housing revenue of £3,130m (2019: £3,420m). We have also seen the strong demand for new homes continue in the early weeks of 2021.

Underlying profit before tax[1] was £863m (2019: £1,048m) with an underlying new housing operating margin[2] of 27.6% (2019: 30.3%). The resilient margin reflects the Group's high quality land holdings.

The Group has a robust balance sheet, with net assets of £3,518m (December 2019: £3,258m) and land holdings of £1,722m (December 2019: £1,939m). Our liquidity is strong with cash holdings of £1,234m at 31 December 2020 (December 2019: £844m) and reduced land creditors of £329m (December 2019: £435m) providing an excellent platform for future growth.

Sustainable communities

As I have said, Persimmon plays a crucial role in society, which is why sustainable communities is my fifth key priority. We provide skilled jobs up-and-down the country, and meet a pressing need for new homes and the aspiration of home ownership for thousands every year by delivering 'homes for all'. Our private average selling price of £250,897 for the year to 31 December 2020 is c.17% below the UK national average[3] and we help a significant number of younger people onto the housing ladder, with c.50% of our private home completions to first time buyers.

Recognising the role we play in society, I am determined we do more to make a positive difference in the communities we are part of. We have well-established programmes such as Community Champions and Building Futures that have been very popular and well-received. I want us to also embrace the power of our practice and ensure our approach to business itself is making as positive a difference as possible. We are hoping to shortly become a Living Wage Foundation accredited employer, for example. As a signatory of the Social Mobility Pledge we are looking to see how we can provide new opportunities for jobs and skills development in the most disadvantaged areas of our country. The Group has also set new diversity targets, recognising the benefits that a more diverse workforce brings.

Our environment

The world is also facing an unprecedented environmental challenge so we must – and will – play a full and active role in the imperative of achieving a net zero carbon economy.

We have developed a net zero carbon plan with the targets of having net zero carbon homes in use from 2030 and achieving net zero emissions across our own operations by 2040. We will set out further details in due course, but as a first step we have adopted the science based target approach to carbon reduction in line with the Paris Agreement.

1 Stated before legacy buildings provision of £75.0m (2019: £nil) and goodwill impairment of £4.3m (2019: £7.3m).

2 Stated before legacy buildings provision (2020: £75.0m, 2019: £nil) and goodwill impairment (2020: £4.3m, 2019: £7.3m) and based on new housing revenue (2020: £3,129.5m, 2019: £3,420.1m).

3 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.

We have also published the Task Force for Climate related Financial Disclosures and SASB in our Annual Report and Accounts and will monitor our performance against these measures. The Government has set very ambitious targets through its Future Homes Standard.

We share the objective of net zero carbon homes and are already building our first 'zero carbon ready' house, in York. This house is one of our standard range, engineered to deliver the necessary carbon savings. We believe that in looking to adapt a 'standard' home, this is an industry first. We are running it as a research project in partnership with the University of Salford to investigate how effective the modifications are when a family lives in it and goes about their daily lives. We hope the project is both an exemplar and identifies where we can make improvements to meet the Government's ambitions most efficiently.

As well as a net zero carbon plan, we are also reviewing our broader environmental impact including biodiversity, water and waste targets. This agenda is, of course, broader than the environment alone. This whole sustainability and community agenda is one I hope to develop continually in my time at Persimmon.

We will shortly establish a new vision and values to firmly embed a culture that is determined to be the builder that customers trust, by delivering consistent quality and making a positive difference to the environment and communities we are part of. These will be the foundations of our future growth and sustained shareholder returns.

It was with this new approach in mind that Persimmon announced on 10 February 2021 our decision to act on cladding and provide reassurance to residents of any multi-storey building we built. In total we have identified 26 buildings built by us that may contain now-banned cladding. Where we still own these buildings we will lead the work to make sure residents are safe and any issues around now-banned cladding are addressed. Where we are no longer the owner, the current owner has the legal responsibility and duty to act. We will offer our support to these owners and seek to work with them to carry out their legal responsibilities. Ultimately, however, if the owners do not step up to their responsibilities we will make sure the residents are safe.

Our commitment is therefore to keep the residents safe and make sure the necessary work is carried out. We have set aside a £75m fund to pay for our contribution to this work. We have made this commitment because we think it is the right thing to do.

We are currently assisting the Consumer Markets Authority with their enquiries into new properties sold on leasehold terms.

Outlook

Persimmon is a company with fantastic assets and great people which has consistently delivered industry-leading financial performance. We play a crucially important role in society, creating jobs as well as expanding the opportunity of home ownership. I am optimistic about the future.

We demonstrated what is possible in the second half of 2020 by strictly enforcing the 21-day pre-handover quality processes, delivering record completions and improving customer satisfaction scores. I believe with this continued focus we will also successfully support our customers' longer term enjoyment of the places we help create. We are investing further in training, customer service and quality to ensure we enhance our brands, in land to enable us to continue to grow volumes and help eliminate the critical shortage of homes in the country, and in sustainability to help improve the environment and the communities where our customers live.

With a reputation for both outstanding service and value, I want us to be a trusted partner for our customers and for our other stakeholders, as we play a full part in helping to meet the Government's ambitions for new home delivery across the country. We will achieve this while maintaining our industry-leading margins as the investment in building right, first time, every time and our further improvements to customer service will be offset by the operational efficiencies these initiatives will bring.

In the medium term these improvements will enable us to meet demand with homes that more consistently secure a five-star customer satisfaction score, which when coupled with reinvigorated yet disciplined land acquisition will grow our outlet network, profits and cashflow. This will enable us to maintain our strong and flexible balance sheet and deliver enhanced returns to shareholders.

In 2021 we are still operating under the limitations of the Covid pandemic but we have had a strong start with current forward sales of £2.3bn, 15% higher year on year. We expect to deliver new home completion volumes approaching the levels seen during the first half of 2019, with similar delivery in the second half. Group margin is expected to reflect the increased proportion of homes sold to our Housing Association partners. Beyond this year we are targeting a return to 2019 volume levels in 2022 and with a stable market hope to continue to grow further in the medium term as the benefits of our quality and customer service improvement programmes take hold. To reflect this we intend to increase our land purchasing to expand our active outlet network further strengthening our development network right across the UK. We will of course remain nimble to changing market conditions and keep our land position and strategy under constant review.

It is a privilege to have been asked to lead this company and there is much to do. Working with my many outstanding colleagues I look forward to meeting the challenges and capitalising on the many opportunities ahead.

Dean Finch
Group Chief Executive
2 March 2021

Our core focus areas

SUPPORTING OUR CUSTOMERS

Persimmon's ambition is to build right, first time, every time. We will focus on our customers and consistently deliver the homes they want. The Persimmon Way is key to achieving this and we will build on the progress already made to consistently deliver high quality homes and excellent customer service.

"We must make sure we are providing our customers with the best quality home at the best possible price, delivered with outstanding service."

Dean Finch
Group Chief Executive

Reinforcing trust

A home is one of the most significant investments our customers will make and one that has significant emotional importance. We recognise our responsibility to each and every one of them. Last year the Group embarked on a period of cultural and operational change to enhance our customer care and build quality in particular. We have made important progress in this regard.

We strive to consistently deliver good quality homes for all our customers and to ensure they are provided with an excellent service from the point they choose their new home to their moving in day and beyond.

Supporting our customers

We are clear in our objective of becoming a truly customer-focused business. Throughout 2020, the Group maintained its focus on improving build quality and customer service through:

- implementing 'the Persimmon Way', a Group wide consolidated approach to new home construction;
- rolling out enhanced quality assurance processes;
- improving communication with our customers at all stages of the home buying process;
- providing comprehensive training programmes to relevant colleagues which support the implementation of the Persimmon Way;
- investing in technology; and,
- strengthening consumer rights with Persimmon's unique Homebuyer Retention Scheme.

We are pleased with the progress made and in 2021, aim to go further and faster in implementing the Persimmon Way consistently across the Group.

THE Persimmon Way

The Persimmon Way ensures that we consistently provide good quality homes to all of our customers. It is a comprehensive programme covering all aspects of our build process. We aim to build right, first time, every time by setting new industry standards for construction, assurance processes and training.

Build Quality

We continue to standardise new home design and construction detail across the business to support the drive for improved consistency of high quality 'build right, first time, every time' delivery. Going forward, we will adopt more exacting building tolerances than existing industry standards, further driving increased efficiencies and improved quality across the business.

Independent Quality Controllers

The Group has c.30 Independent Quality Inspectors, who report directly to the Group Construction Director, and undertake quality assurance inspections across all of our developments. A detailed 21 key stage inspection process now takes place during the construction of all of our new homes. This enhanced assurance process is improving build efficiencies across our sites as we 'build right, first time, every time'. The Group will therefore invest further in this valuable resource, doubling the number of Inspectors during 2021.

Training

A complementary training programme is crucial to the successful application of the Persimmon Way, consistently across the business.

A three day 'Site Managers Essentials' programme, mandatory online modules and on-site Toolbox Talks targeting build quality were developed in 2020 to support the implementation of the Persimmon Way.

In 2021, a comprehensive Site Manager and Assistant Site Manager 'Persimmon Pathway' will be developed. It will deliver a programme of internal training from induction through to competency levels, and will further improve build quality and efficiency in support of delivering continued higher levels of customer satisfaction.

Results from on-site inspections will be used to identify and target the training requirements effectively.

IT support

The Group has invested significantly in its digital systems which provide support with regard to the inspection and training processes.

External Audit

An independent external expert has been engaged to audit the implementation of the Persimmon Way across the Group and identify opportunities for further improvement over future periods. This process has worked well with regard to the Group's on-site Health & Safety protocols over many years.

Our core focus areas

SUPPORTING OUR CUSTOMERS CONTINUED

The homes we build

To assist in our aim of building right, first time, every time, the Group intends to adopt more exacting building tolerances than existing industry standards.

The Group's training programmes will also complement this overarching aim. The 'Persimmon Pathway' will be introduced to site-based colleagues initially, ensuring they receive the recognised industry qualification in their area of expertise (see page 38 for more information).

An Employee Awards Programme for build quality will be launched to recognise excellence and drive further cultural and behavioural change in this important area.

We also strive to maintain investment in our construction work in progress to ensure we have a good range and choice of homes for our customers. This also alleviates pressure on our build programmes and enables effective quality assurance processes to occur.

The disruption to build programmes caused by the first national lockdown together with the strong sales rates achieved through the second half of 2020, has resulted in a c.8% reduction in the number of equivalent units of new home construction at 31 December 2020 (2020: c.5,600 units, 2019: c.6,100 units). The Group's build rates, which had returned to pre-Covid levels from the start of July 2020, have been maintained as the Group manages the ongoing operational challenges associated with the pandemic.

Final quality checks before the customer moves in

When our homes are nearing completion, we perform a seven-stage inspection process, which includes full scrutiny by senior employees from the relevant regional companies. Each customer receives a 'New Home Demonstration' by the site construction manager and sales adviser. To allow these processes to occur effectively and demonstrating our commitment to put our 'customers before volume', our new homes should be finished 21 days ahead of completing their purchase, so that snagging can be properly addressed before our customers move in.

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

The Persimmon Homebuyer Retention Scheme

Since 1 July 2020, the Scheme has been utilised by c.50% of our private new home customers. It is unique to the industry and provides important consumer protection by allowing our customers' solicitors to retain 1.5% of the home's sales price until the customer is entirely happy with their new home and any outstanding items identified up to seven days after they have moved into their new home have been dealt with to their satisfaction.

Any such items are identified on the customer's 'Seven Day Inspection Form' which all of our customers (whether they sign up to the Retention Scheme or not) are encouraged to complete. This gives our customers a week to live in the property and identify any items that they require us to deal with, which our Customer Care teams will then focus on completing as soon as convenient for the customer.

Delivering good build quality

This suite of measures aims to ensure that all our homes are built to a high standard of safety and quality and are intended to drive the desired culture in our workforce.

It is important to us that any historical problems are rectified by taking action at the earliest opportunity. This was demonstrated when we identified that certain properties did not contain properly fitted cavity barriers. Once this issue was identified we reacted immediately. To date the Group has inspected over 35,000 properties and all properties which fail an inspection are remediated at the earliest opportunity. The Group has also appointed a leading independent fire engineer to verify the inspection regime adopted and to provide advice to the Group on aspects of its house types as part of our construction and fire strategy.

Our customer service

We have an established comprehensive customer service approach, including focused and clear communication, to support each and every customer throughout their journey from the date they reserve their new home to the bi-annual anniversary of their moving-in day. In addition, the Group is currently piloting its new customer portal which will inform new customers of the build progress of their new home and provide them with accurate, and timely information regarding their anticipated 'move in' date.

These measures aim to provide excellent customer service throughout their journey with Persimmon from the time they choose their new home to two years after they have moved in.

Our 2020 eight-week customer satisfaction score from the HBF is 89.7% (2019: 83.7%), a four-star rating (the threshold for which is 80%). We are pleased with this progress and delighted with the increasing number of customers who would recommend us to a friend. The Group has a target to achieve and maintain a five-star rating year on year. The Group is also focused on improving the support it provides to its customers over the longer term and aims to continue to increase its score from the HBF customer satisfaction survey issued to new home owners after nine-months of occupation.

For 2021, senior management's bonus will be partly dependent on the Group's eight-week customer satisfaction score and on build quality measures aligning their interests with these key focus areas for the Group.

Our customer care

Our aim is to build right, first time, every time, mitigating the need for customer care visits and appointments. However, if problems do occur, we want to rectify them as quickly and efficiently as possible.

The Group continues to invest in its customer care resource, which has increased by 67% since 2018. Each of the customer care teams receive training aimed at providing them with the skills required to rectify issues quickly and effectively. In 2021, the Group Training Department will develop additional structured training modules for our customer care teams as we strive to further improve our service and enhance customer satisfaction. In addition, our teams have access to new digital technology which continues to improve communication between our regional offices, our customer care departments and our customers.

During the country's lockdown periods, our customer care teams were available for emergency appointments. The Group is completing scheduled works where devolved Government regulations allow. To reduce the need for visits where possible, we have recorded a number of videos to assist customers in their understanding of their new home systems and appliances. Our teams have worked hard to ensure they are available to support new home owners safely through these challenging times.

Covid-19

It has been more important than ever to continue to support our customers through this challenging time. Throughout the year, irrespective of periods of lockdown, the Group's sales teams have been able to serve our customers, progressing enquiries, taking new reservations (including via an online facility) and assisting existing customers, working remotely if necessary.

We have stringent Covid-secure operating procedures across all of our operations. Our sales offices, which are open for appointment only bookings where devolved Government regulations allow, have protective screens and hand sanitising stations to keep our customers and our colleagues as safe as possible during visits. We have developed alternative approaches to allow us to communicate with and support our customers through our website providing, for example, virtual tours, support videos for our customers who are attending sales office appointments and for customers settling into their new home.

Our customer care teams have continued to provide emergency services throughout the year and are performing scheduled works where relevant Government regulations allow.

Delivering high quality broadband from moving in day

FibreNest, the Group's ultrafast, full fibre to the home broadband service, has been operational for two and a half years. It was developed in response to feedback from customers and aligns with current Government strategy to deliver modern technology to new homes. Our aim is to ensure that FibreNest provides ultrafast speeds coupled with excellent levels of service. To achieve this, we work with an experienced partner through a UK based call centre and skilled engineers. FibreNest currently serves over 12,500 customers across 198 developments with further rollouts continuing. The service is highly ranked compared to other internet service providers in the UK.

HBF score[1]

89.7%

2019: 83.7%

FibreNest

1 We participate in a National New Homes Survey, run by the HBF and issued eight weeks after a customer moves into their new home, which awards homebuilders stars for customer satisfaction. The survey year covers the period from 1 October to 30 September and the rating system is based on the number of customers who would recommend their builder to a friend.

Our core focus areas

SUPPORTING OUR CUSTOMERS CONTINUED

Delivering homes for all

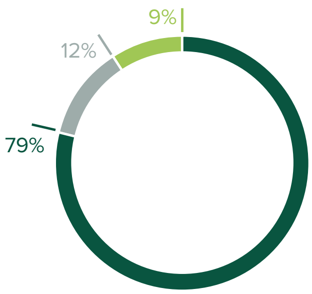
One of our strategic aims is to deliver housing that meets all of our customers' needs by providing a range of house types in areas where our customers want to live and work.

The Group has a strong network of active sites across the UK served by its 31 regional operating businesses. This, together with the Group's three distinctive house building brands; Persimmon, Charles Church and Westbury Partnerships enable us to provide desirable homes at a range of price points for our customers.

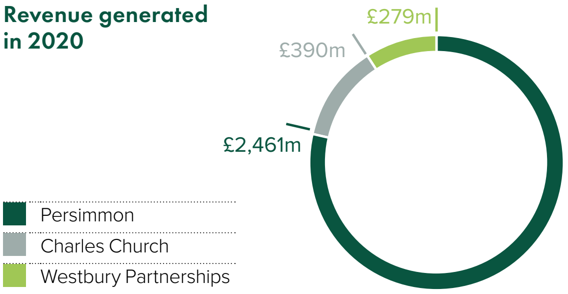
In addition, the Group works closely with Homes England and the devolved Governments in Scotland and Wales to deliver their respective Help to Buy and other equity loan schemes. These schemes provide customers with greater access to the housing market as it enables them to buy a home with a lower deposit. During 2020, the Group delivered 6,544 (2019: 6,890) new homes to customers who used these Government schemes.

The current Help to Buy scheme in England closed for customer reservations on 15 December 2020 and all new homes have to be delivered to customers by 31 March 2021. A replacement Help to Buy scheme opened for customers to use to reserve new homes from 16 December 2020 and is available until 31 March 2023. Customers who wish to use the new scheme will only qualify if they are first time buyers and the purchase price of the new home is within set regional price caps. The Group is well positioned to support these customers: our private average selling price of £250,897 for the year to 31 December 2020 (2019: £241,985) is c.17%[1] below the UK national average and approximately 50% of our private home completions for the year have been to first time buyers.

Contribution to Group housing revenue



Revenue generated in 2020



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.

Persimmon
Together, we make a home.

£2,461m revenue

10,283 completions

Persimmon

The Persimmon brand delivers traditional family housing at affordable prices to the private owner occupier market. The brand completed 10,283 homes (2019: 11,327) at an average selling price of £239,318 (2019: £230,036), which is c.21%[1] lower than the average UK house price affirming the Group's commitment to delivering affordability for its customers.

The brand's new home legal completion volumes have dropped by 9% (1,044 homes) compared to 2019 primarily reflecting the impact of the Covid-19 pandemic on the Group's build programmes in the second quarter of the year which has extended site development time-frames. In part, this delayed delivery has helped to generate the Group's record forward order book at 31 December 2020, with 4,300 new homes forward sold into the private owner occupier market, a 33% increase over the same point last year. Persimmon's average selling price of £239,318 (2019: £230,036) has increased by 4% compared to 2019 largely reflecting year on year changes in the mix of active sales outlets and homes sold.

£390m
revenue

1,080
completions

Charles Church

The Charles Church brand offers our customers executive housing in premium locations across the UK, with larger house types and increased specification. The brand had c.45 active sales outlets at the end of 2020 (2019: 56 outlets). Charles Church generated revenues of £390.0m in 2020 (2019: £410.3m) from 1,080 new home legal completions (2019: 1,136).

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

£279m
revenue

2,212
completions

Westbury Partnerships

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

In total, Westbury Partnerships new home legal completion volumes of 2,212 represented 16% of the Group's legal completions during 2020 (2019: 21%). The average selling price for these homes increased by 6% to £125,930 (2019: £119,166).

Local authorities and Housing Associations are key stakeholders for the business and we value these relationships highly (see pages 35 and 72). The Group works closely with them to deliver the right balance and mix of affordable housing to meet local communities' needs. The Group currently has c.4,900 affordable housing units forward sold in our order book (2019: c.4,800).

Our core focus areas

CREATING AND SUPPORTING SUSTAINABLE AND INCLUSIVE COMMUNITIES

Persimmon plays an important part in addressing the pressing housing need across the UK by providing a range of well-designed, good quality homes for all at affordable prices.

"Persimmon has a key role to play in providing much needed homes in places where people wish to live and work across the UK. We pro-actively engage with local communities and stakeholders to ensure the design of our schemes respect the area and meet local needs and demands."

Peter Jordan
Group Planning Director

Persimmon has a key role to play in providing much needed homes at a range of price points in areas where people wish to live and work. Demand for homes remains high reflecting the housing needs of communities across the UK. Despite increasing output over recent years, it is estimated that a shortfall of over 1.2m homes has built up since 2008 in England alone. The Government remains committed to its current target of supplying 300,000 homes per year by the mid-2020s to help mitigate this long-term imbalance and meet the housing needs of the country.

It is important to our customers that their homes are part of a sustainable and inclusive community. To achieve this, we aim to build good quality homes at outstanding value and create attractive neighbourhoods in areas where people wish to live and work.

Throughout the development process, we proactively engage with local communities and work closely with planning authorities. We aim to achieve site designs that will provide the appropriate balance of homes and open space and the right mix of house types, providing much needed homes to our local Housing Association partners and private owner occupiers. We aim to enhance biodiversity where possible. From 2022 we will be proactive to ensure compliance with 10% Biodiversity Net Gain. Through the planning process we aim to enhance local facilities providing investment in local infrastructure such as transport, education, retail and recreation facilities.

All of our developments are designed to promote social inclusion, incorporating housing for families with a broad span of incomes. In 2020, we provided 2,212 homes, or £279m of housing, to our Housing Association partners and a further 221 homes, or £24m of housing, to qualifying customers using affordable Discounted Open Market Value Housing. This is housing that is sold at a discount of around 20-30% to the local market value with the discount remaining with the property in perpetuity. These homes can only be purchased by customers who meet eligibility criteria set by local councils. Overall, we provided £303m of affordable housing for lower income families in 2020 (2019: £428m).

Engaging with Our Communities

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

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

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

Under the planning process, we invest in local communities in many forms, such as parks and open space; education provision; community buildings and roads and other infrastructure, either through direct construction or through financial contributions to local authorities. During 2020 we contributed c.£73m to local communities (2019: £94m) through planning contributions to local authorities. Of the money contributed, c.£36m related to education provision.

Supporting our communities

Covid-19

As a responsible business, we have continued to support our communities throughout this challenging time, donating personal protective equipment to local hospitals at the onset of the pandemic and encouraging our colleagues to volunteer if they were stood down during the first national lockdown.

During the year, the Persimmon Charitable Foundation's campaign 'Community Champions' targeted its support to charities and local community groups that assist the over-70s, a group that has been particularly affected by the pandemic.

The Group also signed up to the Covid-19 Business Pledge supporting colleagues, customers and communities through the crisis.

We have well established programmes that, through the Persimmon Charitable Foundation, contribute to the communities we serve. The Community Champions and Building Futures campaigns continued to support local good causes throughout 2020, donating £2.0m to c.900 charities and community groups.

Once again, the Foundation supported two campaigns throughout 2020, both of which were run at a regional level across each of the Groups' 31 operating businesses donating to local, grass root initiatives in the communities in which we operate.

COMMUNITY CHAMPIONS

Each month our 31 operating businesses and our head office make donations of £1,000 to local good causes to match the charity's own fund raising efforts. During the year, the campaign targeted its support to charities that assist the over-70s, a group that has been particularly affected by the pandemic.

During 2020, Community Champions donated c.£740,000 to c.765 local groups.

765

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BUILDING FUTURES

2020 was the second year for the Foundation's 'Building Futures' campaign which, in conjunction with Team GB, supports community projects that benefit young people across the UK in the areas of sports, education and arts, and health.

The campaign held a public vote to select 96 finalists from thousands of nominated charities. The finalists received a total of £945,000 with the top three winners in each category receiving £100,000, £50,000 and £20,000 donations respectively. Beneficiaries included hospital charities, local sports groups, eco-activity centres and refugee sports groups. The remaining 87 finalists received a donation of £5,000 each.

During 2020, Building Futures donated over £1m to c.135 local good causes.

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

£1m

during 2020, Building Futures donated over £1m to c.135 local good causes

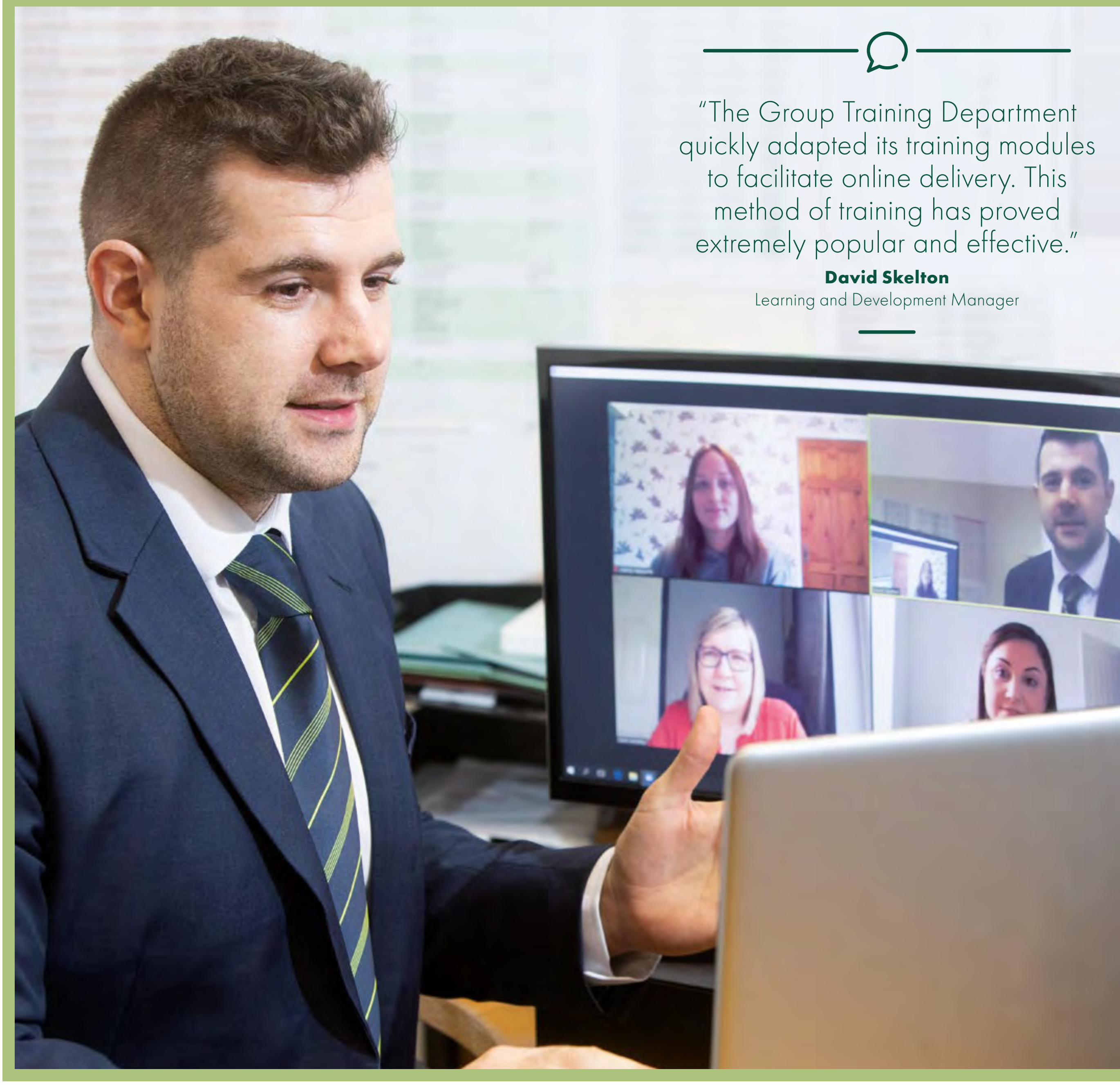
Our core focus areas

INVESTING IN OUR COLLEAGUES

We recognise that the strength of our business depends on maintaining a skilled, talented, engaged and diverse workforce who operate in an environment where they feel safe.

"The Group Training Department quickly adapted its training modules to facilitate online delivery. This method of training has proved extremely popular and effective."

David Skelton
Learning and Development Manager



Covid-19

The health, safety and wellbeing of our colleagues and wider workforce has been a key priority for the Group.

We have embedded Covid-19 safe operating procedures, in accordance with all relevant guidelines (including the Construction Leadership Council Safe Operating Procedures, HBF Coronavirus Sales and Marketing Operating Procedures and HM Government Working Safely During Covid-19 guidance) across our sites, regional offices and manufacturing facilities. Our colleagues have performed mandatory training to ensure that these procedures are adhered to and are effective.

During the first national lockdown the Group's construction sites performed an orderly shutdown with only essential works taking place. All colleagues, including those stood down during this period, were retained on full pay without recourse to Government assistance. The salaried staff bonus awards and their annual pay review were also fulfilled during 2020. The Group Chief Executive provided regular updates to colleagues, keeping them informed of the Group's response to the pandemic.

In line with Government guidance, a large number of our colleagues continue to work from home, supported by relevant technology. Working from home guidance has been provided, including advice on mental wellbeing, to all those working remotely and teams are encouraged to 'keep in touch' with regular on line training, on line meetings and calls. In addition, senior management have completed the Group's mental health awareness training and we have trained a further 76 mental health first aiders across the Group, bringing the total to 84 across the Group, with a further 24 of our colleagues in the process of completing the training.

We recognise that the strength of our business depends on maintaining a skilled, talented, engaged and diverse workforce who operate in an environment where they feel safe.

Throughout the business, hard work and commitment is valued and our people are encouraged to contribute new ideas to enhance Group wide processes.

As a Group we are committed to:

- Paying a fair wage – the Group has voluntarily adopted the payment criteria of the Living Wage Foundation and retained all of its employees on full pay during the site shutdown period (see page 41);
- Ensuring the safety and wellbeing of all our workforce (see page 46);
- Addressing the skills shortage in the housebuilding industry (see 39);
- Providing ongoing training programmes for our site and office based workforce;
- Improving social mobility and diversity (see our gender diversity targets on page 40); and,
- Engaging with our workforce.

We have open and inclusive recruitment practices demonstrating that talented hard-working people have access to a rewarding career with the Group with good prospects for progression.

Our core focus areas

INVESTING IN OUR COLLEAGUES CONTINUED

The Persimmon Pathway

The Group's new Persimmon Pathway will ultimately ensure that all our colleagues receive a tailored training programme. This will initially be rolled out to our site-based staff whose development programmes will ensure they are amongst the best trained in the industry, supporting our aims of providing outstanding customer service and 'building right, first time, every time'.

Outstanding customer service

The Group is developing structured professional qualification pathways for its sales teams in partnership with the Association of Professional Sales. These qualifications will enable the Group to attract and retain high quality colleagues and further improve the service we provide to our customers. In addition, our customer care teams will receive structured training modules to allow them to deal with any snagging issues more effectively.

Supporting the Persimmon Way

The Group Training Department has supported the implementation of the Persimmon Way in a number of ways. For example, a three day 'Site Managers Essentials' programme and mandatory online modules targeting build quality were developed.

In December 2020, Persimmon was accredited as a National Vocational Qualification assessment centre, a first for a UK housebuilder, enabling us to increase structured training provision for our Site and Assistant Site Managers. In 2021, a comprehensive Site Manager and Assistant Site Manager Persimmon Way development pathway will be delivered. Increasing the skills of our site management team will enhance build quality, efficiency and customer satisfaction and provide appropriate occupational qualifications ensuring that we attract and retain a highly skilled workforce.

Social Mobility PLEDGE

After signing the Social Mobility Pledge in 2019, our track record in advancing social mobility, through supporting sustainable communities, creating career opportunities at all levels, and offering more chances for people to own their own home than any other house builder, was recognised by the Pledge as demonstrating best practice in delivering social mobility. We have established an ongoing partnership with them that will ensure we go even further, through our Opportunity Action Plan, continue to improve social value in local communities in which we operate, through engagement, creating long-term careers with a clear focus on progression, and developing homes for first-time buyers.

c.12,600

training days delivered during 2020

Training delivery

The department is responsible for developing a broad range of training modules to our colleagues and wider workforce. Once Covid-secure social distancing measures were introduced, the department adapted quickly, by developing training modules that could be delivered remotely, successfully ensuring that the Group's comprehensive training programme continued without interruption throughout the year. During 2020, the department delivered c.12,600 training days (excluding apprenticeships and sponsored higher or further education courses) to our employees and construction workforce, c.1,700 of which were delivered remotely.

Securing talent for the future

The Group has had a long standing commitment to address the skills shortage within the industry. Persimmon continues to support the Home Builders Federation's (HBF) Home Building Skills Partnership aimed at addressing the skills shortage by attracting new entrants to the home building sector, providing focused training to develop the workforce, and fostering closer working relations between developers and their supply chains.

Approximately 13% of our current workforce participate in a formal training programme. We have c.345 apprentices learning traditional craft skills such as bricklaying and joinery, which is among the largest commitment to apprentice training in the industry. In addition, the Group has c.70 sales trainees and c.265 colleagues training in disciplines such as accounting, quantity surveying, planning and construction.

Persimmon is a member of the 5% Club, demonstrating that young people are provided with the training and development required to help them fulfil their ambitions and are provided with a strong foundation for an excellent career with the Group.

Persimmon Achiever of the Year Awards

In 2020, the Group's Young Achiever of the Year Awards, which were established in 2014, were extended to become the 'Achiever Awards', recognising excellence across all of our colleagues. Of the five awards available, the Persimmon Achiever of the Year and the Duncan Davidson award were open to colleagues of any age and from any part of our business. Nominations were submitted by the Group's operating businesses and the winners and runners-up in each category were decided by a judging panel, chaired by the Group HR Director.

Due to Covid-19 restrictions we were unable to hold our normal award ceremony and lunch for the finalists in York. However, Group Chief Executive, Dean Finch, and other members of the Executive Management Team have been ensuring that the winners and runners-up have been presented with their trophies and certificates when they have visited our sites and offices when business travel has been possible.

The Persimmon Achiever of the Year for 2020 was Lynn Mullarkey, a Sales Administrator from Persimmon Homes North West, who also won the 'Unsung Hero' Award for her dedication and overall contribution to the Company, which has been particularly appreciated by her colleagues during the Covid-19 pandemic. The Duncan Davidson Award was won by Franz Brange, a Site Manager from Persimmon Homes North London.

The Trade Apprentice of the Year was Keane Squires from Persimmon Homes Anglia, the Trainee Sales Advisor of the Year was Ellis St Romaine from Persimmon Homes South Midlands and the Business Trainee was Tyler Collins (pictured above), a Trainee Site Manager from Persimmon Homes East Wales.

In 2021, an employee awards programme for our Site Managers, recognising achievements in build quality will be introduced to drive further behavioural change to improve the service we deliver and the quality of our homes.

c.13%
of our current workforce participate in a formal training programme

Persimmon has
c.345
apprentices learning traditional craft skills

Our core focus areas

INVESTING IN OUR COLLEAGUES CONTINUED

Promoting diversity

At 31 December 2020, the number of people we employed was broadly in line with the prior year at 5,221 (2019: 5,285), of which 1,453 (28%) were female and 3,768 (72%) were male (2019: 1,344 (25%) female, 3,941 (75%) male). At 31 December 2020 we had three female and five male Directors on the Company's Board and 19 female (26%) and 55 male (74%) colleagues in our senior executive committee and their direct reports.

The median Gender Pay Gap in 2020 for the Group was 12.7% (2019: 12.4%), which compares favourably with the Office of National Statistics figures for 2020 of 15.5% (2019: 17.3%). Consistent with our industry our median Gender Pay Gap is driven by the composition of our workforce with a higher proportion of men in skilled construction roles (such as bricklaying and site management), the market for which is competitive.

Whilst we recognise that women, as well as people from a broad range of backgrounds, are under-represented across the industry as a whole, the Group is determined to do more to attract a more diverse workforce, recognising the benefits that this brings. To this end, the Group has recently appointed a Director of Talent and Diversity to bring increased focus to this area and we have set challenging targets to improve the Group's gender diversity with the aim to have females composing, 40% of our employees, 35% of our senior management team and 45% of employees in management roles by the end of 2025.

Persimmon is part of the Home Builders Federation's Diversity and Inclusion Group with the aim of developing a more diverse and inclusive workforce across the industry. We are also a member of the Apprenticeship Diversity Champions Network (ADCN), part of the National Apprenticeships Service to demonstrate our open and inclusive culture in recruiting and employing young people.

2020 POSITIVE ABOUT Women into Construction

The Group is actively engaging with a number of projects and has recently partnered with 'Women into Construction' to offer placements and deliver training to women interested in entering the construction industry. The Group's Gender Diversity Panel engaged directly with Women into Construction and agreed to review the Group's diversity training package.

5,221

employees at 31 December 2020

Business Disability Forum — Building disability-smart organisations

The Group is a member of the Business Disability Forum to further demonstrate our commitment to being an inclusive employer.

Further information can be found in our Gender Pay Gap report on our website, www.persimmonhomes.com/corporate and on page 96.

Engaging with our employees

The Group has continued to increase its investment in further developing its engagement with its workforce, which has become increasingly pertinent this year with office based colleagues working from home and social distancing measures being adopted across all of our operations. As described earlier, colleagues have been encouraged to 'keep in touch' through training, online meetings and calls.

Persimmon's Employee Engagement Panel, chaired by the Group HR Director, encourages employees to provide feedback and new ideas in an open forum. During 2020, the Panel, which consists of twelve employees from a wide cross section of the business, held two meetings and one additional meeting to update it on the Group's response to the pandemic. Presentations from the Group Chief Executive, the Group Health & Safety Director and the Group HR Director, explained the Company's approach to a wide range of issues including our commitment to all staff and the measures put in place on-site to maintain a Covid-secure working environment. The Panel reported that employees were pleased with the way the Company had responded to the first lockdown and appreciated the regular updates from the Group Chief Executive.

The results from the Group's 2020 Employee Engagement Survey, which will be performed annually going forward, were very positive overall. The Group's employee engagement index score was 80% with the survey finding that 90% of colleagues felt committed to Persimmon and what the Group is trying to achieve. The survey also highlighted some areas for improvement – for example, employees would welcome better methods of communication and information distribution, an area that was also raised by the Employee Engagement Panel. To address this, the Group has increased its use of online training, regular 'Team Talk' updates circulated to all employees, covering topics such as the Persimmon Way, an introduction to Dean Finch following his appointment as Group Chief Executive and investment in a new HR system.

The Group's employee newsletter 'HQ' is published regularly throughout the year providing information on events and key messages across the Group. In addition, in 2021, the Group will introduce a new communication 'App' which will be used to communicate with all colleagues across the business.

Voluntary Living Wage

The Group voluntarily adopts the payment criteria of the Living Wage Foundation for its own employees and we will apply to become an accredited Living Wage Foundation employer during 2021. The Real Living Wage is set by the Foundation annually and is based on the cost of living. In line with the Foundation's guidance, we have increased the minimum pay rate to £9.50 per hour, from 1 January 2021, although the majority of our colleagues earn in excess of this.

Human Rights

We demand the appropriate levels of conduct from all of our stakeholders, including our employees in all of our operations. We value our reputation for ethical behaviour, integrity and reliability. Embedded within our operations are our Human Rights and Anti-Bribery and Corruption policies, a code of Ethics and policies that support our Modern Slavery Statement, which are all available on our website at www.persimmonhomes.com/corporate.

As we are a UK housebuilder and the vast majority of our subcontractors and suppliers are also UK based, we do not consider that human rights abuses, modern slavery and bribery represent a significant risk to our business. However, we have appropriate procedures in place to provide assurance that our employees and suppliers are working to the high standards we demand.

We have identified the most significant potential human rights impact areas to be; the labour and employment rights of our employees, subcontractors and those working within our supply chain; the health and safety of our workforce; and the rights of communities where we undertake our developments. As a responsible employer, we are committed to compliance with all UK labour, health and safety, planning and environmental legislation.

We continue to take our role in combatting modern slavery and human trafficking seriously, and have implemented a number of initiatives within the year to strengthen support in this area. This has included joining the Gangmaster and Labour Abuse Authority (GLAA) 'Construction Protocol' to access and contribute to industry good practice in combating modern slavery. Our 'Site Manager Essentials' course includes a programme of modern slavery training and other site based staff receive a GLAA developed 'Toolbox Talk' on the matter. The Group's Internal Audit department has performed an assessment of modern slavery controls within our supply chain (see page 104). Further details on these measures are set out in detail within our 2019 Modern Slavery Statement on our website at www.persimmonhomes.com/corporate.

Staff are provided with details of the Group's Anti-Bribery and Corruption policy and management reinforce the adherence to our policies and procedures. For example, during 2020, the Group developed and delivered mandatory anti-bribery and corruption training modules for senior members of staff. In addition, we have whistleblowing facilities to ensure employees and others can raise concerns confidentially. During 2020, the Group ran a campaign to remind employees of the whistleblowing facility. Any whistleblowing reports can be made anonymously and all are investigated independently by our Group Internal Audit department.

Our core focus areas

INVESTING IN HIGH QUALITY LAND

The Group's long established strategy of minimising financial risk and deploying capital at the right time in the cycle has delivered high quality land holdings that are a key driver of value for the business and one of the Persimmon's core strengths.

"Persimmon is in a strong position. With high quality land holdings and a robust balance sheet, the Group is well placed for the future."

Nick Evans
Operational Land Director

84,174
owned and controlled plots at 31 December 2020

The Group's high quality land holdings are a key driver of value for the business and one of the Group's core strengths. The needs of our customers and local Government are at the heart of the Group's land investment and management strategy ensuring that we invest in land in sustainable locations where people wish to live and work across the UK (see pages 34 to 35).

When selecting areas for development, Persimmon's objective is to develop natural extensions to existing communities that have the least environmental impact. Each of our 31 operating businesses has an in-house land, planning and design team, supported by the Group Planning Department. We intend to grow our local teams and have invested in digital land identification technology to increase both our capacity and capabilities.

Our teams apply a consistent planning and investment strategy to each of the Group's land investment opportunities. Working closely with relevant stakeholders, including local planning authorities, land owners and the local community, our teams identify areas which have pressing housing need together with good access to existing infrastructure and local amenities such as schools, shops and towns. A 'Planning and Environmental Risk Assessment' is completed for each potential site identified, covering matters including local housing needs, flood risk, issues of existing land contamination, water pollution, and biodiversity impacts.

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

The Group's Land Committee assesses the existing land portfolio of each of the Group's operating businesses and approves each of their land investment to support the continued delivery of new homes to meet their local communities' needs.

The Committee, which consists of the Group's senior executive management team, meets fortnightly and reviews each significant land investment decision on a consistent basis taking into account local needs, environmental issues and the planned and projected levels of profitability and return. Only investment criteria that meet these criteria will proceed.

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

The Government's ambition is to deliver 300,000 new homes a year across all tenures by the mid-2020s and one million homes over this Parliament. Delays in achieving planning consents, however, remain a constraint on our ability to deliver the new home volumes required to satisfy local communities' housing needs. The Ministry of Housing, Communities and Local Government's 'Planning for the Future' White Paper, published in August 2020, outlined proposals to introduce a simpler and quicker planning system in England aiming to develop communities in places where people wish to live and work. We welcome reforms which promote a more effective planning system to enable the industry to expand output further and deliver the new, more energy efficient homes the country needs.

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

Our core focus areas

INVESTING IN HIGH QUALITY LAND CONTINUED

Our land holdings

The Group has a strong track record of delivering the homes the country needs.

At 31 December 2020 the Group owned 67,205 plots of land, of which 42,963 plots are on sites with detailed planning consent, which are all under development. The Group's owned land holdings provide c.4 years of forward supply at 2019 output levels. The Group has also entered into conditional contracts for an additional 16,969 plots on land which we are actively promoting through the planning system. As these plots are pulled through into the Group's owned land holdings, they will enable the business to deliver its near term growth targets.

The Group's land recovery rates (i.e. land cost relative to revenue generated) were 14.2% in 2020 reflecting our differentiated, well balanced land holdings (2019: 14.0%) benefiting our stakeholders for the longer term. Over the last eight years, the Group has invested £4.2bn in new land at the right time in the housing cycle enabling Persimmon to deliver 126,605 homes during this time, at excellent levels of return.

Our brands' investment in land

During 2020, our Persimmon brand acquired 5,314 new plots of land resulting in a forward consented land holdings at the end of 2020 of 60,246 plots (2019: 65,642). Of these total plots, 31,667 have an implementable detailed residential planning consent (2019: 37,725) with all sites under construction. At 2019 output levels the current land holdings represents c.5 years of forward supply.

Charles Church owned and controlled 8,425 plots in its forward consented land holdings at the end of 2020 (2019: 10,760). Of these total plots 3,996 have an implementable planning consent (2019: 5,330) providing c.3.5 years of forward supply at 2019 sales volumes.

Our strategic land

The Group invests significantly in its pursuit of new strategic land and its conversion with the aim of satisfying communities' pressing housing needs across the UK as promptly as possible. Successfully promoting our strategic land portfolio through the planning system in partnership with local planning authorities and the communities we serve delivers land with detailed residential consent allowing the Group to deliver the much needed new homes to our local communities. The Group's strategy of securing greater reliability of outlet supply whilst also minimising financial risk and investing at more optimal points in the cycle is assisted by successfully achieving the conversion of this strategic land.

During the year we acquired interests in a further 315 acres of strategic land, providing a total of c.15,500 acres at 31 December 2020. We are confident that this will, in due course, yield in excess of 100,000 forward plots for future development by the Group and will continue to support planning authorities and local communities to bring these sites through the planning system as quickly as possible. This will positively contribute to the Government's aim of providing 300,000 new homes by the mid-2020's.

By working with local planning authorities, the Group can deliver homes to meet the needs of our customers and local communities. During the year, the Group successful converted 2,708 plots from its strategic land portfolio into its owned and under control land holdings, representing c.40% of plots brought into the business in the year.

67,205
owned plots at 31 December

c.15,500
strategic acres

Our core focus areas

WORKING SAFELY, RESPONSIBLY AND EFFICIENTLY

The current pandemic has highlighted the critical importance of working safely, responsibly and efficiently. The health, safety and wellbeing of our customers, our workforce and our communities remains paramount and we have stringent Covid-secure operating protocols across all of our operations. As a responsible business, we understand the critical importance of minimising our environmental impact and have set challenging targets to reduce our greenhouse gas emissions.

"Our strong health and safety processes meant we could efficiently and effectively implement Covid-secure procedures throughout our operations."

Abigail Bainbridge
Group Health, Safety and Environment Director

Our core focus areas

WORKING SAFELY, RESPONSIBLY AND EFFICIENTLY CONTINUED

Working safely

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

Covid-19

As we responded to the pandemic, our overarching principle was to ensure the wellbeing of our customers, workforce and local communities. A controlled and orderly shutdown of the Group's sites, sales offices, and off-site manufacturing facilities was therefore announced on 25 March 2020.

By the end of April 2020, the Group's Health, Safety and Environment department had introduced comprehensive Covid-19 policies and procedures, which are fully compliant with all relevant guidance including the Construction Leadership Council Safe Operating Procedures, HBF Coronavirus Sales and Marketing Operating Procedures and HM Government 'Working Safely During Covid-19' guidance, covering all of its sites, offices and manufacturing facilities. Subject to local devolved Government regulations, the Group began re-opening its operations from the end of April with our sites in Scotland being the last to reopen at the end of June. Throughout this challenging period all of our stringent procedures have continued to maintain the two metre social distancing rules.

The Group has introduced a 'Covid-19 Passport to Work' system which is only issued once a Contractor's operating procedures have been verified and the relevant workforce has signed up to the appropriate Covid-19 safe operating procedures. Each of our developments has a dedicated 'Covid-Secure Enforcer' and the Group's health and safety advisers and operational management perform regular independent site inspections to ensure work is consistently performed in a Covid-secure manner.

Covid-secure procedures are also in place for customers visiting our sites and for our customer care teams if they are attending a customer's home.

The Group has developed mandatory training materials on how to work safely in accordance with Group Covid-secure protocols which have been delivered to all relevant members of our workforce.

A summary of the Group's response to Covid-19 can be found at www.persimmonhomes.com and the full Persimmon Group Risk Assessment can be found at www.persimmonhomes.com/corporate

Our health, safety and environment approach

During 2020, the Group performed a comprehensive review of its health, safety and environment strategy. The business' systems and processes were updated to reflect this and are being fully digitalised to make them more accessible and interactive for the workforce.

As part of this review, the Group further developed its Environment Management Systems. Half of the Group's Health, Safety and Environment department ('GHSED') have now completed the Institute of Environmental Management and Assessment's (IEMA) 'Environmental Management in Construction' training, which covers subjects such as environmental risk assessment, environmental regulation, and waste and resource efficiency. The remainder of the department will complete this training in 2021. Five 'Environment Champions' have been appointed to promote environmental awareness across all of our operations. In addition the Group is establishing specific environmental performance measures to be included in on-site inspections.

The Group has also appointed an experienced, dedicated health and safety adviser for its off-site manufacturing facilities.

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

Training

All 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 GHSED. The results of ongoing performance monitoring undertaken by the GHSED determines which topics should be covered. Since the onset of the pandemic, all non essential on-site training is delivered remotely wherever possible to limit the number of people on our sites.

Inspections

Under the direction of our senior management team, the GHSED undertakes regular inspections of the operating activities of the Group. 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 Group. In 2020, the GHSED undertook 6,376 pro-active site inspections. They have considerable experience in providing both a pro-active advisory and reactive incident led approach to identify and mitigate health and safety risk.

During 2020, the number of construction work related injuries in our housebuilding operations reported to the Health and Safety Executive (HSE) under the Reporting of Incidents, Diseases and Dangerous Occurrences Regulations (RIDDOR) was 20 (2019: 39). The level of build per injury was 339 legal completions per injury (2019: 299). The injuries per thousand workers has reduced slightly compared to last year at 3.4 accidents per thousand workers (2019: 3.8). Our Group Annual Incidence Injury Rate (AIIR) for 2020 was 1.7 per 1,000 workers (2019: 2.8), in line with the 'Home Builder' AIIR and lower than the construction industry AIIR. In our manufacturing operations we reported 3 RIDDORs in 2020 (2019: 2).

Pro-active site inspections 2020

6,376

Our core focus areas

WORKING SAFELY, RESPONSIBLY AND EFFICIENTLY CONTINUED

Working responsibly

The world is facing an unprecedented environmental challenge so we must – and will – play a full and active role in the imperative of achieving a net zero carbon economy. We are focused on minimising our environmental impact through our operations, our supply chain and the homes and communities we build, ultimately helping our customers to live more sustainably.

Our pathway to net zero

Our carbon footprint

Working with the Carbon Trust, a global climate change and sustainability consultancy providing specialist support to assist businesses to reduce their greenhouse gas emissions, Persimmon has set ambitious targets to be net zero carbon* in our homes in use by 2030 and in our operations by 2040. These targets are supported by interim science based carbon reduction targets to reduce greenhouse gas emissions from our own operations by 46.2% (2019 baseline) and our indirect operations (i.e. those from our homes in use and our supply chain) by at least 22% per m^2 completed floor area by 2030 (2019 baseline). These are challenging targets requiring product innovation, supply chain engagement and changes to current operational processes.

The science based targets are aligned to the latest climate science ensuring they will contribute to international commitments to restrict the global temperature increase to a maximum of 1.5°C above pre-industrial temperatures.

We will submit our science based targets to the Science Based Target Initiative for formal accreditation.

Providing energy efficient homes

All of our homes are designed to achieve high levels of energy efficiency. We harness the benefits of good design and improvements in materials and building techniques, to construct homes to high sustainability standards. The average Standard Assessment Procedure ('SAP') rating of our new homes is 86, which is approximately 30% more energy efficient than existing housing stock, which has an average SAP rating of c.60.

Our homes also contain a range of energy efficient features to promote sustainable living for our customers. These include LED lighting, double glazed A rated windows, many A rated or A+ rated appliances and combination boilers. In 2020, all ovens, integrated laundry, integrated refrigerators, integrated dishwashers and wine coolers purchased via our Group deals had a minimum Energy Efficiency rating of A.

During 2020, 855 of our homes also included additional low carbon technologies such as photovoltaic ('PV') panels. The energy generated by PV panels reduces the amount of electricity drawn from the grid and in turn reduces the homeowner's energy bills and greenhouse gas emissions.

As part of our commitment to achieve net zero carbon for our homes in use by 2030, the Group's Low Carbon Home Steering Group is piloting a regional demonstration project in Fulford, York.

The aim of this project is to establish the most effective method of designing and building a zero carbon home, at scale. The construction phase began in February 2021 and we hope to have tenants occupying the home by the summer. The home has been designed using materials and systems that provide the best carbon saving for every £1 of construction. Working with Energy House Construction Laboratories at the University of Salford, we will monitor the true in-use carbon savings of the home, impacts to the occupant as well as potential additional processes and costs to the build process. Ahead of upcoming legislation, we will also include electric vehicle charging points in the home to understand further impacts on efficiency and energy demand.

Further information about our SDG objectives can be found on page 19.

Our homes in use will be net zero by
2030

We will be net zero in our operations by
2040

B-
climate change score
2019: C

86
average SAP rating

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

Reducing our operational impact

We continue to focus on reducing our operational greenhouse gas emissions. During the year the greenhouse gas emissions per home sold was 2.16 tonnes CO_2e (2019: 2.14 tonnes CO_2e), (see page 68).

60% of our operational greenhouse gas emissions are generated from the red diesel used on our developments. A number of the Group's owned JCB machines are fitted with a diagnostic reporting tool, which monitors the efficiency of each machine. These reports are reviewed routinely as part of the Group's regular monitoring of on-site costs and there has been some improvement in fuel consumption as a result.

In addition, to assist in the reduction of greenhouse gas emissions from our developments, the Group has introduced energy efficiency training modules which are delivered as part of our wider Site Manager essentials training courses. The modules describe working methods to reduce fuel consumption on our developments by, for example, providing electric and gas power to our developments as soon as possible to reduce the use of generator power, restricting machine idling time and using appropriate travel speeds when moving around the developments. The training also covers heating and lighting management.

The Group has established a steering group, which will be managed by our Group Technical Department and chaired by our Group Innovation Manager, responsible for investigating ways to further reduce our operational greenhouse gas emissions including, identifying alternatives to diesel operated mobile plants, reducing the number of diesel generators used and implementing wider environmental initiatives across the rest of the Group.

Further information about our GHG emissions can be found on page 68.

Reducing our operational waste

We aim for zero waste to landfill within our site operations, recycling and reprocessing waste where possible. In 2020, 96% of waste was recycled or reprocessed from our sites, with 8.4 tonnes of waste generated per new home sold (2019: 7.44 tonnes) reflecting both the lower number of new homes sold in the year and the Group's brick and tile factories increased operations.

We have a number of processes on-site to monitor and control our waste management in our operating businesses. We continue to recycle brick and block waste on our sites and 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.

Our supply chain

As part of our commitment to reduce our scope 3 indirect greenhouse gas emissions, we will be working with our supply chain to monitor and reduce embodied carbon in our purchased goods and services.

In 2020, we became partners to the Supply Chain Sustainability School to assist the delivery of a consistent approach to sustainability and responsible sourcing.

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

During 2021, Persimmon will ensure active partnership to the School including participation in their Homes Leadership Working Group alongside other UK housebuilders.

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, wherever possible, 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. In 2020, 90% of timber and timber based products, purchased via Group deals were from FSC or PEFC certified sources.

Further information about our TCFD disclosures can be found on page 67.

Greenhouse emissions per home sold was

2.16

tonnes CO_2e

2019 2.14 tonnes CO_2e

Our core focus areas

WORKING SAFELY, RESPONSIBLY AND EFFICIENTLY CONTINUED

Working efficiently

Off-site manufacturing

Our off-site manufacturing facilities consist of Space4, a timber manufacturing facility, Brickworks and Tileworks. We believe that this vertical integration is a key differentiator for the Group and we are committed to continuing to invest in these facilities. They assist the Group in securing the supply of key products and materials increasing our resilience at times when the availability of these materials becomes constrained.

5,300 units delivered in 2020

space4

Space4

Modern Methods of Construction' (MMC) is a wide term covering a range of off-site manufacturing and on-site housebuilding techniques. MMC can have a range of benefits in comparison to traditional housebuilding including increases in operational efficiencies and reductions in environmental impact.

We believe we are one of the leading UK housebuilders using MMC, with 75% of the homes built in 2020 using methods of MMC, including 36% of the homes built using timber frames.

Producing a 'fabric first' solution to the construction process, our Space4 site, based in Castle Bromwich near Birmingham, uses off-site manufacturing techniques to manufacture timber frames (using PEFC certified timbers), highly insulated wall panels and roof cassettes based on our standard core house types. This 'modern method of construction' delivers increased site production (reducing time to build the 'superstructure' of a home by almost two thirds) and eases the requirement for some traditional skills on-site. This improves the efficiency of build programmes and reduces reliance on constrained skills.

The 'fabric first' solution delivers high levels of thermal efficiency for the new homes built. The benefits of this will assist the Group in achieving the Government's proposed Future Homes Standard which will require new build homes to be future-proofed with low carbon heating and world-leading levels of energy efficiency; it proposed that the Standard will be introduced by 2025.

Space4 employs approximately 65 people at its factory and currently has the capacity to supply up to c.9,500 units per year, consisting of c.7,750 timber frames and c.1,750 'room in the roof' systems.

During 2020 Space4 delivered 5,300 timber frame house kits and insulated roof systems to the Group's housebuilding businesses (39% of homes completed in the year). It has made an important contribution to the growth of the Group, supporting the delivery of c.48,300 new homes to the market since 2012. We aim to build 50% of our homes using timber frames from our off-site manufacturing facilities by 2025.

"The Group's Space4 facility provides a 'fabric first' solution to the construction process delivering high levels of thermal efficiency for the new homes built."

35m

bricks delivered across 185 sites

The Group works with over

5,158

suppliers and supports c.49,000* jobs in its supply chain

Brickworks

The Group's Brickwork factory, based at Harworth near Doncaster, has the capacity to produce c.80m bricks annually (approximately two thirds of the Group's brick requirements). During the year, the facility provided c.35m bricks to c.185 sites across the Group.

Tileworks

The Group's roof tile manufacturing plant commenced deliveries to site in early 2020, and has supplied approximately 2.5m tiles to 115 sites across the Group. The Group has recently decided to expand the range of products made by the facility, increasing its efficiency.

This facility is also based at Harworth, which is well situated for both inbound raw materials and outbound supplies. It has good access to the motorway network supporting efficient logistics for delivery to sites across the Group.

Engaging with our supply chain

We recognise the importance of maintaining an effective and engaged supply chain in delivering our core focus areas. We engage regularly with our suppliers and subcontractors focusing on operational matters and their wellbeing.

The health and safety of our subcontractors has always been important to us and as noted on page 47, they take part in regular 'Toolbox Talks' covering the health and safety aspects of our sites. This year our subcontractors also have to comply with the Group's Covid-secure operating procedures and have to sign a 'Passport to Work' to gain access to and operate on our sites.

This indicates that the subcontractors have read, understood and will comply with all of the Group's stringent Covid-secure safety protocols.

As noted on page 41, the Group continues to take its role in combatting modern slavery and human trafficking seriously, and has implemented a number of initiatives within the year to strengthen support in this area. The Group's Internal Audit department has performed an assessment of modern slavery controls within our supply chain (see page 104).

Throughout 2020, the Group continued to support its suppliers with, for example, securing forward orders and prepaying for material deliveries strengthening our supply chain's cash flows. The Group is also a signatory to the Prompt Payment Code (PPC). The Code sets standards for payment practices and best practice and is administered by the Chartered Institute of Credit Management on behalf of the Department for Business, Energy and Industrial Strategy (BEIS).

The Group has a centralised procurement department and we have recently appointed a new Group Commercial Director to further coordinate this function. This department engages regularly with our main suppliers, with which many of whom we hold strong, long standing relationships and it seeks to secure Group deals covering all major elements of our construction requirements. This helps the Group establish consistent standards of quality, supply and cost of materials and provides our suppliers with certainty of volume, revenues and cash flows. In addition, our operating businesses work closely with regional suppliers to secure locally sourced materials. Local suppliers benefit from the Group providing them with consistent order volumes which help sustain their businesses and strengthen our supply chain. The Group works with over 5,158 suppliers and is proud to support c.49,000* jobs in its supply chain.

Our regional offices engage with a large number of local subcontractors in the construction of our homes. This ensures that the Group secures good availability of the skilled trades that we require locally and provides our subcontractors with continuity and consistency of work. The Group supports over 37,000* jobs on its sites.

In total, the Group supports c.86,000* jobs across its wider supply chain (2019: c.99,500*). The 14% reduction compared to 2019 is in line with the lower completion levels achieved as a result of the disruption caused by the Covid-19 pandemic.

* Estimated using an economic toolkit which has been updated to reflect latest Government guidance.

Our core focus areas

MAINTAINING FINANCIAL STRENGTH THROUGH THE HOUSING CYCLE

The Group's long established strategy recognises the cyclical nature of the housing market by minimising financial risk and making well judged assessments on the deployment of capital through the cycle.

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

We achieve this by:

- Maintaining high quality land holdings, ensuring we can apply a disciplined approach to our land investments, only investing when there is a clear opportunity to deliver value. The Group's land replacement, acquisition and management processes are key features of our approach (see page 43)
- Maintaining our focus on delivering homes for all by pursuing developments that deliver properly integrated neighbourhoods which possess enduring sustainability by providing access to good quality new housing for the benefit of all potential occupiers, including those families on lower incomes
- Maintaining strong control over the Group's levels of work in progress across all of our developments whilst supporting our strategy of putting our customers before volume
- Engaging with and managing our supply chain and entering into robust tendering processes to help manage our costs (see page 51)
- Vertical integration and the manufacture of some key material elements (see page 50)
- Maintaining strict levels of governance and financial discipline across all our operational and financial processes
- Improving our build programme management through strong Group wide controls, the use of the Group's core house type portfolio across our developments and investing in technology to fully integrate our operations
- Embedding sustainable practices in the procurement and management of our working capital

Covid-19

The Group's strategy of supporting its customers together with its financial strength and resilience has enabled Persimmon to effectively respond to the disruption caused by the Covid-19 pandemic. The Group has been able to:

- maintain our operational capability, by retaining all of our staff on full pay throughout the initial lockdown period, without recourse to Government financial assistance;
- offer necessary support to our suppliers, subcontractors and local tradespeople; and to,
- maintain our community and charity programmes, despite the economic shock of Covid-19.

Land investment

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

Further information on the Group's land investment strategy and processes can be found on page 42.

Our build programmes

The Group has an established range of core house types that ensure consistency of construction across the Group and enable us to build more cost effectively, without compromising on build quality or customer service. The Group has continued to invest significantly in digital technology to improve the consistency, efficiency and productivity of our detailed build programme processes and to align our technology with the build and quality assurance processes outlined in 'the Persimmon Way', the Group's consolidated Group wide process of development and new home construction. Our build and direct costs are 190 basis points higher than last year at 54.8% of housing revenue (2019: 52.9% of housing revenue).

Maintaining strict financial discipline

The Group has a robust, well established financial control environment.

The valuation of work in progress is a key financial control measure for the Group. Detailed valuation exercises are performed on a bi-monthly basis for active sites across the Group. The results are reviewed by senior and local management with key assumptions rigorously challenged and assessed.

This framework reinforces strong operational management of our site based development activities and maintains the effective and insightful financial management of the business. These processes support a culture of careful cost control based upon clear lines of responsibility and accountability.

Strong liquidity

The Group continues to deliver strong cash generation. We effectively manage our working capital levels and have strong operational controls.

Senior management carefully monitor and manage the levels of work in progress on our sites compared with relevant demand, achieving high levels of quality and customer service, together with superior levels of returns from the Group's work-in-progress investment.

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

Tax strategy

The Group operates an overarching principle of full compliance with current UK tax legislation and we are open and transparent in all our dealings with HMRC. We adopt a low risk approach to our tax affairs recognising our wider corporate social responsibilities and the Group pays all taxes in full and on time in accordance with tax law. The commercial activities of the Group are planned to ensure that statutory reliefs and allowances permitted by existing tax law are claimed. During 2020, the Group paid all of its tax liabilities on time and has not taken advantage of any delayed payment terms or other Government support measures.

Financial review

HOW WE PERFORMED IN 2020

Financial highlights

£862.8m
Underlying operating profit[1]
-17%
2019: £1,036.7m

£863.1m
Underlying profit before tax[1]
-18%
2019: £1,048.1m

£783.8m
Profit before tax
-25%
2019: £1,040.8m

£1,234.1m
Cash
+46%
2019: £843.9m

£748.1m
Free cash generation[2]
+23%
2019: £608.0m

£1,066.8m
Cash generation pre land investment
+7%
2019: £996.2m

1 Stated before legacy buildings provision of £75m (2019: £nil) and goodwill impairment (2020: £4.3m, 2019: £7.3m).

2 Free cash generation is defined as net cash flow before financing activities and before £0.7m of employers' National Insurance contribution payments in respect of share-based payments (2019: £13.9m).

Trading

The Group entered 2020 in a strong position with record levels of forward sales at c.£1.4bn and work in progress including c.6,100 new homes under construction. In the first 11 weeks of 2020 the Group achieved a c.10% increase on the average private sales rate per site compared with the same period in 2019.

The onset of the pandemic disrupted site operations from the end of March for approximately five weeks to the end of April 2020. The resulting build delays led to a 35% reduction in the Group's first half new home legal completions of 4,900 compared with the prior year. This disruption was mitigated by resilient customer demand, ongoing Government support measures and the Group's ability to maintain a good degree of operational continuity. This, together with strong levels of forward build at the end of June 2020 (with c.14% more equivalent units of new home construction carried forward than at 30 June 2019) and build rates back at pre-Covid levels, the Group performed strongly in the second half of the year, delivering 8,675 new homes to our customers. Indeed, for the year as a whole, the Group's average private sales rate per site ended 12% ahead of the prior year.

For 2020, the Group generated total revenues of £3,328.3m (2019: £3,649.4m), with new housing revenue of £3,129.5m (2019: £3,420.1m) from the completion of 13,575 new homes (2019: 15,855).

The Group's average selling price has increased by 6.9% to £230,534 (2019: £215,709), mainly resulting from the 6.5% increase in the proportion of new homes sold to private owner occupiers during 2020. 11,363 (84%) homes were sold to owner occupiers at an average selling price of £250,897 (2019: £241,985). This 3.7% year on year increase in selling price to private owner occupiers largely reflects changes in the active sales outlets and range of house types sold within the Group's Persimmon brand at an average selling price of £239,318 (2019: £230,036).

The Group's Charles Church brand contributed 1,080 or c.10% of new homes sold to private owner occupiers for 2020, which was broadly in line with the prior year (1,136 or c.9%) at an average selling price of £361,147 (2019: £361,132).

The Group's underlying new housing gross profit[1] was £969.4m (2019: £1,130.7m) generating a resilient underlying new housing gross margin of 31.0%[2] (2019: 33.1%), reflecting the quality of the Group's land holdings. The reduction in underlying new housing gross margin year on year includes the impact of reduced build and site overhead cost efficiencies incurred due to the delays to construction on-site and legal completions caused by the pandemic and increased site overheads resulting from the stringent Covid-secure operating protocols we have introduced and maintained.

Given recent evolving practices in relation to fire safety on multi storey, multi occupancy buildings, the Group has undertaken a review of all of its legacy buildings that used cladding materials. The Group has identified 26 buildings that used now-banned materials. The Group retains ownership of 5 of these buildings, all of which are less than 6 storeys high, where work will be completed to ensure fire safety. In addition, there are 21 buildings which are owned by third parties that have a legal responsibility to act, and the Group will support these owners, to do so.

The Group has therefore recognised a provision of £75.0m in respect of the estimated cost of remedial works based on management's estimates of these costs.

Adjusting for this charge, the Group's gross profit is £894.4m (2019: £1,130.7m).

The total cost impact of Covid-19 during 2020 was £17.1m, £9.5m of which is included in the Group's work in progress balance representing the direct costs and site overheads incurred in completing site development and providing Covid-19 secure environments for on-site activities. As noted in our Half Year announcement, this treatment is consistent with prior periods where the Group has suffered build inefficiencies under various circumstances, for example, in periods of particularly poor weather. This consistent treatment is estimated to reduce the Group's future gross margins over the remaining current active outlet construction cycle by c.30 basis points. We will continue to seek to recover the impact of these additional costs over the course of the Group's normal operations over future periods.

New housing gross margin[1]

31.0%

2019: 33.1%

Underlying new housing operating margin[3]

27.6%

2019: 30.3%

1 Stated before legacy buildings provision of £75.0m (2019: £nil).

2 Based on new housing revenues of £3,129.5m (2019: £3,420.1m) and underlying gross profits of £969.4m (2019: £1,130.7m) (stated before legacy buildings provision of £75.0m (2019: £nil)).

Financial review

HOW WE PERFORMED IN 2020 CONTINUED

Underlying operating profit[1] for the Group was £862.8m (2019: £1,036.7m). The Group's underlying new housing operating margin[2] of 27.6% (2019: 30.3%) reflects Persimmon's continuing investment in all of its colleagues and operations during this time. As previously reported Persimmon has not utilised any of the Government support measures introduced to mitigate the impact of the pandemic. The Group's underlying pre-tax profits[1] were £863.1m (2019: £1,048.1m), 18% lower than the prior year. Adjusting for the legacy buildings provision and goodwill impairment the Group's reported pre-tax profits were £783.8m (2019: £1,040.8m).

Taxation

The Group has an overall tax charge of £145.4m for the year (2019: £192.0m) and an effective tax rate of 18.6% (2019: 18.5%). 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. The Group operates an overarching principle of full compliance with current UK tax legislation. During 2020, the Group paid all of its tax liabilities on time and has not taken any advantage of delayed payment terms or other Government support measures.

Balance sheet resilience

The Group's net assets have increased to £3,518.4m at 31 December 2020 (2019: £3,258.3m) including retained earnings of £2,950.9m (2019: £2,693.9m). After returning £350.7m to shareholders during 2020, the Group's net assets per share was 1,102.7p, an increase of 8% compared with the prior year (1,021.7p). Underlying return on average capital employed[3] as at 31 December was 29.4% (2019: 37.0%).

The Group's land holdings

At 31 December 2020, the carrying value of land was £1,722.1m (2019: £1,938.6m), reflecting the strong sales rates experienced during 2020 and the Group's continued selective investment in land opportunities.

The Group had 84,174 plots owned and under control at 31 December 2020 (2019: 93,246 plots). 67,205 plots are owned of which 42,963 have detailed implementable planning consent. A further 16,969 plots are 'under control', being plots that the Group has exchanged contracts on but have yet to complete due to outstanding planning conditions.

The Group's land cost recoveries of 14.2% of new housing revenues (2019: 14.0%), reflect the high quality of the Group's land holdings. During 2020, the Group brought 6,827 plots into its owned and under control land holdings across 33 locations. The Group's experienced land and planning teams successfully progressed c.10,500 under control plots through the planning system, transferring them into the Group's owned land holdings and delivering a continued pipeline of sites for development in the near to medium term.

During 2020, we acquired interests in a further 315 acres of strategic land, securing a total of c.15,500 acres at 31 December 2020. This provides a long-term supply of forward plots for future development by the Group. During the year, 2,708 plots were converted from our strategic land holdings into the Group's owned and under control land holdings, representing c.40% of plots brought into the business in the year.

Net assets

£3,518.4m

2019: £3,258.3m

Underlying return on average capital employed[1]

29.4%

2019: 37.0%

1 Stated before legacy buildings provision of £75.0m (2019: £nil) and goodwill impairment (2020: £4.3m, 2019: £7.3m).

2 Based on new housing revenue (2020: £3,129.5m, 2019: £3,420.1m) and underlying operating profit (2020: £862.8m, 2019: £1,036.7m) (stated before legacy buildings provision of £75.0m (2019: £nil) and goodwill impairment (2020: £4.3m, 2019: £7.3m)).

3 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 (2020: £75.0m, 2019: £nil) and goodwill impairment (2020: £4.3m, 2019: £7.3m).

Work in progress

Our work in progress carrying value of £1,091.6m at 31 December 2020, was in line with the prior year (December 2019: £1,094.6m). With continued investment to open up new sites and strong construction rates on existing sites, the Group has performed well in mitigating the combined effects of the Covid-19 site disruption during the second quarter of 2020, the strong sales rates experienced, particularly in the second half of 2020, and the resulting reduced number of active sales outlets (2020: c.300, 2019: c.345 outlets).

The Group's pre-Covid build rates have been maintained since the end of July 2020 and we continue to invest in our of work in progress levels to ensure that our customers have a good range of stock availability and our build quality assurance processes are completed effectively.

Cash generation and liquidity

The Group's liquidity remains strong, having ended the year with cash of £1,234.1m (December 2019: £843.9m). This reflects strong net cash generation of £1,066.8m before capital returns of £350.7m and net land spend of £325.9m (2019: net cash generation of £996.2m). The Group's deferred land commitments have reduced by £105.9m to £329.3m from £435.2m at 31 December 2019. This progressive reduction in land creditors and robust cash position provides further opportunity to invest in the future growth of the business. The Group has generated £993.3m cash from its operations (2019: £778.2m).

In addition, the Group has an undrawn £300m Revolving Credit Facility which has a five-year term out to 31 March 2025.

The Group's shared equity loans have generated £16.4m of cash in the year (2019: £31.4m). The carrying value of these outstanding shared equity loans, reported as 'Shared equity loan receivables', is £56.2m at 31 December 2020 (December 2019: £68.6m). The Board has reviewed the carrying value of these receivables and has concluded that the value is appropriate.

Net finance income for the year was £0.3m (2019: £11.4m). Incorporated within this is £4.0m of gains generated on the Group's shared equity loan receivables (2019: £13.1m) and £5.4m of imputed interest payable on land creditors (2019: £5.4m).

Shareholders' equity, treasury policy and related risks

A key element of the Group's strategy remains the return of any capital that is deemed surplus to the needs of the business through the Group's Capital Return Programme. This Programme is continually reviewed and assessed by the Directors having regard to the progress and trading position of the business, existing economic and market conditions, the Group's current land holdings and other investment opportunities. The total value of the Capital Return Programme to 2021 is now £13.00 per share, compared to the £6.20 per share initial commitment made by the Board in 2012.

The Group's strategy of minimising financial risk and retaining flexibility reflects the cyclical nature of the housing market. The business maintains a robust balance sheet with an efficient capital structure and stringent controls around its working capital management.

The Group's £300m Revolving Credit Facility provides further flexibility. These facilities will only be used to support short term working capital needs of the business.

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

Mike Killoran
Group Finance Director
2 March 2021

Cash

£1,234.1m

2019: £843.9m

Land creditors

£329.3m

2019: £435.2m

How we manage risk

PROTECTING LONG-TERM VALUE CREATION

The UK housing market, which is cyclical in nature, is subject to fluctuations in regional and national economic conditions and changes in political, regulatory and legislative conditions. The Group's risk management framework has been set up to identify, assess, manage and mitigate risks in a robust and timely manner enabling it to respond to changes in its environment effectively.

The Board is ultimately responsible for the Group's management and assessment of risk. Our risk management framework includes risk registers which are maintained by the Group's Internal Audit department and include issues that may occur at financial, operational, company, or strategic level. The registers include risks that may arise from each of the Group's key operational and Group processes, as well as risks to delivering our strategic objectives and those related to climate change. The registers identity both principal and emerging risks and inform a formal risk assessment process which considers the likelihood and impact of the identified risks together with any mitigating controls that are already in place or are planned. This position is formally reviewed by the Board on an annual basis, including consideration of emerging risk areas.

RISK MANAGEMENT FRAMEWORK

Identify	Mitigate	Review	Monitor
Areas of key focus	Implement control processes	Performance and principal risks	Using key risk indicators

The Board

- Sets the Group strategy
- Regularly monitors Group risks and ongoing viability
- Establishes the policy of risk mitigation and control
- Reviews the effectiveness of internal controls
- Ensures appropriate financial controls are in place
- Reviews Group performance against budget and forecasts

Audit Committee

- Monitors the integrity of the Group's financial reporting process
- Approves the Group Internal Audit Manager's annual assurance programme
- Monitors the external audit and reviews its effectiveness

Risk Committee

- Ensures appropriate controls and procedures are in place
- Reviews operational risk performance
- Involvement in operating business management
- Reviews reports from Group Internal Audit meetings and site visits

Group Internal Audit Department

- Performs a risk based programme of internal audit project work
- Completes compliance testing and assurance
- Produces KPI data on the Group's key risks
- Maintains Group Risk Registers

Operational Management

- Monitors business and operational performance and identifies changes in key risks affecting the business
- Continual interaction with and reporting to senior management and the Board
- Ensures internal controls set by the Board are implemented and embedded within the business

Our principal risks

OUR RISK MANAGEMENT FRAMEWORK

The Group's principal risks are those considered to have a potentially material impact on Persimmon's strategy and business model.

The Group's strategy, which recognises the cyclical nature of the housing market, focuses on minimising financial risk and deploying capital at the most appropriate time in the housing market cycle. This, together with an agile and responsive management team, has established a highly resilient business able to address a range of future economic scenarios.

Material issues

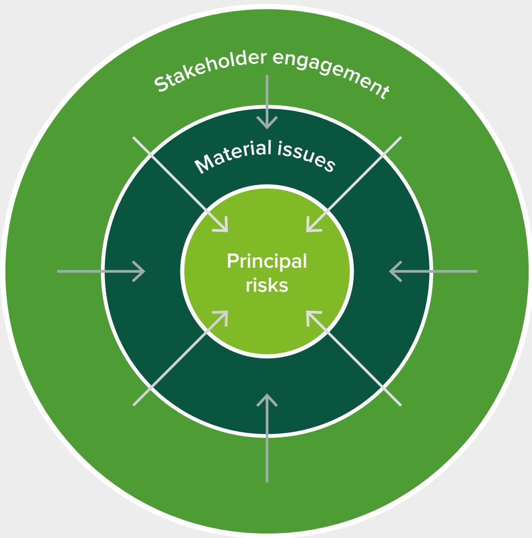
The Group recognises the key importance of stakeholder engagement in ensuring the creation and protection of long-term value. A materiality assessment has been performed to identify issues that we believe our stakeholders would consider important and are likely to have an impact on our business in the short to medium term. A significant number of key features of the business and current issues, some of which align with our principal risks, were ranked in order of importance. The Board reviewed and approved the results of this assessment (see page 17) to enhance its risk management framework and assist in the implementation of its identification, management and mitigation processes, as illustrated below:

Our purpose, strategy and business model

is protected by a

Risk management framework

which is enhanced by



which delivers

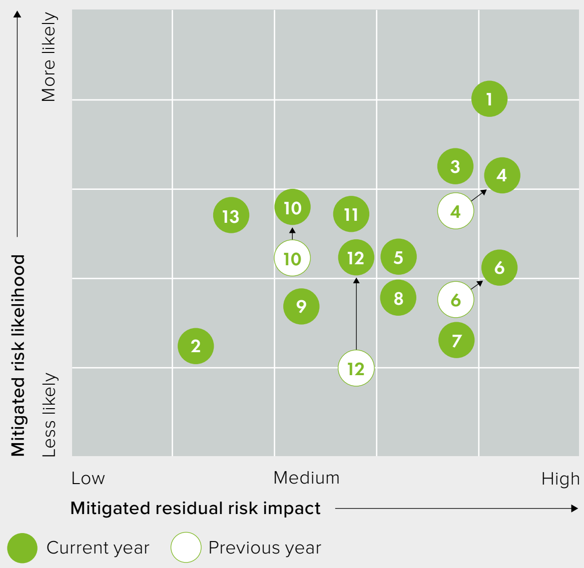
Sustainable value for all stakeholders

→ Stakeholder engagement supports the identification of material issues

→ Stakeholder engagement in part aided by the materiality assessment, supports the mitigation of principal risks

Each of the top 10 key material issues can be linked to our existing principal risks.

Principal risks — heat map



Aligning material issues and principal risks

Material issues	Principal risk
1 Strategy	1 Pandemic risk 2 Strategy
2 Social value/ enhancing communities	3 UK's exit from EU 4 National and regional economic conditions 5 Government policy 6 Mortgage availability
3 Health and safety	7 Health, safety and the environment
4 Talent attraction, development, diversity and engagement	8 Labour and resources: skilled workforce, retention and succession
5 Helping customers live sustainably	9 Labour and resources: materials and land purchasing
6 Climate change action & resilience	10 Climate change
7 Build quality and safety 8 Governance 9 Customer satisfaction	11 Reputation 12 Regulatory compliance
10 Cyber security and protection	13 Cyber and data risk

Our principal risks

OUR RISK MANAGEMENT FRAMEWORK CONTINUED

1 Pandemic risk

Residual risk
High

Change since 2019
New

Strategic objective

Impact

An increase in the Covid-19 transmission rate or a new pandemic occurring in the UK may lead to a requirement for our workforce and our customers to comply with varying degrees of social distancing or other measures introduced to curb the spread of the disease. This action may disrupt continuity of site construction and access to labour and materials, leading to significant delays to the Group's build programmes and the legal completion of new home sales. The magnitude of any impact on the business will depend on the extent of the measures introduced as applied to our workforce, our customers, and wider society.

The pandemic presents an increased health and safety risk to the public, our workforce and customers on our sites and our employees in our offices and in our off-site manufacturing facilities.

Social distancing requirements have resulted in an increased number of our workforce working remotely leading to additional IT and information security risks.

An increase in the Covid-19 transmission rate or a new pandemic may also adversely impact the wider economy resulting in reduced consumer confidence, lower demand and pricing for new homes, thereby impacting revenues, margins, profits and cash flows and may give rise to impairment of asset values.

Mitigation

During the current pandemic, the Group's business continuity plans were deployed swiftly, with Board oversight. A Covid-19 Steering Committee continues to monitor progress.

The Group has a highly experienced Group Health, Safety and Environment Department with well established Group policies and procedures together with the ability to swiftly enhance or adapt safe operating protocols to mitigate against specific risks. For example, the Group quickly amended, tested and executed the Group's Covid-19 Risk Assessments and associated procedures to mitigate the risk of transmission of the Covid-19 infection.

(Also see Health and Safety risk).

During the Covid-19 pandemic, the Group was able to rapidly transition to increased levels of remote working through enhanced use of technology. The Group's sales teams provided a continuous service to our customers through our digital sales platform and other online tools, which enabled the business to continue to take sales reservations and legal completions throughout the lockdown period.

Our remote working processes have been strengthened further through a number of collaboration tools to enable effective home working.

These enhancements to the Group's remote working capabilities supports appropriate numbers of our workforce to work from home when required, for example in response to amendments to Government guidance as changes to infection transmission rates occur.

The risks of increased use of remote working are mitigated through regular communication with all users reminding them of potential issues, particularly for example in relation to phishing emails and other Cyber security threats.

(Also see mitigation of Cyber and Data Risk).

The impact of build delays caused by the lockdown were mitigated by our planned increase in levels of construction work in progress coming into the pandemic. This was the result of a strategic decision to provide greater stock availability to our customers, to improve quality and service levels, and in anticipation of increased demand ahead of the end of the Government's current Help to Buy scheme. The Group continues to aim to hold strong levels of investment in construction work in progress to provide an effective buffer to potential build delays. The Group's build programmes returned to pre-Covid levels by July 2020 assisted by the Group's decision for all colleagues to continue to prepare for a strong return to site and not to take advantage of the Government's Job Retention Scheme.

The vertical integration afforded by our own Brickworks, Space4 and Tileworks production mitigates the risk of potential supply chain disruption.

The Group's long-term strategy recognises the risks associated with the cyclical nature of the housing market by minimising financial risk, maintaining operational and financial flexibility and deploying capital at the most appropriate time in the cycle. This strategy and management's preparedness, responsiveness and agility provide us with the sound fundamentals required to enter periods of demand, volume or pricing downturns in a position of strength with strong levels of liquidity and a robust balance sheet.

2 Strategy

Residual risk
Low

Change since 2019
No change

Strategic objective

Impact

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

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

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

Mitigation

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

The Board engages with all stakeholders to ensure the strategy is communicated, understood and effective. For example, an Employee Engagement Panel, Gender Diversity Panel and employee engagement surveys have been established to monitor the cultural health of the organisation and ensure strategy is understood and implemented.

3 UK's exit from the EU

Residual risk
High

Change since 2019
No change

Strategic objective

Impact

Whilst the completion of the free trade agreement between the UK and the EU has relieved some immediate concerns, including regarding increased customs duties on supplies imported from the EU, the broader impact of these new trade arrangements has yet to be seen.

The new arrangements may lead to increased economic uncertainty adversely impacting: consumer confidence, demand and pricing for new homes, revenues, margins, profits and cash flows and may result in the impairment of asset values.

The new trade arrangements may result in delays impacting the availability and cost of imported materials and components within our supply chain.

Mitigation

We continue to monitor the political situation, the UK economy and the housing market through the review of external information and changes in the behaviour of our customer base. We robustly manage and control our work in progress and land investment and our stringent investment appraisals will continue, aiming to ensure exposure to market disruption is reduced.

We routinely engage with our key suppliers and are currently working closely with them to ensure that our supply chain is not materially impacted. We will continue to employ effective tendering processes to ensure cost impacts are mitigated as far as possible.

The vertical integration afforded by use of our own Brickworks, Space4 and Tileworks production will mitigate the availability and cost risks further.

(Also see mitigation and review of Government policy and Labour and Resources)

4 National and regional economic conditions

Residual risk
High

Change since 2019
No change

Strategic objective

Impact

The housebuilding industry is sensitive to changes in the economic environment, including unemployment, interest rates and consumer confidence. Any deterioration in economic conditions may have an adverse impact on demand and pricing for new homes, which could have a material effect on our revenues, margins, profits and cash flows and result in the impairment of asset values.

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

Mitigation

The Group's long-term strategy recognises the cyclical nature of the housing market and focuses on minimising financial risk, maintaining operational and financial flexibility and judging the timing of capital deployment through the cycle.

We continually monitor lead indicators on the future direction of the UK housing market so as to manage our exposure to any future market disruption. We regularly review our pricing structure to ensure it reflects local market conditions and continuously monitor the Group's geographical spread.

Our diversity of geographical markets and our range of price points helps us mitigate the effects of regional economic fluctuations. In the current climate, our strategy of providing 'homes for all' at more affordable price points is proving successful. We control the level of build on-site by closely monitoring our stock and work in progress levels. The Group's strong land holdings provide continuity of supply and disciplined and extensive due diligence processes are always undertaken prior to entering into any land investment decisions. These processes have regard to local market demands and conditions, and the Group's existing strategic and on market land holdings. All land additions are reviewed by the Executive Directors.

5 Government policy

Residual risk
High

Change since 2019
No change

Strategic objective

Impact

Changes to Government policy have the potential to impact on several aspects of our strategy and operational performance. For example, changes to the planning system, changes in the tax regime, or further amendment of the Help to Buy scheme or other housing policies could have an adverse effect on revenues, margins and asset values. Changes to the planning system may also adversely impact the Group's ability to source suitable land to deliver appropriate levels of return.

Mitigation

We monitor Government policy in relation to the housing market closely. Consistency of policy formulation and application remains very supportive of the housebuilding industry, encouraging continued substantial investment in land, work in progress and skills to support output growth. Our strategic objectives, delivering 'homes for all', are aligned with Government priorities for increasing housing stock.

The devolved Governments continues to support the industry with their respective Help to Buy and other equity loan schemes. In England, the current Help to Buy scheme closed for customer reservations on 15 December 2020 and all new homes have to be delivered to customers by 31 March 2020. A replacement Help to Buy scheme opened for customers to reserve new homes from 16 December 2020 and is available until 31 March 2023. In Scotland, the First Home Fund Scheme will reopen from 1 April 2021.

We actively manage our land investment decisions and levels of work in progress to mitigate exposure to external influences.

Our principal risks

OUR RISK MANAGEMENT FRAMEWORK CONTINUED

6 Mortgage availability

Residual risk
High

Change since 2019
No change

Strategic objective

Impact

Any restrictions in the availability or affordability of mortgages for customers could reduce demand for new homes and affect revenues, profits, cash flows, and asset values. There has been some tightening of lending criteria observed post-Covid-19.

Mitigation

We monitor Bank of England commentary on credit conditions including the monthly approvals for house purchases and UK Finance's monthly reports and lenders' announcements for trends in lending. We ensure that our investment in land and work in progress is appropriate for our level of sales and our expectations for market conditions. The devolved Government's Help to Buy and other equity loan schemes, support customers to gain access to the housing market across the UK with competitive mortgage rates.

7 Health, safety and the environment

Residual risk
High

Change since 2019
No change

Strategic objective

Impact

The health and safety of our employees, subcontractors, customers and visitors to our construction sites is of paramount importance to us. Accidents on our sites could also lead to reputational damage and financial penalties.

Environmental breaches may result in financial penalties, undermine the creation of sustainable communities and damage the reputation of the Group.

Mitigation

The Board has a very strong commitment to health, safety and the environment, and managing the risks in this area effectively. This is implemented by comprehensive management systems and controls, managed by our highly experienced Group Health, Safety and Environment Department, which includes detailed training and inspection programmes to minimise the likelihood and impact of accidents or environmental breaches on our sites. The Group's established policies and procedures can be quickly and effectively adapted to evolving health and safety guidance and regulation. This has been recently demonstrated with the swift Group wide adoption of Covid-19 secure operating procedures.

While all reasonable steps are taken to reduce the likelihood of an incident, the potential impacts of any such incident are considered to be high.

The Group's Health, Safety and Environment Department continues to enhance the Group's environmental processes and policies in partnership with the Group's Sustainability Committee and the wider operational teams. Regional Environmental Champions have been introduced to ensure compliance with these processes on-site.

8 Labour and resources: skilled workforce, retention and succession

Residual risk
Medium

Change since 2019
No change

Strategic objective

Impact

Access to an appropriately skilled workforce is a key requirement for the Group. Rising UK house building activity in recent years has increased demand for skilled labour, which has increased pressure on costs.

A skilled management team is essential in maintaining operational performance and the implementation of the Group's strategy.

Mitigation

We closely monitor our build programmes to enable us to manage our labour requirements effectively. We operate in-house apprentice and training programmes, to support an adequate supply of skilled labour. Our in-house Group Training Department provides standardised training that is centrally controlled.

We are also committed to playing a full and active role in external initiatives to address the skills shortage such as the Home Building Skills Partnership, a joint initiative of the Construction Industry Training Board and the Home Builders Federation.

Where appropriate, we also use the Group's Space4 modern method of construction which helps diversify resource requirements on-site.

The Group focuses on retaining its key staff through a range of measures, including the establishment of a Gender Diversity Panel, an Employee Engagement Panel, employee engagement surveys, further development of performance management frameworks, career management, and incentives. At the most senior level, the Nomination Committee oversees these processes and promotes effective succession planning.

9 Labour and resources: materials and land purchasing

Residual risk
Medium

Change since 2019
No change

Strategic objective

Impact

Materials availability
Recent growth in UK housebuilding and supply chain disruption caused by the Covid-19 pandemic has led to an increased demand for materials which is placing greater pressure on some elements of the supply chain. This may continue to 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 customer experience.

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

Mitigation

Materials availability
Our build programmes and our supply chain are closely monitored to allow us to manage and react to any issues and to help ensure consistent high quality standards. We build strong relationships with key suppliers over the long term to maintain consistency of supply and cost efficiency.

We have invested in expanding our off-site manufacturing hub at Harworth, near Doncaster, to strengthen security of supply. Our brick plant and roof tile manufacturing facility provide a significant proportion of these materials to our sites. This complements our existing off-site manufacturing capability at Space4, which produces timber frames, highly insulated wall panels and roof cassettes as a modern method of constructing new homes.

Our procurement team ensures that the Group's suppliers provide materials to the expected specification. Materials are inspected on receipt at site.

Throughout construction, each of our new homes undergo 21 key stage checks by our Independent Quality Inspectors, as part of 'the Persimmon Way' (the Group wide consolidated approach to new home construction), and before handover to the customer, our management teams perform a seven stage internal quality check process.

Land purchasing
The Group has strong land holdings. All land purchases undergo stringent viability assessments performed by our dedicated land and planning teams and must meet specific levels of projected returns.

The Board review and determine the appropriate timing of land purchases having regard to existing market conditions and sales rates.

10 Climate change

Residual risk
Medium

Change since 2019
No change

Strategic objective

Impact
Should the effects of climate change and the UK's transition to a lower carbon economy lead to increasing national regulation this could cause constrained land supply, additional planning delays, increase the cost and accessibility of materials required within our construction process and potentially limit their supply or require additional features which could significantly increase our costs.

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

Mitigation
We monitor our operational efficiency and direct environmental impact in a number of ways including measuring our scope 1 and scope 2 CO_2e emissions and the amount of waste we generate for each home we sell.

The Group maintains a climate change risk register which ensures that the management and mitigation of this risk is embedded within the Group's risk management processes. The risk register is updated at least once a year and reviewed by the Group Sustainability Manager, the Group Internal Audit Manager and the Risk Committee. The Group has appointed a Group Sustainability Manager bringing increased focus to both the risks and opportunities surrounding climate change.

We systematically consider the potential impacts of climate change throughout the land acquisition, planning and build processes and work closely with planning authorities and other statutory bodies to manage and mitigate these risks. For example, we conduct full environmental assessments for each parcel of land we acquire for development to ensure our activities fulfil all obligations, respecting the natural environment and the communities for which we are delivering newly built homes. We are keen to adopt Sustainable Urban Drainage Systems on all our new sites, subject to local planning requirements, to address the risk of flooding.

Assisted by an independent expert, the Group has set science based carbon reduction targets for its Scope 1, 2 and 3 emissions. Steering Groups have been established to plan and manage the Group's carbon reduction pathway to ensure these targets are met.

The Group's low carbon home Steering Group has launched a Regional Demonstration Project to understand the environmental, social and financial impacts of implementing the Future Homes Standard, monitoring the home's occupants to understand real life 'liveability' through time. Working with Energy House Laboratories at the University of Salford, we will monitor the true in-use carbon savings of the home, impacts to the homeowner as well as potential additional processes and costs to the build process.

The aim of the project is to inform UK policy direction and debate on building low carbon homes cost effectively at scale. We will seek to identify the optimum opportunities when considering input costs versus carbon savings for each component used within the demonstration house. The demonstration house will be built in summer 2021 in Fulford, York, North Yorkshire.

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

Our principal risks

OUR RISK MANAGEMENT FRAMEWORK CONTINUED

11 Reputation

Residual risk

Medium

Change since 2019

No change

Strategic objective

Impact

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

For example, should governance, build quality, customer experiences, operational performance, management of health, safety and the environment or local planning concerns fall short of our usual high standards, this may result in damage to customer, commercial and investor relationships and lead to higher staff turnover.

Mitigation

Management supervision

The Group has a strong commitment to appropriate culture and maintaining the high quality of its operations. Oversight from the Board seeks to ensure key processes are robust and any shortcomings identified are promptly and effectively addressed.

The Group's build quality and customer service processes are a key strategic priority, and significant investment has been made in this area with the Customer Care Improvement Plan now embedded within the business. Persimmon's Homebuyer Retention scheme, introduced on 1 July 2019 is unique in the market, and is proving to be both popular with customers and a key driver of behavioural change within the business. The Consumer Code for Housebuilders has highlighted this industry leading scheme as an area of good practice in relation to customer service.

Where management oversight identifies inconsistencies in adherence to agreed processes, correcting actions are swiftly taken, for example in the case of incorrect cavity barrier installations where immediate action was taken through inspections and remediation.

The Group has introduced the Persimmon Way in order to strengthen build quality and assurance processes and establish a consolidated, consistent Group wide approach to construction. The Group Construction Director is responsible for the implementation of the Persimmon Way and reports to the Group Chief Executive. Independent Quality Inspectors undertake inspections at 21 key stages of the construction process as well as continually assessing the finished quality of our new homes.

The Group is to implement a process of complimentary external verification of the key processes to further support Group best practice.

Stakeholder relationships

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

The Group continues to develop engagement activities with all stakeholders. For example, improved engagement with our employees is facilitated through the Employee Engagement and Gender Diversity Panels, which meet regularly and report to the Board. The Group has also invested in a number of measures to improve customer experience by putting customers before volume. For example, investment in increased work in progress levels, the introduction of a Home Buyer Retention Scheme for customers, and investment in the development of a customer portal which is currently being piloted ahead of a wider Group roll-out. In addition, the Group continues to foster long-term, mutually beneficial relationships with its suppliers.

We actively support local communities in addressing housing needs, in creating attractive neighbourhoods and employing local people, both on our sites and in the supply chain. Significant contributions are made to local infrastructure and good causes within the communities in which the Group operates. The Group supports Team GB, the British Olympic team, and continues to pursue extensive community support programmes in partnership with Team GB, as part of the Group's Healthy Community charitable activities.

12 Regulatory compliance

Residual risk

Medium

Change since 2019

Increase

Strategic objective

Impact

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

Any retrospective changes in these regulations or failure to comply with them could result in remediation costs, damage to the Group's reputation and potential imposition of financial penalties.

The risk has increased from the prior year due to the rapidly and continuously evolving regulations and practices regarding fire safety of multi storey, multi occupancy buildings.

Mitigation

We operate comprehensive management systems to ensure regulatory and legal compliance, including a suite of policies and procedures covering key areas of legislation and regulation. Where these systems identify inconsistencies in adherence to agreed processes, correcting actions are swiftly taken. For example, our response to the incorrect cavity barrier installations where immediate action was taken through inspections and remediation.

We also carefully monitor evolving regulations and consider the impact on the Group and its responsibilities. For example, the Group has been closely assessing the impact of the changing fire safety regulations with respect to multi storey, multi occupancy buildings, particularly in respect of buildings less than 18 metres in height, that may have used now-banned materials. As practices have evolved, the Group has responded swiftly and committed to perform fire safety remedial works where necessary on buildings that it currently owns and work with owners and other stakeholders on buildings that the Group developed.

We engage extensively with planning authorities and other stakeholders to reduce the likelihood and impact of any delays or disruption. In addition, the Group controls sufficient land holdings to provide security of supply for medium term trading requirements.

13 Cyber and data risk

Residual risk

Medium

Change since 2019

No change

Strategic objective

Impact

Failure of any of the Group's IT systems, particularly those in relation to customer information and customer service could result in significant financial costs, business disruption and reputational damage due to the loss, theft or corruption of data either inadvertently or via a targeted cyber attack.

Mitigation

We operate centrally maintained IT systems with a fully tested disaster recovery programme.

All infrastructure is highly resilient, with geographically diverse data centres that have a series of backups.

Regular awareness emails are delivered to all users and the Group performs substantial online training activity to increase awareness of cyber risks.

Specialists within the Group's IT Department provide oversight on the suite of controls in place to ensure they are continually updated to mitigate evolving threats.

The Group has detailed and robust systems development and implementation processes in place and a Cyber Incident Response Plan. An Information Security Steering Group has been established to provide oversight of the Group's cyber security strategy and to continue to promote a positive culture for cyber security.

Periodic penetration testing is carried out through security partners to test the security of our perimeter network.

An externally led review of the Group's cyber security processes and controls has been completed in 2020 and provided assurance over the Group's existing measures.

Established GDPR compliant business processes and data management are maintained and regularly reviewed.

Climate change risks and opportunities

CLIMATE RELATED FINANCIAL DISCLOSURES

The Board recognises the risks and opportunities posed by climate change to the Group's business model and strategy. Climate change was introduced as a principal risk for the Group in its 2018 Annual Report & Accounts and last year the Group began its pathway to align with the disclosures recommended by the TCFD by 2021.

Pathway to full TCFD disclosure in 2021

The Group's progress in 2020 includes:

- Adoption of the Greenhouse Gas ('GHG') Protocol Corporate Accounting and Reporting Standard (Revised Edition) as the method to measure and report the Group's emissions from its own operations;
- Publication of a Carbon Reporting Methodology Statement to describe the processes and methodologies for measuring and reporting the Group's emissions from its own operations;
- Begin to establish and set science based GHG emissions targets for the Group's emissions from its own operations, its homes in use and its supply chain;
- Established operations led steering groups to direct, manage and integrate the impact of potential regulatory changes and GHG emission reduction strategies throughout the business; and
- Performed a high-level balance sheet, profit and loss account and cash flow review of the asset classes and cost categories likely to be most significantly impacted by climate change.

The Group's current progress and future plans for 2021/2022 include:

- The calculation and publication of the Group's science based GHG emissions targets for its own operations and those from its homes in use and its supply chain (see page 48);
- Submit the Group's science based targets to the Science Based Target Initiative for formal accreditation;
- Measure and publish the Group's emissions from its homes in use and its supply chain within its 2021 annual financial statements;
- Embed GHG emission reduction strategies, into 'business as usual' via the Group's steering groups;
- Publication of progress against these emissions targets;
- Perform climate change scenario analysis;
- Assess and develop the pathway to net zero for the operations of the Group; and
- Assess and develop the pathway to developing low carbon homes at scale.

TASK FORCE ON CLIMATE RELATED FINANCIAL DISCLOSURES (TCFD)

Governance

Board oversight of the Group's climate related risks and opportunities

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 58). The Board has overall responsibility for the management of risks and opportunities arising as a result of climate change. The Sustainability Committee oversees the Group's climate change strategy and reports its findings and recommendations to the Board. As described on page 91, the Committee was restructured in 2020 to bring more focus to this important area. The Committee met three times in 2020 and comprised, Joanna Place, Non-Executive Director (Chair), the Group Chief Executive, the Group Strategy Director, the Group Sustainability Manager, the Group Corporate Reporting Manager and the Company Secretary. It receives external expert advice as necessary.

Strategy

The Board monitors the impact of climate change risks and opportunities on its strategy, business model and financial position. It considers the impact over the short (0-5 years), medium (6-10 years) and long (11-100 years) term.

Climate change risks to the Group's strategy and business model

The risks identified below are those that are considered to have a potentially material financial impact on the Group's strategy and business model.

Risk	Potential impact	Strategy impact	Resilience of the Group's strategy and business model
(0-5 years) Transition to a low carbon economy through changing regulations	On 1 October 2019, the Government set out its plans for the introduction of a 'Future Homes Standard' in England (planned to be introduced by 2025) which will require new build homes to be future-proofed with low carbon heating and world-leading levels of energy efficiency. Whilst the detailed changes have yet to be announced, the industry is currently considering the likely impact of these new regulations. The Ministry of Housing, Communities and Local Government's 'Planning for the Future' White Paper published in August 2020 outlined proposals to introduce a simpler and quicker planning system in England, which would promote developments that actively address the challenges of climate change. Regulatory change may lead to: • constrained land supply leading to an increased cost of land investment for the business; • extended planning delays impacting the Group's new home delivery rate; • increased cost and pressure on the availability of labour and materials; and • requirement for the use of new technology and skills impacting overall build cost.		Based on the high level review of the Group's balance sheet, the carrying value of the Group's owned and under control land holdings is most likely to be impacted by the transition to a low carbon economy through changing regulations. At 31 December 2020, the Group has 84,174 owned and under control plots in its land holdings. The Group's underlying gross margin* achieved in 2020 of 31% serves to highlight the quality of these land holdings and provides some mitigation against potential increased costs associated with delivering low carbon homes. These diverse and high quality land holdings supports the Group's strong network of outlets and ensures the Group is well positioned to invest in land at the right time in the cycle. The strong gross margins embedded in the Group's existing land holdings helps to absorb potential volatility caused by increases in build costs. The Group has core house types used across its national network of development sites which helps ensure that any new regulatory requirements re home design and construction can be effectively and consistently applied across the Group. The Group's business model includes vertical integration – the Group owns its own timber frame, wall panel and roof cassette manufacturing facilities. These modern methods of construction are considered likely to assist in building low carbon homes. The Group's significant ongoing investment in training ensures that it maintains an appropriate skills base to manage changes in regulation.
(11-100 years) Changes in weather patterns and the frequency of extreme weather events, particularly storms and flooding	This may increase disruption to the construction process resulting in build delays and increased costs. Land availability may become constrained in higher flood risk areas.		The Group's strategy and business model considers the risk of climate change at a number of key stages, including: • Identifying land investment opportunities in the most sustainable locations, in places where our customers wish to live and work; and • Developing sustainable communities which includes the consideration of climate change risk assessments (e.g. consideration of flood risk and developing appropriate flood defence mechanisms).

Climate change opportunities for the Group's strategy and business model

Opportunity	Potential impact	Strategy impact	Resilience of the Group's strategy and business model
(0-10 years) Transition to a low carbon economy through changing buildings regulations and evolution of home design	Changing regulations and the evolution of new home design may lead to increased demand for new build homes which include low carbon solutions for our customers, leading to increased revenue.		The Group's high quality land holdings, land investment strategy, well designed core house types and skilled teams will ensure an agile response to changing regulations to take advantage of any increase in customer demand.
Identification of a pathway to 'net zero'	In establishing and setting a pathway to achieving net zero carbon in its own operations by 2040, the Group is likely to identify areas of cost and operational efficiencies.		The Group's robust operating systems will ensure that any changes can be implemented promptly and effectively.

* Stated before legacy buildings provision (2020: £75.0m, 2019: £nil) and based on new housing revenue (2020: £3,129.5m, 2019: £3,420.1m).

Climate change risks and opportunities

TASK FORCE ON CLIMATE RELATED FINANCIAL DISCLOSURES (TCFD) CONTINUED

Risk Management

As noted on page 58, the Group maintains a risk register which identifies the significant climate change risks which may impact the Group. The risks and their potential consequences are identified by relevant stakeholders in the Group and the process of managing each risk is considered. Each risk is allocated a 'risk owner' with the Board holding ultimate responsibility for risk management.

The register is updated at least once a year and reviewed by the Group Sustainability Manager, the Group Internal Audit Manager and the Risk Committee. During the year, a high-level review of the balance sheet profit and loss account and cash flow review of the asset classes and cost categories was also undertaken to ensure climate change risks to the business are fully considered from a quantitative and qualitative perspective. As risks are identified, the Group considers whether the business' strategy and business model already manages/ mitigates the relevant risk. Should any gaps be identified, the Group establishes appropriate risk management procedures.

Through these processes, the Group has identified the material risk associated with climate change to be in relation to the Group's investment in its land holdings and land investment opportunities, together with the evolution of the design of its core house types. We assess the significant environmental and climate change risks for each of our potential sites and conduct full environmental impact assessments for each development we acquire. See page 43 for more detail.

In order to manage the potential change in regulation through the Future Homes Standard, the Group has established a Steering Group to plan, manage and implement the transition to low carbon homes. It is investing in a new technical department headed by the Group Technical Director which includes expertise in assessing the impact of changing building regulations and new home design. See pages 48 to 49 for more detail.

Metrics and targets

The Group monitors emissions from its own operations, which have been measured in accordance with GHG Protocol Corporate Accounting and Reporting Standard (Revised Edition).

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' operations, the supply chain and from the homes we sell. As such, Persimmon has set an ambitious target to be net zero in our homes in use by 2030 and in our operations by 2040. This commitment is supported by interim science based carbon reduction targets to reduce operational emissions by 46.2% and our indirect emissions (i.e. those from our homes in use and our supply chain) by 22% per m^2 completed by 2030 which will be achieved through a number of measures including wider supply chain engagement, product innovation as well as changes to current operational processes.

Steering Groups have been established to plan and manage the Group's greenhouse gas emission reduction pathway, assisted by an independent expert, for its operations, its supply chain and the new homes it delivers.

We participate in the CDP climate survey, our rating for 2020 improved to a B– (Management), (2019: C (Awareness)).

Greenhouse gas emissions*

tonnes CO_2e

Greenhouse gas emissions		2020	2019
Scope 1 emissions from gas, transport and construction site fuel use		**25,886**	30,797
Scope 2 emissions from electricity use	Location based	**3,480**	3,209
	Market based	**1,656**	2,747
Total greenhouse gas emissions	Location based	**29,367**	34,006
	Market based	**27,543**	33,543
Carbon intensity (per home sold)	Location based	**2.16**	2.14
	Market based	**2.02**	2.12

* Our Scope 1 and Scope 2 greenhouse gas emissions data for 2020 has been externally verified to a limited level of assurance by Bureau Veritas. The Group has used the GHG Protocol Corporate Accounting and Reporting Standard (Revised Edition) as the method to quantify and report greenhouse gas emissions. They have been reported in line with the UK Government's 'Environmental Reporting Guidelines: including streamlined energy and carbon reporting guidance' (dated March 2019). We have continued to evolve our reporting methodologies. As such, in 2020, for scope 1 business travel, the Group has improved the accuracy of its information by basing the calculation on specific information provided by a sample of colleagues from across the business and extrapolating the results across the whole population. In 2019, the Group analysed fuel card usage and expense claims to estimate the level of scope 1 business travel. Estimates were based on a smaller representative sample of company car users and extrapolated across the actual population.

The Group's total energy use for 2020 was 110,034,884 kWh (2019: 116,392,708 kWh). The Group operates in England, Wales and Scotland only. As such, the emissions stated are amounts for UK and offshore emissions, with no additional global emissions.

Our carbon reduction targets

From 2030, our new homes in use will be net zero carbon.

By 2040, we aim for net zero carbon across our operations.

We have set science based carbon reduction targets for scope 1, 2 and 3 emissions. These targets are aligned with the Paris Agreement's aspiration to limit global warming to 1.5°C.

Scope 3

22% per m^2

We will reduce our scope 3 emissions by 22% per m^2 completed floor area by 2030

Scope 1 and 2

46.2%

We will reduce our scope 1 and 2 emissions by 46.2% by 2030

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

Viability statement

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 the impact of the Covid-19 pandemic, also form part of the Board's assessment of long-term prospects and viability*.

Assessing Persimmon's long-term prospects

Persimmon has built a strong position in the UK's house building market over many years recognising the potential for long-term growth across regional housing markets. The Board recognises that the long-term demographic fundamentals of continued positive population growth and new household formation, together with the requirement to replace and improve the quality of the country's housing stock, provide a long-term supportive backdrop for the industry. However, the Board and the Group's strategy recognises the inherent cyclicality of the UK housing market. The Group therefore came into the Covid-19 pandemic from a position of strength with good liquidity, high quality land holdings and a strong balance sheet. The future impacts of the Covid-19 pandemic on the UK economy and the Group's sales and construction programmes remain uncertain. The Board has considered these potential impacts 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;
- market knowledge, expertise and industry know-how; and,
- long-term healthy supplier engagement.

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

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

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

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

1. The Group's current market positioning

- Strong sales network from active developments across the UK providing geographic diversification of revenue generation
- Three distinct brands providing diversified products and pricing deliver further diversification of sales
- Imaginative and comprehensive master planning of development schemes with high amenity value to support sustainable, inclusive neighbourhoods which generate long term value to the community
- Disciplined land replacement reflecting the extent and location of housing needs across the UK provides a high quality land bank in the most sustainable locations supporting future operations
- Long-term supplier and subcontractor relationships providing healthy and sustainable supply chains
- Sustained investment to support higher levels of construction quality and customer service through the implementation of the Group's customer care improvement plan
- Strong financial position with considerable cash reserves and with additional substantial working capital credit facilities maturing March 2025

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

Viability statement

PERSIMMON'S PROSPECTS AND VIABILITY CONTINUED

2. Strategy and business model

- Strategy focuses on the risks associated with the housing cycle and on minimizing 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 in output
- 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 resulting from the measures introduced to mitigate the impact of the Covid-19 pandemic adversely impacting demand for new homes and construction programmes
- The impact of disruption to the UK economy resulting from the departure of the UK from the EU
- Market impacts related to reduced consumer confidence due to regional economic uncertainties
- Reduction in mortgage funding availability and/or affordability due to reduced lender risk appetite and/or regulatory change
- Response required to mitigate the impact of climate change
- Team, skills and talent related risks regarding retention and change management

See page 59 for the full list of principal risks together with detailed descriptions.

Disciplined strategic planning process

The prospects for the Group are principally assessed through the annual strategic planning review process conducted towards the end of each year. The management team from each of the Group's house building businesses produce a five-year business plan with specific objectives and actions in line with the Group's strategy and business model. These detailed plans reflect the development skill base of the local teams, the region's housing market, having particular regard to the impacts of the Covid-19 pandemic on the local area, 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 and allocates capital with the aim of achieving the long-term strategic objectives of the Group. The five-year plans provide the context for setting the annual budgets for each business for the start of the new financial year in January, which are consolidated to provide the Group's detailed budgets. These budgets are updated after six months, for the following twelve months, which are then replaced by the new strategic planning, and budget setting, cycle. The Board review and agree both the long-term plans and the shorter term budgets for the Group.

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

Assessing Persimmon's viability

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

The use of a five-year time horizon for the purpose of assessing the viability of the Group reflects the business model of the Group, 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 documented in the Strategic Report is the Group's commitment to maintain capital discipline over the long term through the housing cycle. This commitment was reinforced with the announcement of the Group's Capital Return Programme ('CRP'). The CRP initially committed to return £1.9bn of surplus capital over the following ten financial years to 2021, or £6.20 per share. After nine years the Group is ahead of plan and has paid £10.65 per share, or £3.3bn back to shareholders. On 3 March 2021 the Directors announced the scheduled CRP payments in respect of the financial year ended 31 December 2020 to be paid in 2021. Further details can be found on page 7.

On an annual basis the Directors review financial forecasts used for this Viability Statement as explained in the disciplined strategic planning processes outlined earlier. These forecasts incorporate assumptions about the timing of legal completions of new homes sold, average selling prices achieved, profitability, working capital requirements and cash flows, and are designed to test the Group's ability to fulfil its strategic objectives. They also include the CRP. The Directors have made the assumption that the Group's revolving credit facility is renewed during the period having again extended the maturity of the facility during the year, out to 31 March 2025.

The Directors have also carried out a robust assessment of the principal risks facing the Group (as set out on page 59), 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. The Directors have considered the impact of these risks (particularly those in relation to the ongoing social distancing restrictions introduced by the UK and devolved Governments to contain the spread of Covid-19) on the viability of the business by performing a range of sensitivity analyses to a Base Case, including severe but plausible scenarios materialising together with the likely effectiveness of mitigating actions that would be executed by the Directors.

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

In the first scenario modelled, the combined impact is assumed to cause a c.42% reduction in volumes and a c.14% reduction in average selling prices through to 2022. As a result of these factors, the Group's housing revenues were assumed to fall by c.50% during this period. The assumptions used in this scenario reflect the experience management gained during the Global Financial Crisis ('GFC') from 2007 to 2010, it being the worse recession seen in the housing market since World War Two. The scenario assumes a subsequent recovery occurs over a similar extended period as in the GFC.

A second, even more extreme, scenario assumes a significant and enduring depression of the UK economy and housing market over the next five years causing a reduction of c.45% in new home sales volumes and a c.48% fall in average selling prices through to 2022. As a result of these factors, the Group's housing revenues were assumed to fall by c.71% during this period. It assumes that neither volumes nor average selling prices recover from this point through to 2025.

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

Based on this assessment, the Directors confirm that they have reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to the end of 31 December 2025.

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) and forms the Directors statement required under Section 414 CZA of the Companies Act 2006.

Stakeholder	Why?	How do we engage?
Customers Relevant material issues: 3 Build quality and safety 4 Customer satisfaction 7 Helping customers live sustainably 8 Social value/ enhancing communities	Engaging with our customers helps us to identify their changing needs, set our strategy accordingly and ensure that we continue to improve the delivery of consistently good quality homes and customer service. Engaging with our Housing Association partners ensures that we provide the appropriate range of affordable homes to meet the needs of local communities. Maintaining positive relationships with our customers minimises reputational risk to the Group and drives long term demand for our homes.	• We communicate with our customers in a number of ways: through our sales teams, who are in regular contact with our customers from the point of reserving their new home to moving in day, through our site staff who attend key release meetings with our customers and through our customer care teams, who support our customers once they have moved into their new home. • Our sales teams have worked throughout the year, including during the period of site shutdown in March and April, supporting our customers on the phone, on e-mail and on-line. • 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 28 to 35. • Further detail on how we mitigate reputational risk can be found on page 64.
Employees Relevant material issues: 1 Climate change action and resilience 5 Health and safety 9 Talent, attraction, development, diversity and engagement	The Board aims to attract and retain a diverse and talented workforce, believing this to be fundamental to the long term success of the business. Rising UK house building activity in recent years has increased demand for skilled labour. Retaining and investing in skilled staff is therefore a key priority for the Group. Engaging with our employees helps ensure they understand and align with the Group's strategy.	• Employee Engagement Panel established in early 2019, with representatives presenting to the Board. • 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 feedback from the Gender Diversity Panel. • Through our Health, Safety and Environment Department and increased on line training procedures (see pages 38, 46 and 47 for more detail). • Further detail on how we engage can be found on pages 41, 88 and 89. • Further detail on how we access and retain skilled labour can be found on pages 36 to 41 and 62.
Communities Relevant material issues: 8 Social value/ enhancing communities	Engaging with our local communities, throughout all phases of the development more accurately identifies their needs and addresses issues they may have. During this collaboration, we aim to address and minimise the impact of our activities during the construction phase of our developments through our 'Planning and Environmental Risk Assessments'.	• Consultation throughout the planning and development process to more accurately identify the needs of local communities. • Feedback from our local pre-launch marketing campaigns. • 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 34 and 35.

What did they tell us?	How did the Board respond?
• We need to have consistency on construction quality and assurance. • 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.	• Consistently building good quality homes and providing high levels of customer service remains a key focus for the Group. • 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. • Continued to put customers before volume – Improving build quality and assurance processes – Improving customer communication throughout our customers’ journey with us – Improving consumer rights through the Homebuyer Retention Scheme – For further details see pages 28 to 33.
• The Employee Engagement Panel held an additional unscheduled meeting to discuss the Group’s response to the Coronavirus pandemic. The Panel reported that colleagues were generally pleased with the way the Group had responded and communicated its response to them. • Colleagues would like to further understand the Group’s commitment to reducing its carbon footprint. • Our first employee engagement survey (conducted in February 2020) was extremely positive, with an 80% employee engagement score. • The survey also highlighted some areas for improvement, for example, better methods of communication. For more detail see page 41.	• Continued investment in the Group Training Department (see page 38). • Launched an employee engagement survey in 2020 with annual surveys to be performed. • Appointed a Director of Talent and Diversity to assist in enhancing the Diversity of the Group and set new Diversity targets (see pages 40, 92 and 96 to 97). • Agreed the initiative to set and commitment to science based carbon reduction targets. • For further information see pages 48 and 68.
• 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.	• 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 43). • Signed up to the Covid-19 business pledge supporting colleagues, customers and communities through the crisis. • Continued the Community Champions and the Building Futures Campaigns (see page 35).

Section 172 statement

CULTURE AND ENGAGING WITH OUR STAKEHOLDERS CONTINUED

Stakeholder	Why?	How do we engage?
Suppliers and subcontractors Relevant material issues: 1 Climate change action and resilience 5 Health and safety 8 Social value/ enhancing communities	The Group benefits from robust and long standing relationships with many of its suppliers and subcontractors. This assists in securing the quality and supply of materials to deliver the Group's build programmes effectively. We engage with them to ensure adherence to our stringent health and safety standards and required standards of ethical behaviour and integrity. Engagement with our suppliers assists us in continuing to improve the long-term sustainability of our supply chain.	• Regular, informal discussions with our key suppliers through our Group Procurement department, who are responsible for arranging and negotiating group supply deals. • 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 suppliers sign up to the Group's supplier principles which describe our requirements and expectations. • Further detail on how we engage can be found on page 51.
Shareholders Relevant material issues: 1 Climate change action and resilience 5 Health and safety 8 Social value/ enhancing communities 9 Talent, attraction, development, diversity and engagement	Access to capital is important to the long-term success of the business. Through our engagement we aim to create investor buy-in of our core focus areas and how we execute them. We create value for our investors by generating surplus capital beyond the reinvestment needs of the business as the market cycle develops.	• Regular discussion with analysts and investors as part of the Group's reporting cycle. • We hold institutional shareholder meetings and specific consultations. • Through shareholder roadshows. • Hold a regular 'Capital Markets Day'. • Obtain feedback from the Company's brokers and market analysts. • Obtain feedback from shareholder groups.
Government, regulators and industry bodies Relevant material issues: 1 Climate change action and resilience 5 Health and safety 8 Social value/ enhancing communities	We engage with Government in respect of Government policy that affects the Group. We meet with local authority planning departments to ensure we are able to provide sustainable communities with high amenity value in places where people wish to live and work. We engage with the Health and Safety Executive in relation to industry-wide initiatives to reduce health and safety risks to both our workforce and the local communities.	• Participating in industry meetings with Ministers. • Engaging with Government departments directly, and working with the Home Builders Federation, to explain industry opportunities and challenges. • Member of Homes for Scotland. • Engaged with Home Building Skills Partnership. • Regular dialogue with the Health and Safety Executive. • Engaging with local planning authorities. • Engaging with Government regarding the Future Homes Standard.

What did they tell us?	How did the Board respond?
• The Group works in partnership with its suppliers, providing continuity and visibility of future work flows. • Timely payment of invoices is important to them. • They continue to monitor the impact of the UK's exit from the EU on supply chains.	• Maintain a set of Supplier Principles which all suppliers must sign up to. • We are a signatory to The Prompt Payment Code (PPC) (see page 51). • Joined the Gangmasters and Labour Abuse Authority's Construction Protocol (see page 41).
• Preference for a sustainable dividend. • Fair pay for all employees. • Increased need to demonstrate ESG credentials. • Require a diverse Board composition. • Remuneration must be appropriate, performance related and linked to strategy.	• Approved the Capital Return Programme payments by the payment of a dividend for 2020 (see page 7). • The Group will apply to become an accredited Living Wage employer during 2021 (see pages 26 and 41). • Maintain a rigorous process for each Board appointment led by the Nomination Committee (see pages 95 and 96). • Renewed focus on the Group's ESG credentials – inclusion of commitment to deliver science based carbon reduction targets for the Group.
• 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. • In August 2020, the Government consulted on the White Paper to reform England's planning system. One that makes the system quicker and simpler, provides 'sustainable, beautiful, useful and safe' development and one that secures investment in local infrastructure. • 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 Chairman and Group Chief Executive regarding direct engagement with Government, Homes England and the Home Builders Federation. • See page 46 for information on our Covid-secure sites, sales offices and manufacturing facilities.

Section 172 statement

PRINCIPAL DECISIONS

We define principal decisions as both those that are material to the Group, but also those that are significant to any of our key stakeholder groups. In making the following principal decisions the Board considered the outcome from its stakeholder engagement (described on pages 72 to 75) as well as the need to maintain a reputation for high standards of business conduct and the need to act fairly between the members of the Company.

During the year, the Board has made a number of 'principal decisions', in the main in response to the onset of the Covid-19 pandemic and the resulting social distancing measures, health and safety regulations and social and economic disruption. A description of these principal decisions is provided below.

Principal decisions taken in the year to 31 December 2020

Orderly shutdown of site operations

- From the start of the outbreak of the virus in the UK, the Group closely followed Public Health England's guidance including implementing social distancing measures to ensure the safety of its customers, communities and workforce.
- Following enhanced Government and Public Health England guidance that was issued on Monday 23 March 2020, the Board decided to take further measures from Thursday 26 March 2020 including:
  - Closing all of the Group's sales offices, regional offices (with only a skeleton staff to facilitate the wider workforce working from home);
  - Commencing an orderly shutdown of its sites with only essential work taking place focusing on making partly built homes safe and legally completing homes where failure to do so would have left customers in a vulnerable position; and
  - Performing emergency customer care works only.
- The decision, and the structure of the Group's closure, was guided by the Board's long standing key priority of ensuring the health, safety and wellbeing of its customers, communities and workforce.

Phased restart to site operations

- In the period from 25 March 2020, the Group worked closely with its colleagues, subcontractors and suppliers, in developing and testing a range of new Covid-secure operating protocols, in compliance with all relevant regulations, including the Construction Leadership Council's Standard Operating Procedures.
- Once completed, the Board agreed a phased restart to work on-site with effect from 27 April 2020, taking into consideration:
  - the clear guidance issued by Government in April 2020, stating that it sees construction as a vital element of the UK economy and that where sites can comply with the Construction Leadership Council's Standard Operating Procedures they should continue to operate, and,
  - The stringent Covid-secure operating protocols that the Group's Health, Safety and Environment Department had tested and developed.

Continuous employment for all colleagues without recourse to Government assistance

- Throughout 2020, the Board decided to retain all of its colleagues on full basic pay, irrespective of whether or not any disruption in site operations impacted them, without any recourse to Government assistance. During the site disruptions in March and April 2020, approximately 30% of our colleagues were stood down from site operations.
- In assessing this decision, the Board placed great importance on supporting all colleagues through the crisis period and on ensuring that their skills were retained within the business into the recovery, considering this to be in the long-term interests of all stakeholders.

Cancellation and postponement of April 2020 and July 2020 capital return plan payments

- In light of the major social and economic disruption resulting from the action taken to mitigate the onset of the Covid-19 pandemic, and after careful assessment of the capital needs of the business, in March 2020 the Board decided to:
  - Cancel the proposed 125p per share interim dividend payment of surplus capital to shareholders due to be paid on 2 April 2020; and
  - Postpone the proposed, annual final dividend payment of 110p per share due to be paid on 6 July 2020 and reassess it later in the calendar year when the effect of the virus would be clearer.
- The Board was preparing for a significant delay in the timing of legal completions, a rise in cancellation rates and a material slowdown in new sales, the extent and duration of which was unknown at the time.
- This decision was in line with the Group's long established strategy of minimising financial risk through the cycle. The Board considered that this action preserved the Company's ability to reinvest this capital in the business should appropriate opportunities arise, generating enhanced value over the longer term in the best long-term interests of all stakeholders.

Re-instatement of Capital Return Programme

- In line with their stated strategy, the Board continued to reassess the Group's capital requirements in the context of the progress made by the business during this challenging time, together with the outlook for the market and the wider UK economy.
- The primary consideration in judging the level of surplus capital available was the assessment as to whether the business was operating at optimal scale in its regional markets, including executing disciplined land investment opportunities at the right time in the cycle, whilst also minimising financial risk.
- Given the strong progress made by the business on commencement of site re-openings and an assessment of forward sales and the resilient demand for homes, on 18 August 2020, the Board announced the reinstatement of dividends and a modest interim dividend of 40p per share to be paid on 14 September 2020.
- Reflecting the Group's continuing strong performance, a further interim dividend of 70p per share was announced on 10 November 2020, to be paid on 14 December 2020.

Appointment of new Group Chief Executive

- After an extensive recruitment process, Dean Finch was appointed as Persimmon's new Group Chief Executive in June 2020, and took up his post on 28 September 2020.
- 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.
- The Board considered that Dean would be a good fit for the Group and is well qualified to continue to drive the business forward and deliver value for all stakeholders in the business.

Legacy buildings provision

- The Group commenced a review of all of its legacy buildings that used cladding materials. The review, undertaken over a number of months, provided interim findings to the Board in February 2021. It identified 26 buildings that may have used now-banned materials.
- The Board formally committed to meeting these costs and leading the work on affected buildings that it directly owns, none of which are above 6 storeys. Where the buildings are not under direct ownership, Persimmon will provide technical support to ensure the building is made safe. Where a building owner fails to step up and accept their responsibilities, Persimmon stands ready to provide the support necessary to make sure the work is done.
- The Board considers this action to be in the best long-term interests of all stakeholders.

Principal Decisions taken up to 2 March 2021

Capital Return Programme

- As detailed on page 7, the Board has announced a return of capital of £2.35 in 2021.
- In determining the 2021 capital returns, the Board has considered the ongoing performance of the business and prevailing market conditions.
- As detailed on page 71, the Board has 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, including pension schemes in supporting retired workers and their families. 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.

Non-financial information

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

Reporting requirement	Where to read more in this report to understand the impact on the business	Relevant policies
Environmental Matters	See pages 17, 48 and 67	Climate Change Position Statement Environment Policy Sustainability Policy Waste and Resource Management Policy
Employees	See page 36	Health & Safety Policy Diversity Policy
Social Matters	See page 34	Sustainability Policy Anti-Bribery Policy Code of Ethics Prevention of Criminal Facilitation of Tax Evasion Policy
Human Rights	See page 41	Human Rights Policy Modern Slavery Statement
Suppliers	See page 51	Supplier Principles
Business Model	See page 12	
Principal Risks	See page 59	
Non-financial KPIs	See page 16	

Our policies are available on our website
www.persimmonhomes.com/corporate/corporate-responsibility/policies

This strategic report has been approved by the Board:

Dean Finch
Group Chief Executive
2 March 2021

Mike Killoran
Group Finance Director
2 March 2021

Directors' Report

CHAIRMAN'S INTRODUCTION TO CORPORATE GOVERNANCE

"The Board, guided by the Group's responsibilities to all of its stakeholders and wider society, has continued to demonstrate strong and decisive leadership."

Roger Devlin
Chairman

It is my pleasure to introduce the 2020 corporate governance report, the Group's second under the UK Corporate Governance Code 2018, and my third as Chairman. 2020 has brought unprecedented challenges.

The health, safety and wellbeing of our colleagues and wider workforce, customers and communities has been paramount throughout this period. Despite the challenges, the Board led the Group to deliver a robust trading performance and maintain the Group's balance sheet strength and financial flexibility, securing a strong platform for future growth.

The Board has continued to exercise oversight of the Group's important programme of operational improvements to support higher levels of build quality and assurance processes and customer service levels. The commitment shown from within the business to these changes has been recognised in improvements in our HBF eight week customer satisfaction scores, which are currently trending above five-star.

The implementation of the Persimmon Way, the Group's consolidated approach to new home construction, which encompasses improved technology for our site managers and enhanced training for all relevant members of our workforce is now embedded within business and making a real difference.

Directors' Report

CHAIRMAN'S INTRODUCTION TO CORPORATE GOVERNANCE CONTINUED

Engagement

The Board appreciates that effective stakeholder engagement is essential to the long-term success of the Group. Maintaining good relationships with all of our stakeholders is important to the Board. Engagement has therefore continued as a key theme during the year. The Company's Employee Engagement Panel, which was formed during 2019, met three times during the year, with attendees including Dave Jenkinson, the Group Chief Executive at the time, and the Company Secretary. The Group also undertook its first Employee Engagement Survey during the year. Feedback from the survey was positive overall, with 90% of respondents committed to the Group and what we aim to achieve. Respondents requested better and more frequent communications and good progress has been made on improving this. Regular email updates are issued, we circulate a regular employee newsletter, HQ and we have enhanced our online communications, including for training. Employee Engagement Surveys are scheduled to take place on an annual basis.

We have robust and long-standing relationships with the majority of our suppliers and subcontractors. During the first lockdown we provided our suppliers and subcontractors with secure forward orders, prepaying for material deliveries to support our supply chain's cash flows.

Due to the constraints of the first national lockdown, the 2020 AGM was held with the minimum required attendees and was broadcast to shareholders via a live webcast. Shareholders were invited to ask questions before the meeting, with answers posted on the Group's corporate website prior to the meeting.

Further information on engagement throughout the year can be located in the Section 172 Statement of this report, on pages 72 to 77.

Board changes

Following a comprehensive search process, the Nomination Committee recommended the appointment of Dean Finch as the Group's new Chief Executive. 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 joined the Group on 28 September 2020 and has made a strong start in the business with his focus on build quality, customer service and sustainability. Dave Jenkinson left the Company on 20 September 2020, having been with the business for 23 years. We thank Dave for his service to the Group; he played a critical role in the development of, and investment in, a range of customer care and quality initiatives, including our industry leading Homebuyer Retention.

We appointed three new Independent Non-Executive Directors during the year. Joanna Place joined the Board on 1 April 2020. Persimmon will benefit from her breadth of management experience gained in the course of her 30-year executive career at the Bank of England. Annemarie Durbin joined the Board on 1 July 2020 and replaced Marion Sears as Remuneration Committee Chair, following Marion Sears' retirement in June. Marion made a significant contribution to the Board over many years; we thank her for her service. Annemarie is a highly experienced Independent Non-Executive Director and Remuneration Committee Chair.

We had previously identified that the Board could benefit from an additional Independent Non-Executive Director with construction sector experience. The Nomination Committee was therefore pleased to recommend the appointment of Andrew Wyllie and Andrew joined the Board on 4 January 2021. Andrew has a long and successful track record within the construction industry and brings highly relevant sector experience to the Board. Further information on the changes to the Board can be located in the Nomination Committee Report on pages 94 to 97.

Audit Committee

The Audit Committee has focused on the Covid-19 pandemic and the impact of the resulting economic uncertainty on the Group's operations and financial reporting. In particular, the Committee has conducted detailed reviews of management's assessments of asset carrying values, Group liquidity, going concern assessments and other forward-looking accounting judgements, working with management and the external auditors to obtain additional reports, information and assurances to fulfil its duties.

The Committee has retained its clear focus on maintaining a high quality of external audit, and has built on existing measures to monitor and feedback on auditor performance. In recognition of the increasing volume and depth of regulation of the audit profession, and the continued investments in quality and oversight made by Ernst & Young LLP (EY), the Committee has agreed a higher level of audit fee for the 2020 financial year.

The Audit Committee has continued to provide oversight on the effective management of risk and internal controls, and the challenges imposed in these areas by increased remote working and social distancing. This has included particular focus on reviewing the work of the Group Internal Audit department, approving the department's annual plan and changes in methodology to adapt to the expansion in remote working within the year. The Committee has overseen changes made by the department to fully implement the provisions of the Internal Audit Code of Practice issued by the Chartered Institute of Internal Auditors in January 2020, and has approved the department's development plan, designed to ensure continuous improvement in internal audit provision.

Further information can be located in the Audit Committee report on page 98.

Remuneration

We were pleased that our new Remuneration Policy received a high level of shareholder support at our AGM in 2020; over 97.8% of votes received were in favour. We consider that the high level of shareholder support was a result of our commitment to a best practice policy, as we listened carefully to our stakeholders and consulted with major shareholders. The Remuneration Committee considers workforce pay policies when implementing the policy for Executive Directors and when setting pay for the Senior Executive Group. One of the key tasks for the Committee during the year was to set the remuneration for Dean Finch, our new Group Chief Executive. His remuneration is consistent with the Directors' Remuneration Policy and in determining the overall package, the Committee reflected the aim to deliver restraint on pay, balanced with the need to recruit a CEO with FTSE experience and a track record of performance.

During the year we retained all of our employees and kept as many of them working, in a Covid-secure environment, as possible. We paid any employees who were stood down due to the disruption caused by the pandemic their full basic pay and we have not accessed any of the UK Government's Covid-19 financial support schemes, and have no plans to do so. We also provided support to our suppliers and subcontractors to ensure operational continuity and enable a safe and structured re-start to site operations in late April 2020.

Sustainability

Sustainability is a key area of focus for the Group. Our newly restructured Sustainability Committee has developed the Group's sustainability approach after performing a materiality assessment to identify issues material to the Group's stakeholders, taking account of the Group's operational strategy and business model. The Committee fulfils an important governance role by ensuring the Group's 'sustainability approach', covering key environment and social issues, is embedded in to day-to-day operations.

Diversity

The Board understands the importance of diversity and is committed to increasing the diversity of the Group's workforce and the diversity of the Board itself. The gender diversity split of the Board is 33% female, 67% male. Females make up 26% of our senior executive management team, including direct reports (19 females and 55 males). The Board is mindful of the recommendations of The Parker Review and its target that each FTSE 100 board should have at least one director of colour by 2021. As at the date of this report the Board has regrettably not achieved this target. We aim to increase the ethnic diversity of the Board as soon as reasonably practicable.

Increasing the diversity of our workforce is a key objective and in pursuit of this we have set new diversity targets to improve the Group's gender diversity with the aim to have females composing 40% of our employees, 35% of our senior management team and 45% of employees in management roles by the end of 2025. We have also appointed a Director of Talent and Diversity who will join the Group in spring 2021 to add strategic resource to the Group's diversity and succession planning activities.

Board evaluation

A formal and rigorous internal evaluation of the performance of the Board and its Committees was undertaken during the year, which was supported by Clare Chalmers Limited, an experienced and independent provider of Board evaluations. Following this evaluation I am satisfied that all Directors continue to perform well in their roles and contribute effectively.

Further information on the Board Evaluation can be located in the Nomination Committee Report on pages 94 to 97.

The UK Corporate Governance Code 2018 was applicable to the financial year ending 31 December 2020. I am pleased to report that the Company has complied with the UK Corporate Governance Code 2018.

Roger Devlin
Chairman
2 March 2021

Directors' Report – Board leadership

BOARD OF DIRECTORS

The Board consists of a Chairman, Roger Devlin; two Executive Directors, Dean Finch and Mike Killoran; and six independent Non-Executive Directors, Nigel Mills, who is the Senior Independent Director, Rachel Kentleton, Simon Litherland, Joanna Place, Annemarie Durbin and Andrew Wyllie.

ROGER DEVLIN

N CF

CHAIRMAN (AGE 63)

Date of appointment: 1 June 2018

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

Roger is an experienced Chairman and is currently the Chairman of William Hill PLC. Roger's previous appointments include Chairman of Marston's PLC and Senior Independent Director at the Football Association.

Skills and contribution: Roger's wealth of experience gives him a strong understanding of corporate governance, shareholder and stakeholder views, banking and finance, customer propositions and leadership. Roger's expertise and personal qualities enable him to effectively lead the Board and drive change within the business. Roger makes a valuable contribution towards the development and execution of the Group's strategy and ensures that the Board functions effectively by facilitating open and productive debate, providing constructive challenge and by demonstrating objective judgement.

DEAN FINCH

Ri S CF

GROUP CHIEF EXECUTIVE (AGE 54)

Date of appointment: 28 September 2020

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

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

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

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

MIKE KILLORAN ACA

CF Ri

GROUP FINANCE DIRECTOR (AGE 59)

Date of appointment: 4 January 1999

Experience and external appointments: Mike Killoran joined the Company in 1996. A chartered accountant by profession, Mike worked in manufacturing, distribution and retail sectors before joining the Group. He took over his present role in April 1999.

Skills and contribution: Mike has extensive financial and operational skills and over 20 years' experience and knowledge of both the housebuilding industry and the Group. Mike makes a valuable contribution towards the long-term success of the Group; his expert knowledge of our cyclical industry is important to the Group's risk management and key to the development and execution of our strategy.

NIGEL MILLS

N R

SENIOR INDEPENDENT DIRECTOR (AGE 65)

Date of appointment: 4 April 2016

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

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

RACHEL KENTLETON

A Ri N

INDEPENDENT NON-EXECUTIVE DIRECTOR (AGE 52)

Date of appointment: 24 June 2015

Experience and external appointments: Rachel Kentleton is a qualified accountant with a breadth of business experience. Rachel was the Finance Director at PayPoint plc until June 2020 and, prior to that, was Group Director, Strategy & Implementation at easyJet plc. Rachel has also previously held finance related roles at Unilever plc, NatWest Group, Diageo plc and SABMiller plc.

Rachel will be appointed as a Non-Executive Director and Audit Committee Chair at Trustpilot upon its IPO.

Skills and contribution: Rachel has worked in various customer facing businesses and has significant knowledge of finance, strategy, organisational change, operations, technology and investor relations. Rachel's financial experience brings particular strength to the Company's Audit Committee and to the robustness of the Group's financial controls, risk management and the external audit. Rachel adds to the balance of skills and diversity of views on the Board.

SIMON LITHERLAND

A N

INDEPENDENT NON-EXECUTIVE DIRECTOR (AGE 56)

Date of appointment: 3 April 2017

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

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

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

C Committee Chair	A Audit Committee	CF Trustee of the Persimmon Charitable Foundation
N Nomination Committee	R Remuneration Committee	Ri Risk Committee
S Sustainability Committee		

Board meeting attendance 2020

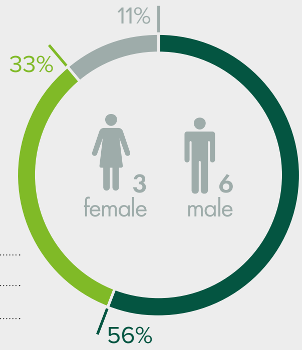
Member	Current position and Committee membership	Meetings attended	% of meetings attended
Roger Devlin	Chairman N CF	7/7	100%
Dean Finch	Group Chief Executive Ri S CF	3/3	100%
Mike Killoran	Group Finance Director CF Ri	7/7	100%
Nigel Mills	Senior Independent Director N R	7/7	100%
Rachel Kentleton	Independent Non-Executive Director A Ri N	7/7	100%
Simon Litherland	Independent Non-Executive Director A N	7/7	100%
Joanna Place	Independent Non-Executive Director A N R CF	6/6	100%
Annemarie Durbin	Independent Non-Executive Director R N	3/3	100%
*Claire Thomas**	*Former Independent Non-Executive Director*	–	N/A
*Marion Sears***	*Former Independent Non-Executive Director*	4/4	100%
*Dave Jenkinson****	*Former Group Chief Executive*	4/5	80%

* Claire Thomas resigned from the Board on 1 February 2020.

** Marion Sears retired from the Board on 30 June 2020.

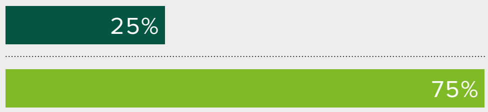
*** Dave Jenkinson left the Group on 20 September 2020. Dave did not attend the Board meeting at which his successor was determined.

Tenure



- 0-3 years
- 3-6 years
- 6-9 years

Board independence (excluding Chairman)



- Executive Directors
- Non-Executive Directors

JOANNA PLACE

A N R CF

INDEPENDENT NON-EXECUTIVE DIRECTOR (AGE 58)

Date of appointment: 1 April 2020

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

Skills and contribution: Jo has over 30 years' experience at the Bank of England, including leading teams in banking, statistics and regulation. Jo's broad management experience and external perspective is a valuable addition to the Board. Jo adds to the diversity of skills and views on the Board and provides valuable insight into human resources matters, diversity, organisational culture, sustainability and stakeholder views.

ANNEMARIE DURBIN

R N

INDEPENDENT NON-EXECUTIVE DIRECTOR (AGE 57)

Date of appointment: 1 July 2020

Experience and external appointments: Annemarie has 30 years' broad-based retail, commercial, corporate and institutional banking experience across Asia, Africa & the Middle East and is an experienced coach and mentor. Annemarie spent the bulk of her executive career at Standard Chartered, the FTSE 100 international bank. She held a variety of global business and functional roles including being CEO of a FTSE 250 equivalent listed company in Thailand, culminating in membership of the Group Executive Committee. Annemarie has subsequently become an experienced Board Chair, Independent Non-Executive Director and Remuneration Committee Chair.

Annemarie is a Non-Executive Director and Remuneration Committee Chair of W H Smith PLC and Santander UK plc, and is Board Chair of Merryck & Co Ltd, a leading mentoring group.

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

A N

INDEPENDENT NON-EXECUTIVE DIRECTOR (AGE 58)

Date of appointment: 4 January 2021

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

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

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

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

Directors' Report – Corporate Governance Statement

BOARD LEADERSHIP AND COMPANY PURPOSE

UK Corporate Governance Code 2018

This Corporate Governance Statement, together with the Audit Committee Report on pages 98 to 106, the Nomination Committee Report on pages 94 and 97 and the Directors' Remuneration Report on pages 110 to 127, provides a description of how the Principles of the UK Corporate Governance Code 2018 have been applied within the Company during 2020.

The Board continues to review its governance procedures to maintain proper control and accountability and the Company complied with the relevant Provisions of the UK Corporate Governance Code 2018 throughout 2020. The UK Corporate Governance Code 2018 is available from the Financial Reporting Council, at www.frc.org.uk

The Board consists of our Chairman, Roger Devlin, two Executive Directors and six Independent Non-Executive Directors.

The Board leads and directs the Group. It sets the Group's purpose, defines the Group's values, sets the strategy and monitors and assesses the Group's culture, with the aim of securing the long-term sustainability of the business for the benefit of all stakeholders.

The Board has a formal schedule of matters reserved for its consideration and decision, which is reviewed annually. The last review was in December 2020. The schedule includes the approval of the Group's strategy, material investments, annual and half year results and trading updates, review of trading performance, cash generation, financial forecasts, dividend and cash return policy, monitoring the Group's principal risks and material issues; and ensuring appropriate and adequate financial controls are in place.

During 2020 the Board held seven scheduled meetings, one of which was its annual strategy meeting. Additionally, the Board held several calls regarding the Group's response to the Covid-19 pandemic. All Directors attended the relevant Board and Committee meetings during the year, with the exception of Dave Jenkinson, former Group Chief Executive, who did not attend the Board meeting at which his successor was determined.

Leading the Group through the Covid-19 pandemic

The Covid-19 pandemic has presented significant health, social and economic challenges globally. During this period of unprecedented uncertainty, the Board has demonstrated strong and decisive leadership. This, combined with the expertise, professionalism and commitment of the Group's management team, colleagues and wider workforce, enabled the Group to respond nimbly.

Throughout the pandemic the Board's top priority has been the health, safety and wellbeing of the Group's employees, customers, subcontractors and suppliers. To this end, the Group has closely followed and complied with all relevant Government-issued public health guidance and requirements.

The Board's role during the pandemic has been one of leadership, oversight and assurance. Actions taken by the Board include:

Monitoring the Group's Covid-19 response strategy, which is:

- Ensuring the health, safety and wellbeing of our employees, customers, communities, subcontractors and suppliers.
- Following all relevant devolved Government issued public health guidance and requirements, leading on 26 March 2020 to the orderly shutdown of the Group's construction sites and the transition to home-working for sales and the vast majority of office-based employees.
- The reopening of the Group's construction sites from 27 April 2020, once the Group had developed and implemented Covid-secure operating procedures and in support of the Government's objective of getting the construction industry back to work, where safe to do so.

Agreeing that the Group should not make use of the Government's Covid-19 support schemes.

- The Group supported colleagues through increased communications and ensuring that all employees received their full basic pay, even if they were unable to work during the disruption to sales, office and site operations.
- We supported our supply chain by maintaining communications and with secure forward orders, prepaying for material deliveries to support our supply chain's cash flows.

Maintaining the Group's strategy of minimising financial risk through the housing cycle.

- In light of the then rapidly developing pandemic, in March 2020 the Board agreed that conserving cash and maximising financial flexibility was in the best long-term interests of the Group and all its stakeholders. This resulted in the cancellation of the interim dividend of 125p per share that was due for payment on 2 April 2020 and the postponement of the proposed final dividend of 110p per share that was scheduled for payment on 6 July 2020. The Board further agreed to reassess the postponed dividend payment later in the year once the effects of the pandemic had become clearer.
- Reviewing the liquidity and viability of the Group based on various economic and housing market downside scenarios.
- Following assessment of the Group's progress during the pandemic, ongoing capital requirements, outlook for the market and the wider UK economy, the Board agreed to pay a modest interim dividend of 40p per share on 14 September 2020.
- In light of the continued strong performance of the Group, the Board was pleased to announce a second interim dividend of 70p per share, paid on 14 December 2020, in satisfaction of the Board's previously indicated final dividend for 2019.

AGM

Determining that, in full compliance with relevant Government requirements, the Group's 2020 Annual General Meeting would be held on 29 April 2020 with the minimum number of shareholders present. Shareholders were instead encouraged to view the proceedings via a live webcast and were given the opportunity to submit questions prior to the meeting.

Board activities

During 2020 the Board and its Committees focused on various matters concerning the long-term sustainable success of the Group. Examples of such matters are included in the table below:

Area of focus	Action taken by Board	Further information
Covid-19	Leading the Group through the Covid-19 pandemic, as described on the previous page.	See page 84
Customer care and build quality	Continued oversight of the Group's progress in improving its customer service and build quality programmes and assurance processes, including the implementation of the Persimmon Way – the Group's consolidated approach to new home construction.	See pages 28 to 33
Appointment of a new Group Chief Executive and Board composition	Following a thorough recruitment process, agreed the appointment of Dean Finch as the new Group Chief Executive, who joined the Group on 28 September 2020. Agreed recommendations from the Nomination Committee for the appointment of Joanna Place, Annemarie Durbin and Andrew Wyllie as Independent Non-Executive Directors, to increase the diversity, skills and industry knowledge of the Board.	See pages 95 to 96
Legacy buildings provision	In February 2021, the Board reviewed management's interim findings in respect of the Group's legacy buildings provision. The review, undertaken over a number of months, provided interim findings to the Board in February 2021. It identified 26 buildings that may have used now-banned materials. The Group has recognised a provision of £75m (2019: £nil) based on management's best estimates of the costs of completing works to ensure fire safety on affected buildings under direct ownership, and to work with and support owners and other relevant stakeholders on buildings it has developed, in order to reach positive solutions where these buildings are affected.	See pages 5, 77, 102 and 161
Capital Return Programme	Decided to cancel the interim dividend of 125p per share and postpone the proposed final dividend of 110p per share, which had been scheduled for payment on 2 April 2020 and 6 July 2020 respectively. Agreed to keep dividend payments under review during 2020 as the effects of the pandemic became clearer, resulting in the payment of interim dividends of 40p per share and 70p per share on 14 September 2020 and 14 December 2020 respectively.	See pages 7 and 77
Viability	Carefully reviewed the Group's liquidity and viability in light of the Covid-19 pandemic.	See pages 69 to 71
Financial reporting	Approved the Group's Full Year Results for 2019, the Half Year Results for 2020 and the Group's Trading Updates throughout 2020.	See page 101
Employee engagement	Received reports from the Group Chief Executive and Group HR Director regarding employee engagement activities.	See pages 41 and 88

Certain matters are permanently on the Board's agenda and are reviewed at each of its meetings. These matters form the 'Business Dashboard', which covers the Group's new home reservations and legal completions, customer care resource and training, land holdings, human resources; health, safety & the environment; IT and FibreNest. These matters enable the Board to monitor the Group's financial and operational performance and how the Group is performing in relation to its stakeholders.

Directors' Report – Corporate Governance Statement

BOARD LEADERSHIP AND COMPANY PURPOSE CONTINUED

Company purpose, values, strategy and culture

During 2020 the Board reviewed the Group's purpose and culture and provided shareholders and stakeholders with an update on this matter at the 2020 AGM.

Following Dean Finch's appointment as Group Chief Executive, it has been agreed that we will establish a new vision and values to firmly embed a culture that is determined to be the builder that customers trust, by delivering consistent quality and making a positive difference to the environment and communities we are part of. These will be the foundations of our future growth and sustained shareholder returns.

Consideration of the Group's purpose, values and culture was an important factor for the Nomination Committee and the Board when selecting Dave Jenkinson's successor as Group Chief Executive. Following a thorough appointment process the Board agreed that Dean Finch – who is a widely experienced senior executive with a strong commercial, financial and operational track record – has the ability to lead and drive change within the Group and on 24 June 2020 the Board was pleased to announce Dean's appointment as Group Chief Executive. Details of Dean's appointment process can be found in the Nomination Committee report on pages 94 to 97.

Purpose and values

The Group's purpose is to build good quality homes at a range of price points to meet the UK's housing needs. We aim to create and protect superior long-term value for the benefit of our customers, workforce, suppliers, shareholders and wider stakeholders through the housing cycle. For further information about how we achieve our purpose, please see pages 10 to 11 of the Strategic Report.

Persimmon has a strong team ethos with dedicated, skilled and hardworking employees. We prioritise working safely and have a culture that values and respects our customers, communities, workforce, suppliers and our environment.

We aim to build right, first time, every time and develop communities by meeting local housing needs, with attention to detail and financial discipline. We want to ensure that colleagues receive the training and support they need to thrive in our equal-opportunities and meritocratic work environment.

We build 'homes for all' and have put customers at the centre of our business through our 'customers before volume' approach, enabling us to focus on consistently delivering high quality homes to all of our customers. For further details, see pages 28 to 33 of the Strategic Report.

During 2020 the Board continued to exercise oversight over the Group's programme of improvements regarding both customer service and build quality and assurance, including the implementation of the Persimmon Way. The Board received updates on the progress of the Persimmon Way and a presentation on this matter from the Group Construction Director. For further information, see page 29 of the Strategic Report.

Strategy

The Group's strategy is agreed by the Board at an annual strategy meeting and thereafter regularly reviewed at Board meetings. Executive Directors engage with management and employees to ensure the strategy is communicated and understood and that all employees have a clear understanding of the potential benefits and risks of the strategy.

The Group's strategy has a clear focus and direction on putting customers first through the application of enhanced Group controls and procedures. The Group's strategic objectives (detailed on pages 10 and 11) support the delivery of this strategy.

Once set by the Board, the strategy is communicated to the Group through its management structure: the Group has an Executive Committee, the membership of which was expanded following Dean Finch's appointment as Group Chief Executive to include a wider selection of senior management from across the Group's operational and corporate functions.

The Executive Committee meets monthly and considers operational, customer care, sales, HR and regulatory issues. There are five geographic regions within the Group, each headed by a Regional Chairman or Regional Divisional Director, who are all members of the Executive Committee and who, together with the Executive Directors, are responsible for communicating the Group's strategy to the operating businesses. Each operating business is headed by a Managing Director, who is supported by a leadership team responsible for operational functions such as construction, customer care, commercial, land, planning, technical and sales.

The Group's objectives are reinforced through regular meetings and office and site visits where senior management meet local management teams, employees and subcontractors. All visits were conducted in accordance with Covid-19 requirements. The Board is committed to ensuring that the Group's management structure is fully aligned with the Group's strategic objectives and is overseeing and executing the activities necessary to deliver it.

Culture

The Board is responsible for setting and monitoring the Group's culture, and during 2020 the Board undertook work to reflect upon this, including stakeholder engagement.

Under the Board's leadership the Group continues to work hard to create a supportive, hard-working and customer-focused culture.

The Board drives and monitors the Group's culture through the receipt of Board reports from the Group Chief Executive and presentations or reports from senior managers, including the Regional Chairmen, Customer Relationship Director, Group Construction Director, Group Health, Safety and Environment Director and the HR Director. Matters covered by these reports or presentations include the Group's up-to-date HBF customer satisfaction survey score, the implementation of the Persimmon Way, the Employee Engagement Panel, the activities of the Sustainability Committee, key HR and health & safety statistics, plus media coverage received by the Group.

The Board recognises the importance of diversity in all its forms and the value it can bring to organisational culture. The Board is committed to increasing its own diversity and the diversity of the Group's workforce, confident that this will enrich the Group's culture and grow its talent and skill base. We have set challenging targets to improve the Group's gender diversity with the aim to have females composing 40% of our employees, 35% of our senior management team and 45% of employees in management roles by the end of 2025. In addition, a Director of Talent and Diversity has been appointed and will join the Group in spring 2021. This appointment will add strategic resource to the Group's diversity and succession planning activities. For further information see pages 40 and 96.

Resources to meet objectives and risk management

The Board is mindful that the Group must be provided with the necessary resources to achieve its strategic objectives. With the aim of improving build quality and customer care, the Board has maintained higher investment in training, quality assurance and digitalisation. The Group has continued to invest in improving communication with its customers and in developing the Group's comprehensive customer portal (see page 30 of the strategic report).

To ensure that employees, customers and subcontractors are provided with a Covid-secure environment, the Group devoted significant Health & Safety resources to quickly develop, implement and enforce comprehensive Covid-secure operating protocols for our sales offices, construction sites, manufacturing facilities and offices. Office-based employees have also received support from the Group IT department as they transitioned to working from home.

The Group's Covid-19 response, the implementation of the Persimmon Way and other initiatives have been supported by the resources of the Group Training department, which has delivered on-line training modules to many of our employees during 2020. For further information on employee training and development see pages 36 to 41.

In 2020 the Board also approved additional resource for the Group HR department to assist the Group in achieving its strategic objectives as well as increasing the diversity of our workforce and management teams.

The Board has established a risk management framework to identify, assess, manage and mitigate risks in a robust and timely manner enabling it to respond to changes in its environment effectively. Details of the Group's risk management framework, Principal Risks and material issues are set out on pages 58 to 65 of this report and the Audit Committee report can be found on pages 98 to 106.

Effective engagement

The Board recognises the importance of effective engagement with the Group's stakeholders. The Board and the Group's senior managers regularly undertake engagement activities, details of which are set out in the Section 172 Statement contained on pages 72 to 77, the Strategic Report on pages 2 to 78 and overleaf.

Directors' Report – Corporate Governance Statement

BOARD LEADERSHIP AND COMPANY PURPOSE CONTINUED

Shareholders

The Board is committed to establishing and maintaining good relations with the Company's shareholders. The Board values shareholder engagement and members of the Board, including the Chairman, meet regularly with major shareholders. The Board is also provided with updates on shareholder engagement by the directors who have undertaken the engagement. All members of the Board attend the Company's Annual General Meeting ('AGM') and are available to answer questions from all shareholders. Due to Covid-19 restrictions and social distancing measures, only the Chairman, Group Chief Executive and Group Finance Director attended the 2020 AGM in person, however all remaining Board Directors attended the meeting via telephone and proceedings were broadcast live to shareholders via a webcast. Shareholders were kept informed of arrangements for the AGM via Stock Exchange announcements and were given the opportunity to submit questions to the Board prior to the meeting. The questions received were answered prior to the AGM, to give shareholders time to consider them before the meeting and were published on the Group's corporate website.

During 2020 the Board maintained the Group's strategy of minimising financial risk through the housing cycle, resulting in changes to the previously announced dividends scheduled to be paid by the Company. When making decisions regarding the payment of dividends the Board was mindful of the impact on stakeholders and the importance of dividend receipts to pension schemes in supporting retired workers and their families.

There was a high level of engagement with shareholders and leading proxy voting advisors during 2020, focusing on the Covid-19 pandemic, the appointment of Dean Finch as Group Chief Executive, the Group's progress on improving build quality and customer service, and remuneration.

The Group Chief Executive and Group Finance Director have responsibility for maintaining appropriate communications with institutional investors and analysts, advised by the Group's brokers and the Group's financial PR consultants. Persimmon issues regular trading updates to the London Stock Exchange, as well as publishing half yearly and annual financial results. At the time of the half year and annual financial results announcements, the Company provides shareholders with operational and financial performance information during its analyst presentations and the Group Chief Executive and Group Finance Director hold calls and meetings with major shareholders and analysts.

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

Employees

The Board is committed to effective engagement with the Group's employees, believing this to be a valuable source of feedback for the Board, an aid to good decision making and a method of monitoring culture.

The Board engages with the Group's employees in a number of ways. Subject to Covid-19 restrictions, members of the Board regularly visit the Group's operating businesses and construction sites to see operations first hand. Dean Finch visited many of the Group's construction sites during 2020 following his appointment, providing him with the opportunity to meet and listen to many of the Group's employees, customers and suppliers.

As the pandemic developed in early 2020, we recognised the importance of communicating the Group's response to our employees. Consequently, all employees received updates from the Group Chief Executive. This communication was reinforced by local management teams and the Group HR Department.

The Group's Employee Engagement Panel is an important element of the Group's engagement with its employees and provides a forum for open discussion and debate. The Panel, chaired by the Group HR Director, consists of c.12 voluntary members who provide a broad representation of the Group's employees, including site and office based colleagues, and both junior and senior members of our team. A member of the Board or the Company Secretary usually attends part of the Panel's meetings to receive feedback and to update members on recent Group activities and initiatives. Matters raised at Panel meetings are followed up by the Group HR Director with relevant senior managers or Executive Committee members and feedback is provided to the Panel subsequent to their meetings. The Panel's views are also communicated to the Board, either through presentations delivered by Panel members or via reports from the Group HR Director.

During 2020 the Panel held two scheduled meetings plus one additional meeting to update the Panel on the Group's response to the pandemic. The Company Secretary attended part of the Panel's first meeting of 2020 to provide feedback from the Board and to listen to Panel members' views on matters such as improving communication within the Group, improvements to customer care and build quality, diversity, sustainability and information technology. Dave Jenkinson, then Group Chief Executive, and other senior managers including the Group Health, Safety and Environment Director, attended the Panel's additional meeting regarding the Group's response to Covid-19. At the meeting Panel members were updated on Group operations and received assurance regarding the Group's comprehensive Covid-19 operating protocols that had been implemented to provide the Group's employees, customers, communities and suppliers with a Covid-secure environment. Panel members also provided their feedback on the Group's response to Covid-19, which was very positive. The Panel's third meeting of 2020 was also attended in part by Dave Jenkinson, then Group Chief Executive, and covered matters including culture change, the pandemic and flexible working.

In response to requests from the Employee Engagement Panel, the Group will be introducing further training and formal appraisals for certain occupational groups during 2021.

The Group publishes an employee newsletter ('HQ') at regular intervals throughout the year to keep employees updated on developments and new initiatives within the Group and the various achievements of our workforce. In addition, and in response to the Employee Engagement Panel's request that communication within the Group be improved, regular updates are circulated to all employees. Topics covered by the updates include: a video introduction from Dean Finch following his appointment as Group Chief Executive, the publication of the 2019 Annual Report and Sustainability Report, updates on the Persimmon Way, the Group's homebuyer retention scheme, the Group's partnership with the Social Mobility Pledge, the work of the Persimmon Charitable Foundation, the Group's sponsorship of Team GB and the Group's social media activities.

To further strengthen the Group's employee engagement, the Group conducted its first engagement survey in January 2020. The results of the survey were reported to the Board and details of those results can be found on page 41. The Group's second annual employee engagement survey took place in February 2021 and was administered by an independent company.

For information on the activities of the Group's Gender Diversity Panel, please see pages 92 to 93 of this report.

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

The Board is committed to engaging with and maintaining strong relationships with the Group's key stakeholders to ensure the long-term sustainability of the Group. Engagement occurs throughout the Group, involving operating businesses, senior management and the Board. Examples of the Group's customer, community, supplier and Government engagement activities during the year include:

- Engaging with Government and the wider housebuilding industry on matters relevant to the sector including the Help to Buy Scheme and how best to achieve the transition to low carbon homes;
- Engagement between senior management and independent experts regarding the setting of science based targets for carbon reduction;
- Engagement between the Group's Gender Diversity Panel and Women into Construction, an organisation which promotes gender equality in the construction industry;
- Regular contact between operating businesses and customers throughout the home buying and after-sales process;
- Consultation between operating businesses and local communities as part of the planning process; and
- Calls and meetings between the Group Procurement department, operating business buyers and suppliers and subcontractors.

Details of how the Group engages with its stakeholders can be found in our Section 172 Statement on pages 72 to 77 of this report.

Workforce policies and practices

The Group has workforce policies in place covering a variety of matters such as Health & Safety, Human Rights, Anti-Bribery and Corruption, Modern Slavery; equality, diversity and inclusion; and flexible working. The Board works to ensure that the Group's workforce policies and practices are consistent with the Group's values and that they support the Group's long-term sustainable success. Furthermore, the Board receives regular reports from the Group HR Director as part of the Board's Business Dashboard. Details of how the Group implemented its workforce policies during 2020 can be found on pages 36 to 41 of this report. Workforce policies are set out in the Group's Employee Handbook. Supplementary policies can also be viewed on the Group's corporate website at www.persimmonhomes.com/corporate.

The Board understands the importance of promoting a culture where employees feel able to raise concerns, either through their usual line management or through the Group's whistleblowing provision. The Group has a whistleblowing telephone line and email address, details of which are communicated regularly and are displayed in all Group offices and at all of the Group's construction sites. Any concerns raised are reviewed and investigated by the Group Internal Audit department and reported to, and reviewed by, the Audit and Risk Committees. Whistleblowing reports can be made anonymously and are dealt with confidentially. During 2020 the Board reviewed the Group's whistleblowing provision and agreed that it remained suitable. For further details of the Group's whistleblowing facilities see page 41 of this report.

In addition to the Group's whistleblowing provision, the Group has a Safety and Environment Concerns reporting telephone line and email address, details of which are displayed in all Group offices and at all Group construction sites. Employees, subcontractors and members of the public can use this facility to anonymously raise any safety and environment concerns they may have. Any concerns raised are reviewed and investigated by the Group Health, Safety & Environment department. Matters reported are also notified to the appropriate level of the Group's management structure.

The Group has procedures in place to identify and manage any conflicts of interest of Board members, the Group's senior management teams and employees. These procedures are communicated throughout the Group's senior management structure, monitored by the Group's Internal Audit department and ultimately overseen by the Audit and Risk Committees. Where potential conflicts of interest are identified, appropriate mitigating action is taken.

Directors' Report – Corporate Governance Statement

DIVISION OF RESPONSIBILITIES

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

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

The Chairman

On appointment Roger Devlin, Chairman, satisfied the criteria for independence specified in the UK Corporate Governance Code 2018. The Chairman, supported by the Company Secretary, sets the agenda for board meetings and ensures that Board members are provided with accurate, timely and clear information. The Chairman ensures that board meetings are a forum for open and constructive debate and that the views of all Directors are valued and considered.

Board composition

More than half of Board members (excluding the Chairman) are Independent Non-Executive Directors and no one individual or group of individuals has the ability to dominate the Board's decision making.

The Board considers all the Non-Executive Directors to be independent. Nigel Mills, the Company's Senior Independent Director was a Senior Advisor at Citigroup Global Markets until April 2020. Citigroup was one of Persimmon's two brokers until March 2020, however Citigroup was not a financial advisor to the Company and has received no remuneration from the Company for more than twelve years, and received share dealing commission only in the two years before 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 was itself preceded by Citigroup's decision to put in place strict procedures which further ensured Nigel's independence. Accordingly, the Board reiterates its belief in Nigel's independence, which has been clearly demonstrated in debate in both Board and Committee meetings since his appointment.

Non-Executive Directors

The Non-Executive Directors have expertise which complements that of the Executive Directors. Between them, the Non-Executives have experience in fields such as construction and engineering, marketing, various consumer facing industries, HR, executive leadership coaching, banking and finance. The collective experience of the Non-Executives allows them to make valuable contributions to Board discussions, providing insight, strategic guidance, a diversity of views and constructive challenge to the Executive Directors. For further information on the skills and contribution of each Director see pages 82 and 83.

Only Non-Executive Directors are members of the Board's Audit, Remuneration and Nomination Committees. The Chairman 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 Directors' time and provides the Director with an assessment of the time commitment required of their role on the Company's Board.

Resources for the Board

The Board is supported by the Company Secretary and has the necessary policies, processes, information and resources in place to ensure that the Board can function effectively and efficiently. All Directors have access to the advice of the Company Secretary and may seek external professional advice at the expense of the Company in regard to their role with the Group.

Audit Committee

The members of the Audit Committee are listed in the table on page 98. All members of the Committee are considered by the Board to be independent. The Board is satisfied that Rachel Kentleton (the Committee Chair), being a qualified accountant and, until June 2020, Finance Director of PayPoint plc, has recent and relevant financial experience and that the Committee as a whole has competence relevant to the sector in which the Company operates.

Marion Sears was a member of the Committee until 30 June 2020, when she retired from the Board. Joanna Place and Andrew Wyllie were appointed to the Committee on 15 June 2020 and 4 January 2021 respectively.

The purpose of the Committee is to safeguard the interests of all stakeholders by undertaking duties such as: monitoring the integrity of the Group and Parent Company's financial statements and reviewing significant financial reporting judgements contained within them, reviewing the Group's internal financial controls and the Group's internal control and risk management system, reviewing the effectiveness of the Group's internal audit function and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process.

Further information on the role and activities of the Audit Committee can be found in the Audit Committee report on pages 98 to 106.

Remuneration Committee

The members of the Remuneration Committee are listed in the table on page 110. All Committee members are considered by the Board to be independent.

Marion Sears chaired the Committee until 30 June 2020, when she retired from the Board. Annemarie Durbin was appointed to the Committee on 1 July 2020 and became Committee Chair on the same date. Annemarie has the requisite experience to chair the Company's remuneration committee, having chaired the remuneration committees of W H Smith PLC and Santander UK plc since January 2019 and August 2017 respectively.

Joanna Place was appointed to the Committee on 1 April 2020. Following the appointment of Annemarie Durbin and Joanna Place to the Remuneration Committee during the year, Roger Devlin, Rachel Kentleton and Simon Litherland retired from the Committee on 14 December 2020.

The purpose of the Committee is to develop a policy on executive remuneration in consultation with shareholders which supports the Group's strategy and promotes its long-term sustainable success. The Committee determines the remuneration packages of the Chairman, Executive Directors and the Senior Executive Group, which comprises the Group's Regional Chairmen, Divisional Directors, Group Strategy Director, Group Transformation and Land Strategy Director and the Company Secretary. The Committee also reviews the remuneration and related policies of the wider Group workforce and the alignment of incentives and rewards with the Group's culture, taking these into account when setting the policy for Executive Director remuneration.

During the year the Committee sought advice from Deloitte LLP, who act as the Group's independent remuneration consultants.

The work of the Committee during the year is set out in the Remuneration Report on page 114.

Nomination Committee

The Board's Nomination Committee leads the process of Board appointments, ensures plans are in place for orderly succession to the Board and senior management positions and oversees the development of a diverse pipeline for succession.

Marion Sears was a member of the Committee until 30 June 2020, when she retired from the Board. Joanna Place, Annemarie Durbin and Andrew Wyllie were appointed to the Committee on 1 April 2020, 1 July 2020 and 4 January 2021 respectively.

When considering the appointment of new Directors, the Nomination Committee determines the skills and experience which would be of benefit to the composition of the Board, then evaluates candidates' skills, knowledge and experience to determine which candidate would be most suitable. All nominations by the Committee are made on the basis of merit and overall suitability, taking into consideration the diversity of the Board.

The work of the Committee during the year is set out in the Nomination Committee report on page 95.

Sustainability Committee

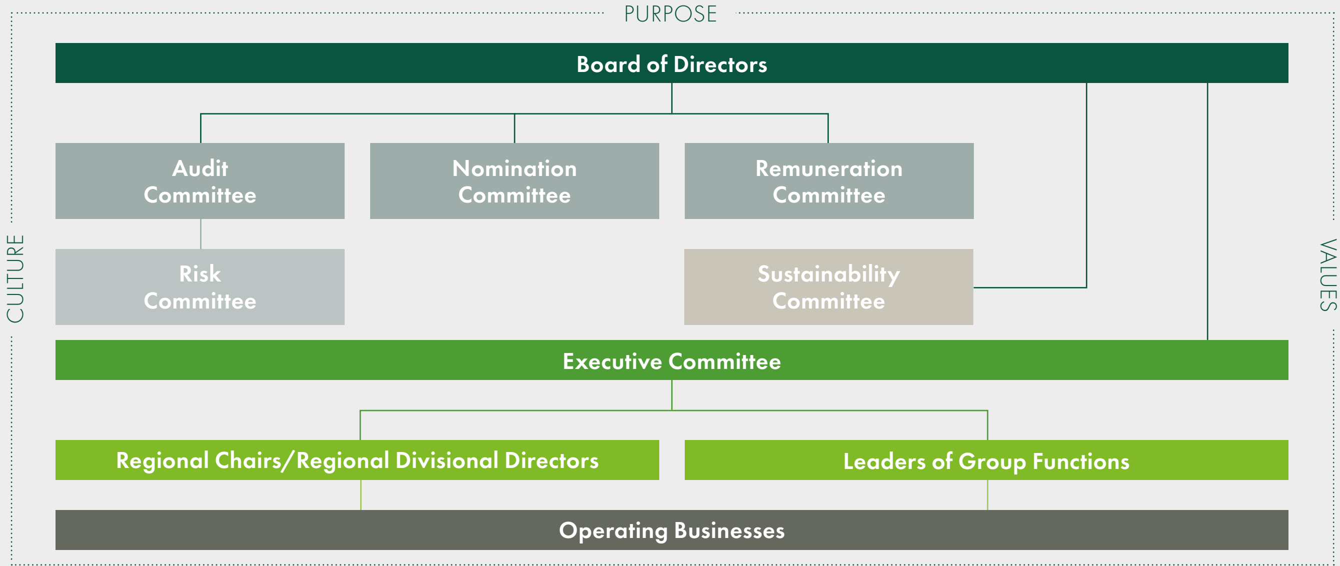
The Group's recently restructured Sustainability Committee has developed the Group's sustainability approach after performing a materiality assessment to identify issues material to the Group's stakeholders, taking account of the Group's key focus areas, operational strategy and business model.

The Committee met three times during 2020 and was chaired by Marion Sears until 31 March 2020 and by Joanna Place from 1 April 2020 until 26 February 2021. It was agreed that the Group Chief Executive should chair the Committee from 26 February 2021. Membership of the Committee consists of the Group Chief Executive, the Group Strategy Director, the Company Secretary, the Group Sustainability Manager and the Group Corporate Reporting Manager. The Committee fulfils an important governance role by ensuring the Group's 'sustainability approach', covering key environment and social issues, is embedded in to day-to-day operations through monitoring several key workstreams. The Committee reports directly to the Board. Each workstream is led by relevant senior operational management and includes the Group Sustainability Manager. For example, the Zero Carbon Home Steering Group, chaired by the Group Technical Director, is assessing the most effective pathway to develop net zero carbon homes at scale and to assist in calculating the Group's science based target calculations.

The Committee also considers relevant reporting requirements and recognises the importance of consistent and relevant information on sustainability risks. To this end, the Group is progressing towards full alignment with the recommendations of the Task Force on Climate-related Financial Disclosures ('TCFD') and the Home Builders' Sustainability Accounting Standard (see pages 66 and 20).

In 2021, the Committee will be focusing on updating the materiality assessment, providing guidance on how the operational teams will deliver each of the Group's science based targets, assisting the Group in setting further key sustainability targets and further progressing the Group's sustainability reporting.

Governance structure



Directors' Report – Corporate Governance Statement

COMPOSITION, SUCCESSION AND EVALUATION

Composition

The Nomination Committee continues to review the composition of the Board and the skills and diversity of the Directors and will make further appointments where it considers them necessary, having particular regard to the Parker Review.

Further details of the Nomination Committee's work during 2020 can be found in the Nomination Committee report on pages 94 to 97.

Board changes

On 27 February 2020, the Company announced that Dave Jenkinson, former Group Chief Executive, had informed the Board of his intention to step down after 23 years with the Group. The Board wishes to reiterate its thanks to Dave for this leadership of the Group's programme of change and his decisive leadership during the Covid-19 outbreak. Dave left the Group on 20 September 2020.

The Nomination Committee conducted a thorough and robust search for Dave's successor, leading to the appointment of Dean Finch as Group Chief Executive on 28 September 2020. For full details of Dean Finch's appointment process see the Nomination Committee report on page 95.

The Board is mindful of the need for Board refreshment and succession. Accordingly, there have been a number of Non-Executive Director changes during the year.

Claire Thomas resigned from the Board on 1 February 2020 to pursue other interests. The Board thanks Claire for her service and wishes her every success for the future.

Joanna Place was appointed to the Board as Independent Non-Executive Director on 1 April 2020, bringing a great breadth of management experience, particularly in human resources, to the Board. Jo is the Chief Operating Officer of the Bank of England and has held a variety of executive and management positions during her 30-year career at the Bank.

Marion Sears retired from the Board on 30 June 2020. Marion made a significant contribution to the Board over many years and the Board wishes to reiterate its thanks to her.

Annemarie Durbin was appointed to the Board as Independent Non-Executive Director on 1 July 2020. Annemarie brings international business experience to the Board and has a strong background in corporate governance and human resources. Annemarie held a number of executive roles at Standard Chartered during her 20-year career there including membership of the Group Executive Committee. Annemarie has subsequently become a highly experienced Board Chair, Independent Non-Executive Director and Remuneration Committee Chair.

During 2020, the Nomination Committee also conducted work on the appointment of a Non-Executive Director with construction sector experience. Following a thorough search the Board was pleased to appoint Andrew Wyllie as Independent Non-Executive Director on 4 January 2021. Andrew was most recently Chief Executive of Costain Group Plc for a period of 14 years, until his retirement in 2019. Andrew has a long and successful track record within the construction industry and brings highly relevant sector experience to the Board. His industry knowledge and perspective is a valuable addition to the Board as the Company continues to build a sustainable business in every sense.

Full details of the activities of the Nomination Committee during 2020 can be found in the Nomination Committee report on pages 94 to 97.

Succession

Succession planning for the Board, Senior Management and the Group's Operating Businesses is a key area of focus for the Nomination Committee, whose report can be found on pages 94 to 97.

During the year the Nomination Committee reviewed succession plans for the Board, Senior Management and the Group's Operating Businesses. Following the review candidates for promotion and successors were identified, with development plans intended to be introduced. Approximately 140 people had been identified for potential promotion within the next five years.

Diversity

The Board understands and has regard to the benefits that diversity, in all its forms, can bring to an organisation. As at 31 December 2020 the Board was 37.5% female and we had 19 female (26%) and 55 male (74%) colleagues in our senior executive management team, including direct reports.

The Group has an Equality, Diversity and Inclusion Policy which was updated during the year (see page 96), the objective of which is to provide equality, fairness and respect for all our employees; to not unlawfully discriminate because of a protected characteristic and to oppose and avoid all forms of unlawful discrimination. In relation to recruitment, the policy ensures that appointments are made on the basis of merit against objective criteria.

The Board is committed to increasing the diversity of the Group's workforce and the diversity of the Board itself. In pursuit of this objective, in spring 2021 a Director of Talent and Diversity will join the Group to add strategic resource to the Group's diversity and succession planning activities. To assist the Group with developing a diverse pipeline of management and executive talent, the Group HR department, through the introduction of a new HR Information System, will improve the quality of the data it holds, including the diversity of the workforce.

The Board is mindful of the recommendations of the Parker Review and its target that each FTSE 100 board should have at least one director of colour by 2021. The Nomination Committee utilises executive search firms when making Board appointments so as to ensure that a selection of diverse candidates is considered. However, as at the date of this report the Board has regrettably not achieved the Parker Review target. The Parker Review will remain at the forefront of the minds of Nomination Committee members during 2021 and beyond as the Board seeks to become more ethnically diverse.

For further information regarding the diversity of the Group's workforce and the Board, see pages 40 and 96.

Gender Diversity Panel

The Group's Gender Diversity Panel consists of senior female employees from across the Group. The Panel's remit is to consider how the Group can attract more women into the business and what, in the Panel's view, can be done to increase female progression into senior roles.

The Panel's feedback is reported to the Nomination Committee. The Panel was originally established in 2018 with a remit covering gender diversity. During 2021 the Panel will be renamed the Diversity Panel, its membership will be increased and refreshed and its remit will be extended to cover all forms of diversity.

During 2020 the Panel held four meetings. The Panel received updates on the Group's diversity activities, including the introduction and implementation of enhanced maternity pay and the HR and Training department's engagement with Women into Construction, an organisation which promotes gender equality in the construction industry. The Panel also engaged directly with Women into Construction, to better understand the options available to the Group to improve its gender diversity. Following this engagement, the Panel agreed to undertake diversity training with Women into Construction and agreed to review the Group's diversity training package. During the year the Panel also recommended that the Group make further investments in its diversity activities so as to improve the diversity of the Group's talent pipeline. The Group recognises that improving diversity is a long-term commitment and the recruitment of a Director of Talent and Diversity will add strategic resource to this endeavour.

Board skills, experience and knowledge

The pooling of expertise from different industry sectors and robust scrutiny forms the basis of all strategic decisions made by the Board.

The Nomination Committee continues to review the composition of the Board and the skills and diversity of the Directors and will make further appointments where it considers them necessary, having particular regard to the Parker Review.

Annual evaluation

The Board's policy is to undertake an annual evaluation of its performance and that of its Committees and Directors, with an externally facilitated evaluation at least every three years. During 2020, the Board undertook a formal, rigorous internal evaluation, led by the Chairman and supported by Clare Chalmers Limited, a highly experienced and independent provider of board evaluations. Ms Chalmers conducted the Board's last external evaluation in 2018 and has no other connection to the Group.

During 2020 Nigel Mills, the Company's Senior Independent Director, also conducted an evaluation of the Chairman's performance by means of private discussions with all Board members, excluding the Chairman.

The Group's next externally facilitated annual evaluation will occur in 2021. For further details regarding the 2020 evaluation, see page 97.

Re-election

The Board supports the election or re-election of all of the Directors. It considers that the Executive Directors have the skills and experience necessary to manage the business and deliver the Group's strategy and the Non-Executive Directors have the skills to support and challenge the Executive Directors. Each of the Non-Executives being elected or re-elected has individually shown a high level of independence and commitment to their roles and is considered by the Board to be independent.

Roger Devlin, Mike Killoran, Nigel Mills, Rachel Kentleton, Simon Litherland and Joanna Place will stand for re-election by shareholders at the forthcoming AGM, to be held on 28 April 2021. Dean Finch, Annemarie Durbin and Andrew Wyllie, all directors appointed since the AGM in 2020, will stand for election by shareholders.

Since his appointment as Group Chief Executive on 28 September 2020 Dean Finch has demonstrated his determination to build on our recent progress by accelerating and further enhancing the Group's approach to customer care and build quality. 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. Prior to joining the Group, Dean was the Chief Executive Officer of National Express plc for a decade, and during his tenure built National Express into Britain's leading transport group. Dean's exceptional record at National Express includes delivering substantial strategic and operational progress over a sustained period, delivering value for all stakeholders while developing a distinct and cohesive culture, focused on customer care and service. The Board believes that Dean is an excellent fit for the Group and has the experience to lead the business.

Annemarie Durbin, who was appointed to the Board on 1 July 2020 as an Independent Non-Executive Director, is a highly experienced international business executive, with a strong background in corporate governance and human resources. Annemarie brings valuable experience and knowledge to the Board as we continue to implement our programme of business improvement. Annemarie has 30 years broad-based, retail, commercial, corporate and institutional banking experience across Asia, Africa & the Middle East and is an experienced coach and mentor. Annemarie spent 20 years at Standard Chartered, the FTSE 100 international bank, in a variety of executive roles across the UK and Asia, culminating in membership of the Group Executive Committee. She has subsequently become a highly experienced Board Chair, Independent Non-Executive Director and Remuneration Committee Chair.

Andrew Wyllie was appointed to the Board on 4 January 2021 as an Independent Non-Executive Director. Andrew has a long and successful track record within the construction industry and brings highly relevant sector experience to the Board. His industry knowledge and perspective is a valuable addition to the Board as the Company continues to build a sustainable business in every sense. Andrew was most recently Chief Executive of Costain Group Plc for a period of 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.

The biographies of all of the Directors, including their experience, skills and contributions can be found on pages 82 to 83.

Use of external search consultants

The Board or its Committees have during the year engaged two executive search firms, being Egon Zehnder and Russell Reynolds Associates to provide assistance in relation to specific candidate searches. Neither of these firms has any other connection to the Company or any Director of the Company.

Directors' Report

NOMINATION COMMITTEE REPORT

Nomination Committee meeting attendance 2020

	Meetings attended	Percentage of meetings attended
Roger Devlin	5/5	100%
Nigel Mills	5/5	100%
Joanna Place[1]	4/4	100%
Annemarie Durbin[2]	1/1	100%
Rachel Kentleton	5/5	100%
Simon Litherland	5/5	100%
Marion Sears[3]	4/4	100%
Claire Thomas[4]	N/A	–

1 Appointed to the Committee on 1 April 2020.
2 Appointed to the Committee on 1 July 2020.
3 Retired from the Committee on 30 June 2020.
4 Resigned from the Committee on 1 February 2020.

"The year has seen significant challenges, and it has been essential that our Board and senior management team have been robust in supporting the Group through such an uncertain time."

Roger Devlin
Chairman of the Nomination Committee

On behalf of the Board, I am pleased to present the Nomination Committee report for the year ended 31 December 2020.

Reporting to the Board, the Committee leads the process for Board and Committee appointments. It ensures that plans are in place for the orderly succession to the Board and senior management positions, and oversees the development of a diverse pipeline to ensure that talent can grow and evolve within the Group. All of the members of the Committee, other than the Chairman, are Independent Non-Executive Directors, the Chairman was independent upon appointment. One of the primary duties of the Committee is ensuring that the size, structure and composition of the Board and Committees are appropriate to support the Group's long-term success. The Committee regularly reviews the Board and Committees, and makes recommendations to the Board when aspects of the size, structure and composition require adjustment, or when vacancies arise. The Committee is mindful of the skills, knowledge, backgrounds and experience of the directors and aims to achieve a diverse Board.

The year has seen significant challenges, and it has been essential that our Board and senior management team have been robust in supporting the Group through such an uncertain time. The composition of the Board and Committees changed during the year. Dave Jenkinson, the Group's Chief Executive tendered his resignation on 26 February 2020. Following a thorough and robust search for a replacement, the Committee recommended the appointment of Dean Finch. Dave ultimately left the Group on 20 September 2020, with Dean joining the Group on 28 September 2020. Two Non-Executive Directors, Claire Thomas and Marion Sears, also left the Group during the year.

During the year the Committee engaged executive search firms Egon Zehnder and Russell Reynolds to assist with the recruitment process for Board members including a Non-Executive Director with relevant industry experience. Neither firm has any other connection to the Company or any Director of the Company other than assisting with previous searches.

As a result of the searches the Committee recommended the appointment to the Board of three new independent Non-Executive Directors; Joanna Place, Annemarie Durbin and Andrew Wyllie; and the appointment of Dean Finch as the new Group Chief Executive. Further information regarding the new Board members can be found on pages 95 to 96.

The Committee has worked in accordance with the UK Corporate Governance Code 2018 to ensure that the Board is effective. All Directors are subject to annual re-election by shareholders, with regular evaluations and assessments of the Directors' independence providing checks and balances on the Board's composition, knowledge, skills, experience and effectiveness.

Work of the Committee during the year

Key area of focus	Matters considered	Outcome
Appointment of new CEO	Appointing a candidate with experience and a strong track record of achieving positive results. Previous CEO experience deemed essential.	The Committee recommended the appointment of Dean Finch to the Board. Dean was subsequently appointed and joined the Group on 28 September 2020.
Appointment of Independent Non-Executive Directors	Non-Executive Directors with specific knowledge of key areas including corporate responsibility and sustainability, HR and industry experience.	The Committee recommended the appointment of Joanna Place, Annemarie Durbin and Andrew Wyllie to the Board, all of whom were subsequently appointed.
Committee composition	Whether each committee had the requisite knowledge, skills, size and understanding in light of the retiring and newly appointed Non-Executive Directors.	Changes were made to the Audit and Nomination Committees in light of Claire Thomas and Marion Sears leaving the Group. Changes were made to the Remuneration Committee following the appointments of Joanna Place and Annemarie Durbin.
Equality, diversity and inclusion	Ensuring that a diverse pipeline of candidates are coming into the business and industry.	Following a presentation from the Group HR Director, the Committee has approved and monitored new initiatives to improve diversity throughout the Group.
Succession planning	Considered succession for the Board and its committees. Reviewed senior management succession updates from the Group HR Director.	Candidates for promotion and successors were identified, including those who required further development. c.140 people have been identified for potential promotion within the next five years. Succession planning to be reviewed bi-annually.
Reviewed the Terms of Reference for the Committee	Ensuring that the Terms of Reference meet the needs of the Committee, whilst meeting best practice guidelines and the UK Corporate Governance Code 2018.	The Committee reviewed the existing Terms of Reference, which were updated in February 2021.

Board appointments

Each of the following appointments were recommended to the Board by the Committee.

Group Chief Executive

On 26 February 2020, after 23 years with the Group, Dave Jenkinson informed the board of his wish to step down as Group Chief Executive. As a result of Dave's intention to step down, the Committee began the search for a new Group Chief Executive with the skills and experience to lead the business as we continue to drive a programme of change. To support the Committee in the search we engaged the services of Egon Zehnder, whose work was dovetailed with that of Russell Reynolds. The search focused on best in class C-suite executives, searching areas including retail, transportation, utilities, infrastructure, construction, and adjacent sectors to housebuilding. Both executive search consultants are signatories to the Standard Voluntary Code of Conduct for Executive Search Firms, which aims to increase board diversity.

During the selection process a list of potential candidates was drawn up, with interviews taking place between the candidates and the Chairman. Following this all members of the Nomination Committee had meetings with the leading candidates. Following a recommendation to the Board, on 24 June 2020 the Company announced that Dean Finch would be appointed as the Group Chief Executive. Dave Jenkinson subsequently left the Group on 20 September 2020, and Dean's appointment became effective on 28 September 2020.

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

The Committee resolved that appointing Dean Finch would be in the best interests of the Company and promote its long-term success. The Committee notes that Dean has made a strong start in the business, with his focus on build quality, customer service and sustainability.

Independent Non-Executive Directors

The Board currently includes six Independent Non-Executive Directors.

Nigel Mills was appointed to the Board in 2016 and holds the role of Senior Independent Director. His 30-year career has equipped him with broad experience of financial markets, strategy, risk, shareholder attitudes and corporate governance, which enable him to provide sound advice to the Board. Rachel Kentleton was appointed to the Board in 2015 and brings particular strength to the Audit Committee. She has significant knowledge of finance, strategy, organisational change, operations, technology and investor relations, bringing a balance of skills and diversity of views to the Board. Simon Litherland was appointed to the Board in 2017 and has extensive experience in a consumer facing sector, with expertise in brand building, marketing and strategy. He brings a strong practical understanding of organisational purpose, culture and employee engagement.

Joanna Place was appointed as an Independent Non-Executive Director with effect from 1 April 2020, having focused our search on talent from the public policy and economic fields. Persimmon benefits from the breadth of her management experience, in human resources in particular, gained in the course of her 30-year executive career at the Bank of England. Her knowledge and insights are helpful to the business as we continue to implement our programme of progressive change.

Annemarie Durbin was appointed as an Independent Non-Executive Director with effect from 1 July 2020, having carried out a rigorous search of best in class FTSE Remuneration Committee Chairs. She is a highly experienced international business executive, with a strong background in corporate governance and human resources. On appointment to the Board Annemarie was also appointed as the Chair of the Remuneration Committee, replacing Marion Sears, the outgoing Chair who left the Group on 30 June 2020.

Directors' Report

NOMINATION COMMITTEE REPORT CONTINUED

Andrew Wyllie was appointed as an Independent Non-Executive Director with effect from 4 January 2021, following a search which concentrated on the housebuilding, property, construction and adjacent sectors. Andrew has a long and successful track record within the construction industry and brings relevant sector experience to the Board. His industry knowledge and perspective will be a valuable addition to the Board as Persimmon continues to build a sustainable business in every sense.

Claire Thomas stepped down as an Independent Non-Executive Director on 1 February 2020 to pursue new interests. The Board wishes her success in her future endeavours.

We previously announced that Marion Sears would retire from the Board on 29 April 2020 at the conclusion of the Company's AGM. Following Claire Thomas' resignation, Marion agreed to remain on the Board for a short time while the Group conducted a search for a new Remuneration Committee Chair. Marion retired from the Board on 30 June 2020, allowing time for her successor to take up her post. Marion made a significant contribution to the Board during her seven years with the Group, and we wish her every success in her future endeavours. Further details on the composition of the Board can be located on pages 82 to 83.

Equality, diversity and inclusion

The Board supports diversity and inclusion for the Board itself, the senior management team and throughout the Group. It believes that a wide range of experience, age, background, skills, knowledge, and cognitive and personal strengths combine to contribute towards an effective Board. However, the Committee recognises that there is an industry-wide issue for improving gender diversity, and during the year has considered how it can increase the gender diversity of employees at all levels.

The Group's Gender Pay Gap Reports are available on our corporate website at www.persimmonhomes.com/corporate. The 2020 Report will be published in April 2021, with the 2019 report having been published in April 2020. The median Gender Pay Gap for the Group was 12.7% in 2020 (2019: 12.4%), compared to the Office of National Statistics figure for 2020 of 15.5% (2019: 17.3%). As at 31 December 2020, the gender balance of the Group was 28% female and 72% male. The gender diversity of the Board as at 31 December 2020 was 37.5% female. The Group's Gender Pay Gap is driven by the shape of our workforce with a high proportion of men in skilled construction roles, such as site management, where the market is competitive. Despite this, we realise it is essential that women are given opportunities to reach their full earning potential. Further information on gender diversity and balance can be located on pages 92 to 93, and page 40.

In considering how to maintain and improve gender diversity, the Committee took into account the Hampton-Alexander Review, which set a target of 33% representation of women on Boards and 33% women in the combined Executive Committee and Direct Reports by the end of 2020. Following Dean Finch's appointment to the Group, the size of the Executive Committee was increased. There is now a broader skill set of senior management on the Executive Committee, with a wider range of knowledge and skills. As at 31 December 2020 there were 19 female (26%) and 55 male (74%) colleagues in our 74 senior executive management team, including direct reports.

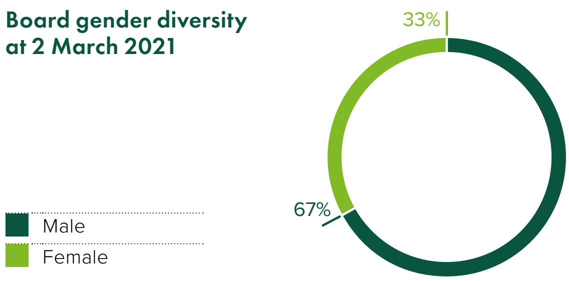
In pursuit of increasing the diversity of our workforce we have set new diversity targets to improve the Group's gender diversity with the aim to have females composing 40% of our employees, 35% of our senior management team and 45% of employees in management roles by the end of 2025. During 2020 we participated in the Hampton-Alexander Survey.

During the year we became a platinum member of Women into Construction, an organisation which promotes opportunities for women and gender equality in the construction industry. A number of successful projects were completed between the Group and Women into Construction during the year including delivering a basic housebuilding workshop to a cohort of 19 female candidates in Birmingham. In Norfolk, we have partnered with the Leyland Academy and the local enterprise council to develop a remote home building programme linked to the curriculum, which supports re-engaging pupils. The Group's Training Department has trained employees to be construction ambassadors, which involves visiting schools and colleges (virtually or in person) to outline the training and career opportunities for women in the housebuilding industry. The Group currently has a number of initiatives aimed at achieving the Group's objective of increasing the number of females in senior roles. These include recruiting more females and apprentices, and increasing the opportunities for women to progress through the business with the introduction of fast-track training programmes.

The Committee reviewed how the business has promoted diversity, including how flexible working has been taken up, and how controlled flexible working could be an effective route to allow more diverse candidates into the business. The Group's Gender Diversity Panel met regularly throughout the year and made recommendations to the Nomination Committee regarding how to improve the gender diversity of the Group. Through the Gender Diversity and Employee Engagement Panels, employees expressed a desire for the Group to provide more competitive maternity pay. In response, an enhanced maternity pay policy was implemented during 2020.

During the year the Committee reviewed and approved an updated Equality, Diversity and Inclusion Policy for the Group, which detailed our commitment to maintaining a safe, welcoming, inclusive and diverse workplace which nurtures a culture of mutual respect and consideration. The Policy is available both internally and externally to demonstrate our commitment to this matter. Our aim 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.

Board gender diversity at 2 March 2021



The purpose of the Equality, Diversity and Inclusion 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. Details of our Equality, Diversity and Inclusion Policy are available on the Group's website at www.persimmonhomes.com/corporate/corporate-responsibility/policies.

Ethnic diversity has been an area of consideration during the year, and the Board has remained mindful of the recommendations of The Parker Review, which set a target that each FTSE 100 board should have at least one director of colour by 2021. As at the date of this report the Board has regrettably not achieved this target, although we aim to increase the ethnic diversity of the Board as soon as reasonably practicable. The Parker Review will remain at the forefront of the minds of Nomination Committee members during 2021 and beyond as the Board seeks to become more ethnically diverse. During 2020 we participated in the Parker Review Survey.

In recognising our social responsibilities and ensuring that there is a diverse pipeline of talent for the Board and senior management team, the Group has appointed a Director of Talent and Diversity. The appointee will join the Group in spring 2021 and will add strategic resource to the Group's diversity improvement activities, reporting to the Group HR Director and the Nomination Committee. In addition, during 2021 the Group intends to launch a graduate-level Management Development Programme, again 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. Once more, this Programme will ensure that under-represented groups are actively encouraged to apply. These initiatives are supplemented by increased engagement with our workforce, including the Group's Gender Diversity Panel, Employee Engagement Panel and the annual employee engagement survey.

Our long-term goal is to have a workforce and senior management team comprising a balance of both men and women from a variety of ethnic and socially diverse backgrounds. In achieving this goal the Group has become a signatory to the Social Mobility Pledge and is a member of The 5% Club. Further details can be located on page 38.

Succession planning

The Group acknowledges the importance of succession planning in achieving the Group's strategic aims. Succession planning for the Board and senior management across the Group is therefore kept under review by the Committee. As set out in our Equality, Diversity and Inclusion Policy, our succession plans are based on merit and objective criteria, and within this context promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.

During the year the Committee reviewed the HR department's succession planning activities, particularly in respect of the Group's operating businesses. Candidates for promotion and successors were identified, with development plans intended to be introduced. Whilst the Group has a strong record of nurturing and promoting internal candidates, the Committee and the Board agreed that it is beneficial to have a balance of internal promotions and external recruitment. Further information on succession planning can be located on page 92.

Board evaluation

In accordance with the UK Corporate Governance Code 2018, during the year the Board undertook a formal and rigorous annual evaluation of its performance and that of its committees. This was an internal evaluation, which was led by the Chairman and supported by Clare Chalmers Limited, an experienced and independent provider of board evaluations and who undertook the Board's external evaluation in 2018. An external evaluation is next scheduled to occur in 2021.

The evaluation involved the completion of a detailed questionnaire and written feedback on particular areas Directors consider the Board and its Committees perform well and where they consider improvements can be made. The Chairman, Committee Chairs and the Company Secretary reviewed a report on the Directors' submissions. The main feedback from the evaluation was:

- Improve forward Board agenda planning;
- Hold additional Non-Executive Director only meetings;
- Improve reporting on stakeholder engagement; and
- Conduct further work on purpose, values and culture.

These matters will be considered with the establishment of a new vision and values and a review of meeting planning and board papers.

In addition to the internal Board evaluation, the Senior Independent Director undertook an evaluation of the Chairman's performance. The evaluation consisted of private discussions between the Senior Independent Director and each of the Board members. The result of the evaluation was reported to the Board without the Chairman present, and following which feedback was provided to the Chairman. Following this evaluation it is considered that the Chairman continues to perform well in his role.

Additional to the Board and Committee evaluations, the Chairman undertook a verbal performance evaluation of the Executive Directors' performance and an evaluation of the Non-Executive Directors. The Chairman also met with the Non-Executive Directors without the Executive Directors being present.

The Chairman is satisfied that all Directors continue to perform well in their roles and contribute effectively.

Roger Devlin
Chairman of the Nomination Committee
2 March 2021

Directors' Report

AUDIT COMMITTEE CHAIR'S STATEMENT

Audit Committee meeting attendance 2020

	Meetings attended	Percentage of meetings attended
Rachel Kentleton	5/5	100%
Joanna Place[1]	3/3	100%
Simon Litherland	5/5	100%
Marion Sears[2]	3/3	100%

1 Joanna Place was appointed to the Committee on 1 April 2020.
2 Marion Sears retired from the Committee on 30 June 2020.

"The outbreak of the Covid-19 pandemic and measures taken to curb transmission have had a significant impact on all aspects of the Group's operations, including the activities under the Committee's responsibility. The Group has reacted positively to these challenges, taking steps to ensure that a robust control environment and quality internal and external audit have been maintained throughout."

Rachel Kentleton
Chair of the Audit Committee

I am pleased to present the Group's Audit Committee Report for the year ended 31 December 2020. This report sets out the priorities and activities of the Committee for the year, and details how the Committee has discharged its responsibilities as outlined within its terms of reference.

Covid-19

The outbreak of the Covid-19 pandemic in early 2020 generated material additional uncertainty regarding the UK economy and led to the implementation of substantial mitigating measures by the UK and devolved Governments to curb transmission. These measures have had a significant impact on the Group's operations. Consequentially, the effect of the Group's response to these measures to combat the pandemic have been felt across the activities and processes under the Committee's responsibility. In particular, the rapid expansion in remote working and deployment of social distancing measures have presented challenges in the performance of internal and external audit activities and in the management of risk and internal control. The Group reacted positively to these challenges, taking steps to ensure that a robust control environment has been maintained throughout. The Committee has responded to the challenges of Covid-19 throughout the year, taking steps to obtain additional reports, together with information and assurances as appropriate in the key areas of the Committee's responsibility.

In response to the heightened economic uncertainty, management have performed extensive reviews of asset carrying values, Group liquidity and going concern assessments. The Committee has focused on reviewing these assessments and other forward-looking accounting judgements with potential sensitivity to either the tightening of social distancing measures or economic disruption arising from the pandemic. These elements of financial reporting have been subject to additional scrutiny through the work of the external auditors, which the Committee has reviewed in detail.

The Board has collectively reviewed the Group's Covid-19 Safe Operating Procedures (SOPs). Members of the Audit Committee have observed the SOPs in operating during site visits with the Group's Health, Safety & Environment Director.

The Group Internal Audit department has remained fully resourced throughout the year, providing continued assurance on the effective operation of the Group's control environment. The Committee has worked closely with the Group Internal Audit Manager to understand the necessary changes made to the audit plan resulting from Covid-19 disruption, including increased use of remote auditing techniques and greater use of data analytics to support audit work.

Brexit

Through its regular reviews of the Group's principal risks, the Audit Committee has continued to monitor preparedness for the potential challenges and opportunities resulting from the withdrawal of the UK from the EU. Near term uncertainties, for example, regarding the potential increase in customs duties on supplies imported from the EU, have been eased with the announcement of the free trade agreement, however, the broader impact of these new arrangements will continue to be regularly reviewed and assessed.

Financial reporting

Among the principal ongoing duties of the Audit Committee is the monitoring of the effective governance and integrity of the Group's financial reporting throughout the financial year ended 31 December 2020. The Committee has reviewed both the Half Year Report and the Annual Report for the financial year ended 31 December 2020 and all related regulatory disclosures, including the Group's disclosures describing its management of climate change risk in line the recommendations of the Task Force on Climate related Financial Disclosures. At the request of the Board, the Audit Committee has considered the 2020 Annual Report and is satisfied that taken as a whole it is fair, balanced and understandable, and provides the necessary information to assess the Group's position, performance, business model and strategy.

Legacy buildings provision

The Committee considered management's interim findings in respect of the Group's legacy buildings provision and the relevant accounting treatment and disclosures in the financial statements, which it found to be appropriate.

Audit quality

Maintaining the high quality of the Group's external audit processes remains an area of focus for the Committee. This focus reflects increased stakeholder interest and the increasing volume and depth of regulation of the audit profession, with further audit reform expected in the near future. To ensure the continued high quality of external audit, reflecting recognition of these factors, and the continued investments in quality and oversight made by EY, the Group's external auditors, the Committee approved a higher level of audit fee for the 2020 financial year. Throughout the year, the Committee has focused on ensuring these high standards have been maintained. Processes to obtain detailed feedback on auditor performance from internal stakeholders, introduced initially in 2019, have continued. The Committee reviews the feedback from these processes in detail, and uses it to inform discussions on further quality improvements with the auditor. The Committee is satisfied that the external auditor is independent and objective and that the audit is effective.

Internal audit

The Committee monitors and reviews the effectiveness of the Group's Internal Audit department. The Committee reviews and approves the annual internal audit plan developed by the Group Internal Audit Manager, together with the findings of internal audit reports and monitors the status of follow-up actions. The Committee has overseen changes made by the Group Internal Audit department to implement in full the provisions of the Internal Audit Code of Practice issued by the Chartered Institute of Internal Auditors in January 2020. This has involved updating a small number of sections of the Group's Internal Audit Charter and developing additional reporting for the Committee, including thematic reporting of internal audit recommendations and measures to monitor the operational performance of the Group Internal Audit department. A Group Internal Audit Development Plan, designed to ensure continuous improvement in internal audit provision, has also been reviewed and approved by the Committee.

Further information on the work of the Committee during the year is set out on pages 100 to 106.

Rachel Kentleton
Chair of the Audit Committee
2 March 2021

Directors' Report

AUDIT COMMITTEE REPORT

Audit Committee key duties

The key duties of the Audit Committee are to provide oversight and review of the following areas:

- Financial reporting, announcements and significant financial judgements
- External audit oversight
- The work of the Group Internal Audit department
- Review of the Group's viability statement, principal risks and risk register
- Risk management and internal control

Further details are set out on pages 101 to 106.

Audit Committee composition and attendance

The Audit Committee is made up of three Non-Executive Directors, Rachel Kentleton (Chair), Joanna Place and Simon Litherland. Marion Sears was a member of the Committee until her retirement from the Board on 30 June 2020.

The Audit Committee members have a broad range of relevant skills and experience that enable them to fulfil their duties appropriately. Rachel Kentleton is a qualified accountant with relevant financial experience from her prior roles as Finance Director of PayPoint plc and as Group Director, Strategy & Implementation at easyJet plc. Simon Litherland is a qualified accountant and, as Chief Executive Officer of Britvic plc, has many years of leadership, business and finance experience in a consumer facing industry. Joanna Place brings extensive financial and operational experience from her role as Chief Operating Officer of the Bank of England and, through her role as Chair of the Sustainability Committee, ensures a consistent focus on Environmental, Social and Governance (ESG) matters. Prior to her retirement from the Board, the Committee benefited from Marion Sears' extensive knowledge of customer facing processes and understanding of stakeholder interests. The Committee's broad base of skills and experience will be further enhanced in 2021 with the appointment of Andrew Wyllie, bringing extensive construction sector expertise from his previous roles with Costain Group plc and Taylor Woodrow plc.

In addition to the Audit Committee members, the meetings of the Committee are attended by the Company Secretary, Group Finance Director and Group Internal Audit Manager, as well as representatives from the external auditors. By invitation of the Chair of the Audit Committee, other senior managers of the Group have attended meetings in part within the year.

The Audit Committee ordinarily meets four times per year; however, in 2020, an additional meeting of the Committee was held to consider specific impacts of Covid-19 and its potential impacts on the Committee's areas of responsibility (see below). All members of the Committee attended each of the five meetings. In addition to the normal schedule of meetings, the Committee held discussions privately with the external auditor, the senior management team and the Group Internal Audit Manager, to consider feedback from the external and internal audits.

Impact of Covid-19

The Audit Committee's principal area of focus within the year has been the impact on the Group of the Covid-19 virus. The pandemic, and the actions taken by Government to reduce transmission of the virus, have presented challenges to the Group in maintaining safe and effective continuity of operations, and have generated significant uncertainty within the UK economy. This has had an impact on the processes and activities overseen by the Audit Committee, such as financial reporting, internal and external audit and the management of risk and internal control. These processes have been affected in various ways, including increased complexity in accounting estimates arising from changes in the economic environment and heightened levels of uncertainty and challenges in the continued provision of audit and assurance activities imposed through increased remote working. Ensuring controls to mitigate risks arising from the significant increase in remote working throughout the organisation have been effectively deployed, including the risks to the mental health and wellbeing of the Group's workforce have similarly been areas of focus.

The specific priorities and key duties of the Audit Committee, as outlined within its terms of reference, have remained unchanged within the year. The Committee has maintained its particular focus on oversight of the accuracy and quality of the Group's financial reporting, ensuring a high quality audit, and reviewing the work and independence of the Group Internal Audit department. Nevertheless, the impacts of the Covid-19 pandemic has been a significant consideration in each of these areas of focus. The Committee has taken additional steps within the year to ensure each of these areas has been subject to the required scrutiny. An additional meeting of the Committee was held in June 2020 with the specific focus on Covid-19 related disclosures for the Half-Year, including an impairment review of the Group's land and work in progress portfolio together with detailed scrutiny of the Group's liquidity, including additional extensive viability scenario analyses. The specific focus on the impact of Covid-19 is detailed further in each of the sections on pages 101 to 106.

Audit Committee cycle

There is an annual cycle for review of audit planning and the other key actions of the Audit Committee. Planning for the current year's audit begins in the spring and evolves throughout the year, taking into account changes in the business environment, the results of the previous year's audit, progress of the business and results of the review of the Half Year Report. The Committee also holds discussions privately with the external auditor, the senior management team and the Group Internal Audit Manager to consider feedback from the external and internal audits and to review the independence and objectivity of both the external and internal auditor. Within 2020, the Committee has retained this approach, whilst ensuring a continuous ongoing focus on the impacts of Covid-19 on the Group's financial position, the effective operation of risk management and internal control, and the work of both external and internal audit functions.

The normal cycle of the Committee, according to its formal meeting cycle, is set out below:

Date	Audit Committee Action
April	• Agree external audit strategy and strategy for external auditor review of Half Year Report • Review draft audit plan • Formal review of performance of previous external audit begins • First quarter Internal Audit Report reviewed
August	• Review of Half Year Report, including disclosures on accounting judgements, asset carrying values, going concern, and viability • Review results of external auditor report on their review of Half Year Report • Private Review with management of feedback on external auditor performance • Private meeting with external auditor • Second quarter Internal Audit Report reviewed
December	• External audit plan finalised and agreed • Following year's Internal Audit Plan agreed • Strategic Risk Register and Principal Risks review • Review of Committee Terms of Reference • Third quarter Internal Audit Report reviewed
February	• Review of Annual Report, including disclosures on viability and going concern • Assessment of whether the Annual Report is fair, balanced and understandable • Review of external audit results and report • Assessment of internal control effectiveness/ appropriateness • Private meeting with external auditor • Assessment of independence of the auditor • Final Internal Audit Report reviewed
Annual	• Shared equity loan receivables status • Group Tax Status Report
At least Triannually	• Provision of non-audit services from external auditor

Priorities and main activities during the year

The Audit Committee's priorities and its main activities for the 2020 financial year are set out below:

1. Financial Reporting, announcements and significant financial judgements

The Audit Committee is responsible for the review of the Group's Annual Report, the Half Year Report and related regulatory announcements, and the integrity of financial reporting. The Company's financial reports are prepared by senior management, with appropriate verification procedures in place to ensure the accuracy of the information presented. Within 2020, the Committee's responsibility in this area has included particular focus on the impacts of Covid-19 and the need to ensure all accounting estimates and areas of judgement were suitably tested and robust.

At the request of the Board, the Audit Committee considered whether the 2020 Annual Report taken as a whole is fair, balanced and understandable, and whether it provides the necessary information to enable shareholders to assess the Group's position, performance, business model and strategy. Following their review, the Audit Committee is satisfied that, taken as a whole, the 2020 Annual Report is fair, balanced and understandable and meets the required expectations of shareholders. In reaching this decision, the Committee took into consideration the information it had received and discussions that had taken place during the year, as reflected elsewhere within this report.

Assessment of significant financial judgements

Assessment of significant financial judgements facing the Group and identification of the key risks of potential misstatement of the Group's financial statements is one of the Audit Committee's key responsibilities. The Audit Committee has assessed that the material financial issues of the Group for 2020 were:

Revenue recognition

Revenue for 2020 was £3,328.3m. The Committee monitors the effectiveness of the internal controls employed by the Group to ensure the accuracy of revenue recognition and associated disclosures. The risk of misstatement in relation to revenue recognition could materially affect the revenue in the income statement, particularly in relation to revenue being recorded in the wrong period, due to cut-off errors or management bias. The analysis of total Group revenues is found at note 5 to the Financial Statements. Revenue recognition is a key area of focus for the external auditors, who have deployed data analytics tools and detailed transactional testing to provide positive assurance on the accurate recording of revenue and cut-off controls. The Committee has assessed and remains satisfied with the Group's approach to the recording of revenue from Housing Associations under development agreements. Following this review the Committee is satisfied that the Group's processes are operating effectively and revenues are reported accurately.

Directors' Report

AUDIT COMMITTEE REPORT CONTINUED

Carrying value of land and work in progress including the accuracy of cost recoveries

At 31 December 2020, the carrying value of the Group's land was £1,722.1m, the carrying value of work in progress on-site was £1,091.6m and the cost of sales was £2,433.9m. The carrying value of land and inventory is determined by reference to a number of judgements, which are subject to management estimation of market conditions existing at the balance sheet date, and are assessed for impairment using assumptions surrounding anticipated selling prices and the level of future development costs. Due to the impacts of Covid-19, inventory values have been affected by additional direct costs and site overheads incurred in completing site developments. This treatment is consistent with prior reporting periods under the Group's accounting policies where we have suffered build delays under various circumstances, for example during instances of particularly bad weather. There is a risk that the carrying value of land and work in progress could be subject to impairment should these assessments be inaccurate or if market conditions were to deteriorate significantly, due to the impact of Covid-19 on the wider economy, for example. Rigorous internal processes are in place to monitor land and work in progress valuations and profit recognition. The Committee continues to monitor these processes, including the effectiveness of controls over investment in site development activities and the valuation of work in progress. This includes reviewing the outputs of the bi-monthly valuation meetings held in each Operating Company to review the valuation of work in progress at each site. These meetings are chaired by Group's independent Commercial department, and are attended periodically by the Group Internal Audit department, who monitor and report to the Risk and Audit Committees on management's adherence to the Group's policies and procedures. The Committee has again reviewed management's assessment of the net realisable value of the Group's land and work in progress held at 31 December 2020, which included consideration of the potential impact of the Covid-19 pandemic, and concluded that the approach adopted by management supported the asset carrying values.

Legacy buildings provision

Given evolving practices experienced during the second half of 2020, in relation to fire safety on multi storey, multi occupancy buildings, the Group commenced a review of all of its legacy buildings that used cladding materials. The review, undertaken over a number of months, provided interim findings to the Board in February 2021. It identified 26 buildings that may have used now-banned materials. The Group has recognised a provision of £75m (2019: £nil) based on management's best estimates of the costs of completing works to ensure fire safety on affected buildings under direct ownership, and to work with and support owners and other relevant stakeholders on buildings it has developed, in order to reach positive solutions where these buildings are affected. These estimates may change over time as further information is assessed, remedial works progress and the interpretation of fire safety regulations further evolves. This is a highly complex area with judgements and estimates in respect of the cost of remedial works and the scope of the properties requiring remedial works may change should regulation further evolve.

The Committee reviewed and agreed the basis on which the legacy buildings provision has been treated and disclosed within the financial statements. The matter was also discussed in detail with the Group's external auditor.

Carrying value of shared equity loan receivables

The Group has historically entered into shared equity contracts with some customers. There are second charge loans remaining due to the Group under these contracts, which are valued at £56.2m at 31 December 2020. These are reported as 'shared equity loan receivables' on the Group's balance sheet.

There is a risk that the value of these receivables could be misstated, as the valuation is underpinned by a range of assumptions and management judgements, which could prove inaccurate. The Committee monitors the effectiveness of internal controls exercised over the key processes that are employed by the Group in managing these second charge loans. This includes the review of reports on the performance of the shared equity portfolio, including details of redemptions and delinquency on a six-monthly basis.

Within 2020, the Group Internal Audit department has also carried out a review of the processes and controls in place at the Financial Conduct Authority regulated agent engaged by the Group to manage the shared equity loan portfolio.

Following a review of these controls and the assumptions adopted by management in support of the carrying value of these receivables, the Committee has concluded they remain appropriate and have resulted in a carrying value that appropriately reflects the inherent risks of recoverability of these shared equity loan receivables.

Defined benefit pension schemes

The funding position of the Group's defined benefit pension schemes is dependent on a range of assumptions, including life expectancy of the pension scheme members, future rates of inflation and long-term discount rates. An update on the Group's defined benefit pension schemes from the Group's pension scheme actuary was reported to the Committee in February 2020. The schemes had a combined surplus/deficit on an accounting funding basis of £50.6m at 31 December 2020 (2019: £77.6m surplus). See note 27 to the Financial Statements.

2. External audit oversight

The Audit Committee has responsibility for ensuring the Company's external auditor provides a high quality audit, whilst maintaining the required levels of independence and objectivity in the performance of their work. The Committee also manages the process of agreeing the audit fee and the assessment of the auditor's overall performance. Further details are outlined below:

Audit reporting

The Audit Committee receives routine reports from EY as external auditor throughout the year, before receiving a final report and presentation of the audit results. EY presented their 2020 audit results to the Committee in February 2021. The significant financial risks identified were consistent with the prior year, including revenue recognition, the carrying value of the Group's land and work in progress (including the accuracy of cost recoveries), and the carrying value of the Group's shared equity receivables.

As in the previous years, audit focus included other key areas such as the impairment of goodwill and intangible assets, accuracy of current tax accrual and deferred tax balance, valuation of the Group's defined benefit pension scheme obligations, and share-based payments. In addition, the Audit Committee has reviewed EY's assessments as to whether the Group should properly be considered as a going concern, their evaluation of the Viability Statement and their requirements as auditor to address the Board's application of the UK Corporate Governance Code 2018 (see independent auditor's report on pages 134 to 139).

Audit quality and effectiveness

The Audit Committee continues to focus on ensuring the overall effectiveness and quality of the external audit as a priority. This has been a particular area of attention in the context of Covid-19 and the Committee's desire for additional scrutiny on areas of financial judgement and estimates that could be affected by the pandemic. Furthermore, the Committee has been mindful of the need to maintain high audit quality despite the disruptions on working practices imposed by Covid-19 within the year.

Ensuring high audit quality is a consideration throughout the Audit Committee cycle, starting early in the year with the Committee's review and approval of the auditor's audit strategy for the year. Before commencing their audit, EY prepared a detailed draft audit plan for review by the Committee, including the strategy for the auditor's review of the Half Year Report. The 2020 plan was informed by the experience gained from the audits in prior years, which helped to form the basis of the audit strategy for the year; with various adjustments for Covid-19 considerations including provision of additional insight for the Committee on auditing practices employed. The Committee reviewed the draft plan and agreed the scope of the audit and of the Half Yearly review with EY. The 2020 plan identified EY's assessment of the key risks for audit review in the year and overall Group materiality, taking into account the impacts of Covid-19 on operational performance and accounting judgements and estimates.

The Committee has maintained processes, introduced initially in 2019, to obtain more robust and detailed feedback on auditor performance from internal stakeholders. The Committee reviews the feedback from these processes in detail by the Committee, and uses it to inform discussions on further quality improvements with the auditor. Other measures focused on maintaining an effective dialogue with the auditor, including routine engagement between the Audit Committee Chair and the lead partner, have been continued within 2020.

In addition to the Committee's ongoing focus on audit quality and effectiveness, EY have made increased investments in technology and staffing to support the continued high quality of their audit. These increased costs have been recognised in an increase in the audit fee, which was reviewed and approved by the Audit Committee. The fee paid to Ernst & Young LLP for their audit work for the 2020 financial year was £310,000, further details of which are set out on page 153. Further audit related fees of £60,000 were paid to the auditor for their work on their review of the Group's 2020 Half Year Report. In addition, the Company paid £4,325 for the audit of the 2019 annual report of the Persimmon Charitable Foundation. The ratio of audit fees to non-audit fees for the year was therefore 4.75:1.

Auditor independence and objectivity

The Committee monitors the independence and objectivity of the auditor and of the senior engagement partner on an ongoing basis, with a formal review annually. In assessing auditor independence and objectivity, the Committee places great emphasis on the auditor continuing to demonstrate an appropriate professional scepticism in the performance of their work. The Committee's assessment is further informed by private meetings with the EY audit team without management present. Within these meetings, the Committee reviews the auditor's assessment of the business risks and management's mitigation of those risks, the transparency and openness of the auditor's interactions with management, and seeks confirmation that there has been no restriction in scope or other hindrance placed on them.

The Committee formulates and oversees the Company's policy on provision of non-audit services. This policy was reviewed in detail in 2020, with the next formal review scheduled for 2023. The policy represents a key control to ensure that the nature of any non-audit services performed by the auditor, and the fee earned for that work relative to the fees earned for the audit, do not compromise, and are not seen to compromise the auditor's independence, objectivity or integrity. Under the terms of the policy, the auditor is excluded from undertaking a range of work on behalf of the Group. This includes appraisal or valuation services, management departments and litigation support, actuarial services and legal or remuneration services on behalf of the Group. The auditor may be commissioned to provide audit related services and permitted non-audit related services with the specific approval of the Audit Committee. The Committee has confirmed that this policy was adhered to within the year. Following the most recent formal review of auditor independence, which took into consideration a further report from EY on the auditor's own independence controls and the level of audit fees and non-audit fees paid to the auditor, the Committee continues to consider that EY and Peter McIver, lead audit engagement partner, remain independent.

Auditor assessment and reappointment

EY have been the Group's auditor since April 2016, the firm having been appointed following a competitive tender exercise involving three leading audit firms. The lead audit partner is Peter McIver, who has held the role since April 2016. The Company's policy is to rotate the lead external audit partner every five years. As a result, Peter McIver will be rotated from this responsibility after the 2020 audit. The Audit Committee assesses the performance of the external auditor on an ongoing basis, with a formal review conducted annually. The Committee takes into consideration the quality and depth of the auditor's reporting, their planning and strategy for undertaking the audit and the quality of the personnel undertaking the audit. The Committee has also established feedback processes to obtain the views of senior management on the performance of EY. Following the formal review of auditor performance for the 2020 audit, the Audit Committee considers that EY remain independent and objective, and continue to deliver a high quality of audit. As such, the Committee has recommended to the Board that Ernst & Young be re-appointed auditor.

Directors' Report

AUDIT COMMITTEE REPORT CONTINUED

The Company has complied with the provisions of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Processes and Audit Committee Responsibilities) Order 2014. In line with the provisions of this Order, the Group is not required to re-tender its audit provision until the full year audit for 2026, and currently has no plans to re-tender before this time. The Committee considers this to be in the best interests of all stakeholders given the high quality of audit being delivered by EY and their detailed understanding of the Group's operations. Notwithstanding this, the Committee will continue to keep the performance of EY under review during this period and make recommendations accordingly.

3. Review of the work of the Group Internal Audit department

The Audit Committee monitors and reviews the effectiveness of the Group's Internal Audit department. The Group Internal Audit Manager attends all meetings of the Committee, and presents for approval the annual risk-based internal audit plan, results of all completed internal audits, the follow-up status of agreed actions, and performance indicators for the department. The Group Internal Audit department remained active and fully resourced throughout the year, with a specific focus on the robustness of the internal control framework throughout the period of Covid-19 disruption. Provision of assurance work for the Audit Committee has been maintained throughout the year, through the flexing of the annual internal audit plan to make greater use of remote auditing techniques and data analytics in place of some physical internal audit visits.

The Audit Committee members meet with the Group Internal Audit Manager at least annually without management present to ensure that independence and objectivity of the Internal Audit department is being maintained. Resourcing of the Group Internal Audit department is a standing item for the private meeting. Following the 2020 meeting, the Committee confirmed it was satisfied that the overall level of resource in place remains appropriate, but would be kept under review to ensure it remains sufficient to support any changes in the expectations placed on Group Internal Audit. The Committee recognised that for some specialist assurance work, the department's skills should be supplemented with co-sourced resource from external providers, as has been successfully adopted to perform a cyber security review within 2020.

The Group Internal Audit department continues to work in line with the Professional Standards of the Chartered Institute of Internal Auditors (IIA). The IIA's Internal Audit Code of Practice, which came into force in January 2020, has been adopted in full by the Group. The Committee welcomes the changes that have been delivered as a result, including amendments to the Group Internal Audit Charter, and administrative improvements such as more detailed performance monitoring and thematic reporting of issues to the Committee. To ensure the continuous improvement of the internal audit provision, the Committee has reviewed and approved a Group Internal Audit Development Plan, designed by the Group Internal Audit Manager.

Through 2020, the Committee reviewed reports from the Group Internal Audit department on the following matters.

Internal Audit review	Focus and key outcomes
Weekly Wages	Assessment of controls over payroll for weekly paid staff. Recommendations resulted in improved procedural guidance and enhanced segregation of duties.
Shared Equity	Review of third party systems and controls to support the management of the shared equity loan portfolio. This review provided positive assurance that the processes were working in line with expectations and GDPR protocols were fulfilled.
Complaints Handling	Assessment of Group complaints handling processes and supporting systems. Recommendations focused on system enhancements and development of performance monitoring.
Space4	General controls audit on various commercial and financial processes. No material recommendations were made.
Tileworks	Review of the control environment in place at the Tileworks facility. This review confirmed the effective extension of systems and controls from the Brickworks to Tileworks, with only administrative improvement opportunities identified.
Modern Slavery Supplier Assurance	Review including a survey-based assessment of controls in place at a selection of key suppliers. Recommendations were made to extend training provision and further strengthen the Group's Supplier Principles.
Construction Quality	Early implementation review of the Persimmon Way and other quality control processes. Recommendations focused on administrative records of inspection, training and greater use of technology to support processes.
Payment Processing	Audit focused on compliance with internal transaction approval and payment release processes. The review provided positive assurance on the payment controls in operation and continued adherence to Prompt Payment Code requirements.
HBF Star Rating Scheme Compliance	Audit to ensure adherence to the HBF Star Rating Scheme Rules. This review provided positive assurance on compliance. Recommendations focused on improvements and extensions to existing training programmes.
Persimmon Direct	Review of financial and commercial controls within the Persimmon Direct operations. Recommendations have resulted in contract formalisation and measures to strengthen internal procedural compliance.
Fixed Assets	Review of controls to ensure safeguarding and accurate reporting of fixed assets. Minor administrative improvement opportunities were identified.
Sales Incentives	Assessment of adherence to Group procedures around sales incentives, including part-exchange processes. Improvements to Group procedural framework and monitoring were recommended.

The Group Internal Audit department also reviews all whistleblowing reports, conducting investigations where necessary, and provides detailed reporting to the Committee. Having reviewed the reports provided on whistleblowing matters within the year, the Committee is satisfied that the Group's approach to whistleblowing is appropriate, and that investigations have been conducted swiftly and with the necessary competence and sensitivity. There were no material issues or control weaknesses raised in the whistleblowing reports received within 2020 that were found to require any major management actions.

The Committee is satisfied that the Group Internal Audit department remains effective in its provision of assurance to the Board, and continues to meet the expectations placed on it through the Group Internal Audit Charter and the annual internal audit plan.

4. Review of the Group's viability statement, principal risks and risk register

The Audit Committee conducts regular reviews of the Group's detailed risk registers, including the principal risks to the Company's business model (see pages 59 to 65), and, for the first time this year, the material issues identified through the performance of a sustainability materiality assessment (see pages 17 to 18). The Committee performed a review of the Group's principal risks at its June meeting, ahead of the Half Year Report, in addition to the formal annual review at the December meeting. Through these review processes, the Group's principal risks were updated to include pandemic risk, reflecting the potential for continued economic and operational disruption relating to Covid-19, and the potential for similar outbreaks of infectious diseases in future.

The Group's Viability Statement on pages 69 to 71 is also reviewed by the Committee. Viability is assessed based on a range of comprehensive stress testing scenarios, focusing on the potential impact of severe market disruption, such as could arise from the Covid-19 pandemic or other significant events, on the short to medium term demand for new homes. These scenarios assume substantial reduction in sales over a relatively short period, coupled to reduced average selling prices and asset impairments. Based on the outcome of these detailed assessments, the Committee considers that the Group will be able to continue in operation and meet its liabilities as they fall due over the five-year period to the end of 31 December 2025.

5. Risk management and internal control

The effective management of risk is central to the achievement of our objectives and the long-term sustainability of our business. The Board has overall responsibility for the Company's system of internal control and for the review of its effectiveness. The Audit Committee monitors the Company's system of internal control and reports to the Board on its effectiveness on an annual basis.

Risk management

The Company has a well-established framework for the management of risk. The Group's risk appetite and overall strategy is agreed by the Board at an annual strategy meeting, and implemented operationally by senior management within the Group. The approach to risk management and strategy undergo a continuous and iterative process of implementation, review and adaptation at Board meetings thereafter, and in response to the evolution of conditions in which the Group operates.

This well-established and robust approach to strategic risk management has enabled the Group to continue to perform strongly despite the disruptions brought about through the Covid-19 pandemic.

The Group Internal Audit department provides support to the ongoing routine risk management process, and assists with the preparation, maintenance and review of Risk Registers, which include those for Operational and Group departments with additional summary registers at Strategic, Reputational and key Stakeholder levels. This year, the review has been enhanced by the Group's materiality assessment (see page 17), the results of which were considered when preparing and reviewing the Group's Risk Registers. The department also provides a lead indicator analysis on the Group's principal risks for each meeting of the Board, focusing on a range of external economic and internal operational performance indicators.

The Strategic Risk Register, including the principal risks faced by the Group (see pages 59 to 65), was presented to the Main Board at its annual 2020 strategy meeting, and was formally reviewed, and accepted by the Risk and Audit Committees in December 2020. The risk register in its entirety (including operational and departmental risk registers) is updated on an ongoing basis in response to the work of the Group Internal Audit department, and subject to a detailed annual review in consultation with senior staff from across the Group, facilitated by Group Internal Audit. The registers are presented to the Risk and Audit Committees for their review and approval.

System of internal controls

The Group's internal control environment is based upon the widely recognised three lines of defence model. The first line of defence is the routine management oversight of operations, performed within a framework of standardised controls determined at Group level, including the policy and procedural framework, common IT systems, and standardised monitoring meetings. Departments with Group wide remits constitute the second line of defence, providing guidance, direction and instruction to operating companies, supporting Group wide operations with standardised systems and processes. These departments also conduct assurance activities to ensure these are embedded effectively. The Group Internal Audit department operates as the third line of defence, operating in line with the Professional Standards of the Chartered Institute of Internal Auditors to provide independent and objective assurance on the effectiveness of all aspects of risk and internal control in line with their risk-based annual audit plan. The Risk Committee monitors the effectiveness of the system of internal controls, including the review of reporting provided by the Group Internal Audit department.

The operation of the three lines of defence model is supplemented by a wider framework of internal controls and routine management oversight. Senior management from the Finance Department monitor the Group's financial management and reporting systems and continually assess the integrity and effectiveness of the Group's accounting procedures. Senior management from the Finance and Company Secretarial Departments review all financial reports and trading updates with appropriate consultation with the Group's external advisors, ensuring that such reports and statements are accurate, complete and consistent with the requirements of all relevant legislation and regulations. Each operating business and Group department is required to report to the Group in standardised formats to enable consistency of analysis and reporting to the Board.

Directors' Report

AUDIT COMMITTEE REPORT CONTINUED

At the outset of the pandemic, management assessed the potential impacts of Covid-19 and the expected changes in some working practices on the effective operation of the system of internal controls. There were no material changes made to internal control requirements for transactional authorisations. Additional training was delivered to staff to increase awareness of the risks associated with home working, such as safeguarding of data and physical records, and the required controls to mitigate these risks. Further training was deployed to counter the increased volume of phishing and social engineering attacks that were observed nationally as the pandemic continued.

Risk Committee oversight

The Risk Committee reports to the Audit Committee, which oversees its activities. The primary focus of the Risk Committee is to review the work of Group Internal Audit in providing assurance on the effective management of risk and the effectiveness of the Group's system of internal controls. In addition to the review of internal audit activities, the Committee reviews all whistleblowing reports and investigations, updates to the Group's risk registers and presentations and reports from operational functions relating to risk and internal controls. The Risk committee is chaired by Dean Finch (Group Chief Executive), having replaced Dave Jenkinson in this capacity on his appointment. The other members of the Risk Committee within the year were Rachel Kentleton (Audit Committee Chair), Mike Killoran (Group Finance Director) and Richard Stenhouse (Group Strategy Director). The Group Internal Audit Manager also attends all meetings of the Risk Committee as an advisor and as secretary to the Committee. There were six meetings of the Risk Committee in 2020, ensuring there has been an ongoing and robust process for the identification, evaluation and management of the main risks faced by the Group and the effectiveness of the controls in place to mitigate them.

Review of the effectiveness of internal control

The Group has continued to comply with the provisions of the UK Corporate Governance Code on internal control. The Audit Committee reviews the Company's internal control and risk management systems on a continuous basis, through its review of the work of the external auditor and the Group Internal Audit department, and the review of other reports requested from internal and external partners. In addition to the ongoing process of review, a formal annual assessment of internal controls is performed by the Committee on behalf of the Board. The annual assessment is produced by Group Internal Audit, based on the Guidance on Risk Management Reporting, Internal Control and Related Financial and Business Reporting issued by the FRC in September 2014. At the request of the Audit Committee, the report has been enhanced to include an assessment of the root causes of any control issues identified through the routine work on the Group Internal Audit department. The 2020 assessment concluded that controls were generally operating effectively, and the control environment was not materially affected by the disruptions of Covid-19 working arrangements. Some issues in control effectiveness were identified, particularly in respect of manual, paper or signature based controls, and were subject to action plans to rectify as required.

6. Other key actions

In addition to its routine activities, over the course of 2020 the Audit Committee has reviewed a range of presentations on other key issues for the Group:

Customer Care Improvement Plan

The Committee is receiving regular reporting from Group Internal Audit on the progress in implementing the Group's Customer Care Improvement Plan. The reporting includes monitoring of Customer Care resource levels, accuracy of moving in dates, and training delivery.

Cyber security and the Group's Cyber Risk Action Plan

The Committee receives regular updates from the Group IT Director on developments in cyber security measures, in line with the Group's Cyber Risk Action Plan, based on the '10 steps to cyber security' framework issued by the National Cyber Security Centre. In order to provide additional assurance on the effectiveness of the Group's Cyber Risk Action Plan, RSM Risk Assurance Services LLP were engaged to provide a focused Cyber Security Review. The results of this review were presented to the June meeting of the Committee. The Committee has requested routine dashboard reporting on cyber matters to enable ongoing monitoring of actions to strengthen the Group's cyber control framework.

ESG considerations

The Committee retains a constant focus on ESG reporting through its close ties with the Sustainability Committee. In recognition of the increasing significance of ESG matters to the Group and its stakeholders, the Committee reviewed a summary report from the external auditor on the current ESG reporting framework. This report has enabled the Committee to assess the Group's existing disclosures and evolutions in sustainability reporting, and support ongoing preparations for future reporting obligations, including those driven by the Task Force on Climate related Financial Disclosures (TCFD) (see page 66) and the Home Builders Sustainability Accounting Standard (see page 20).

Persimmon DB pension scheme

The Committee reviewed a presentation from Aon, consultants on Persimmon DB pension schemes, detailing the respective funding positions of the schemes.

Shared Equity loan Portfolio

Status reports on the performance of the Persimmon shared equity loan portfolio are provided to the Committee twice in each year. The reports provide updates on portfolio valuation, loan redemptions and performance of the outsourced partner managing the portfolio on the Group's behalf. Within 2020, the Committee has focused in particular on loan redemptions, in the context of the economic disruption caused by Covid-19.

Group tax status

The Group's tax status, including all significant tax matters and overall tax strategy, is reported to the Committee twice per year for review.

FibreNest regulatory requirements

At its April meeting, the Committee reviewed a report from an external consultant engaged to support regulatory compliance within the FibreNest business. This provided detail on the regulatory framework for FibreNest operations and the mechanisms in place to ensure ongoing compliance.

Directors' Report

OTHER DISCLOSURES

Persimmon Plc (the 'Company') is the holding company of the Persimmon Group of companies (the 'Group') and is a public company listed in the UK and traded on the London Stock Exchange.

The Group's main trading companies are Persimmon Homes Limited and Charles Church Developments Limited. The Group trades under the brand names of Persimmon Homes, Charles Church, Westbury Partnerships, Space4 and FibreNest.

The subsidiary undertakings which principally affect the profits and assets of the Group are listed in note 31 to the Financial Statements. A complete list of the Company's subsidiaries and residents' management companies under its control are contained on pages 176 to 184.

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 109. 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 2020 are contained within the Strategic Report. Details of the financial risk management objectives and policies of the Group and associated risk exposure are given in note 22 to the Financial Statements.

The Board has taken advantage of s.414C(11) of the Companies Act 2006 to include disclosures in the Strategic Report including: the Principal Risks and uncertainties, future development, performance and position of the Group; the financial position of the Group, greenhouse gas emissions, R&D activities, and engagement with employees, customers, suppliers and other stakeholders.

Results and return of cash

The Group's revenue for 2020 was £3,328.3m and its consolidated profit before taxation was £783.8m.

The Company may by ordinary resolution declare dividends not exceeding the amount recommended by Directors subject to statute. The Directors may pay interim dividends and any fixed rate dividend whenever the financial position of the Company, in the opinion of the Directors, justifies its payment.

All dividends and interest shall be paid (subject to any lien of the Company) to those members whose names are on the register of members on the record date, notwithstanding any subsequent transfer or transmission of shares.

As set out in the Chairman's Statement an interim dividend of 125 pence per share will be paid on 26 March 2021 to shareholders on the register on 12 March 2021 under the Company's Capital Return Programme. In addition, but subject to continual review, the Board intends to pay a dividend of 55 pence per share in August 2021, with a second payment of surplus capital of 55 pence per share to follow in December 2021. Further details of the Board's ongoing assessment of its Capital Return Programme will be provided as part of Persimmon's normal market updates (2020: return of cash of 40 pence and 70 pence per share).

Going concern

After completing a full review, the Directors have satisfied themselves that the going concern basis for the preparation of the accounts continues to be appropriate and there are no material uncertainties to the Company's ability to do so over a period of 12 months.

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 to 83. Information on the Executive Directors' service contracts and the Non-Executive Directors' letters of appointment are given in the Remuneration Report on page 120. All of the Directors served for the whole of the year, with the exception of Dean Finch, Joanna Place, Annemarie Durbin and Andrew Wyllie who were appointed to the Board on 28 September 2020, 1 April 2020, 1 July 2020 and 4 January 2021 respectively. Dave Jenkinson, Claire Thomas and Marion Sears resigned from the Board on 20 September 2020, 1 February 2020 and 30 June 2020 respectively.

The beneficial and non-beneficial interests of the Directors and their connected persons in the shares of the Company at 31 December 2020 and as at the date of this report are disclosed in the Remuneration Report on page 121. Details of the interests of the Executive Directors in share options and awards of shares can be found on page 120 within the same report.

Appointment and replacement of Directors

The Directors shall be no less than two and no more than 15 in number. Directors may be appointed by the Company by ordinary resolution or by the Board of Directors. A Director appointed by the Board of Directors holds office until the next following AGM and is then eligible for election by the shareholders. The Company may by special resolution remove any Director before the expiration of their term of office.

In accordance with the UK Corporate Governance Code 2018 the Board has determined that all Directors will be subject to annual re-election by shareholders. The Company's Articles of Association ('the Articles') in any event provide that at each AGM at least one third of the Directors shall retire from office and shall be eligible for reappointment and therefore each Director shall retire from office and shall be eligible for reappointment at the AGM held in the third year following their last reappointment.

Powers of the Directors

The business of the Company shall be managed by the Directors who may exercise all powers of the Company, subject to the Articles, the Companies Act 2006 and any directions given in general meetings. In particular, the Directors may exercise all the powers of the Company to borrow money, issue and buy back shares with the authority of shareholders, appoint and remove Directors and recommend and declare dividends.

Capital structure

The following description summarises certain provisions of the Articles and the Companies Act 2006. This is only a summary and the relevant provisions of the Companies Act 2006 and the Articles should be consulted if further information is required. A copy of the Articles may be obtained by writing to the Company Secretary at the registered office.

Directors' Report

OTHER DISCLOSURES CONTINUED

Amendments to the Articles of the Company may be made by way of special resolution in accordance with the provisions of the Companies Act 2006.

Share capital

The Company has one class of share in issue, being ordinary shares with a nominal value of 10 pence each, which carry no right to fixed income. During 2020 168,876 ordinary shares were issued with a nominal value of £16,888 to employees exercising share options. The Company received consideration of £3.1m for options exercised under the Group's savings-related share option scheme. At 31 December 2020 the issued share capital of the Company was 319,071,261 ordinary shares with a nominal value of £31,907,126. At 2 March 2021 the issued share capital of the Company was 319,081,098 ordinary shares with a nominal value of £31,908,110. Further details are provided in note 24 to the Financial Statements.

Shares may be issued with such preferred, deferred or other rights or restrictions, whether in regard to dividend, return of capital, or voting or otherwise, as the Company may from time to time by ordinary resolution determine (or failing such determination as the Directors may decide), subject to the provisions of the Companies Act 2006 and other shareholders' rights.

There are no securities carrying special rights with regard to control of the Company.

The Directors may allot, grant options over, or otherwise dispose of shares in the Company to such persons (including the Directors themselves) at such times and on such terms as the Directors may think proper, subject to the Articles, the Companies Act 2006 and shareholders' rights. At the AGM held on 29 April 2020 shareholders gave Directors authority to allot ordinary shares up to a maximum nominal amount of £10,630,879, representing approximately one third of the Company's issued share capital as at 5 March 2020. 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 £1,594,632. These authorities will expire at the conclusion of the AGM on 28 April 2021. Resolutions to renew these authorities will be put to shareholders at the forthcoming AGM.

Votes of members

All issued shares in the Company are fully paid and there are no restrictions on voting rights. Votes may be exercised in person, by proxy, or in relation to corporate members by a corporate representative. The deadline for delivering either written or electronic proxy forms is not less than 48 hours before the time for holding the meeting.

To attend and vote at a meeting a shareholder must be entered on the register of members at a time that is not more than 48 hours before the time of the meeting, calculated using business days only.

On a vote on a poll, each member present in person or by proxy or by duly authorised representative has one vote for each share held by the member. On a vote on a show of hands, each member being an individual present in person or a duly authorised representative of a corporation has one vote. Each proxy present in person who has been appointed by one member entitled to vote on a resolution has one vote. If a proxy has been appointed by more than one member and has been given the same voting instructions by those members, the proxy has one vote.

If the proxy has been appointed by more than one member and has been given conflicting instructions, or instructions to vote for or against by one member and discretion by another, the proxy has one vote for and one vote against a resolution.

Details of employee share schemes are set out in note 29 of the Financial Statements. The Trustee of the Persimmon Employee Benefit Trust may vote or abstain on shareholder resolutions as it sees fit.

Transfer of shares

There are no restrictions on the transfer of securities in the Company. Any member may transfer their shares in writing in any usual or common form or in any other form acceptable to the Directors and permitted by the Companies Act 2006 and the UK Listing Authority. The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of shares or that may result in restrictions on voting rights.

Qualifying third party indemnity provisions and qualifying pension scheme indemnity provisions

The Company has granted an indemnity in favour of its Directors and former Directors, against liability that they may incur in the course of performing their duties as Directors of the Company. The indemnity has been put in place in accordance with Section 234of the Companies Act 2006 and remained in force on the date of approval of this report. Prior to granting the indemnity appropriate legal advice was sought by the Company.

The Company has not issued any qualifying pension scheme indemnity provision.

Change of control provisions

One significant agreement contains provisions entitling counterparties to exercise termination or other rights in the event of a change of control of the Company. Under the £300m credit facility for Persimmon Plc dated 1 April 2011 (as amended) disclosed in note 22 of the Financial Statements, all amounts become due and payable under the terms of the facility if any person or group of persons acting in concert gains control of the Company.

Under his service agreement entered into in 2002 if the Company serves notice on Mike Killoran within six months of a change of control, he may terminate his employment on 28 days' notice. The provisions of the Company's share schemes may cause options and awards granted to employees under such schemes to vest on a takeover.

Emissions

The Group's greenhouse gas emissions are set out in the Strategic Report on page 68.

Employee involvement

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on various financial and economic factors affecting the performance of the Group. The Group publishes an employee newsletter and other communications regularly to ensure employees are kept well informed of the Group's operations.

As mentioned on pages 40 to 41, 88 to 89 and 92 to 93 of this report, the Group has an Employee Engagement Panel and a Gender Diversity Panel as part of its commitment to employee engagement, diversity and corporate governance best practice. The Group regularly updates its employment policies and all employees have been issued with a staff handbook 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 41 and pages 72 to 73.

The Company makes various benefit schemes available to employees, including a savings-related share option scheme which encourages the awareness and involvement of employees in the Group's performance. All employees are encouraged to participate.

In addition, information concerning the financial performance of the Group is sent to each operating business for circulation.

Equal opportunities

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 job-related 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 at in note 22 to the Financial Statements.

Acquisition of own shares

At the AGM held on 29 April 2020 shareholders granted the Company authority to purchase up to an aggregate of 31,892,636 of its own shares. No shares have been purchased to date under this authority and therefore at 31 December 2020 the authority remained outstanding. This authority expires on 28 April 2021 and a resolution to renew the authority will be put to shareholders at the forthcoming AGM.

At 31 December 2020 the Company held no shares in treasury.

Annual General Meeting

The AGM will commence at 12 noon on Wednesday 28 April 2021 at Persimmon House, Fulford, York, YO19 4FE. The Notice of Meeting and an explanation of the ordinary and special business are given in the AGM circular, which is available on the Company's website and which has been sent to shareholders.

In light of the current situation regarding Covid-19 and in the interests of health and safety, attendance at the AGM will be kept to the minimum legally required to hold the meeting.

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 tables below. As at 31 December 2020 and as at 2 March 2021, the Company had been notified under the Financial Conduct Authority's Disclosure Guidance and Transparency Rule 5 of the following interests in the voting rights of the Company:

	As at 31 December 2020		As at 2 March 2021		
Name	Number of voting rights[1]	% of total voting rights	Number of voting rights[1]	% of total voting rights	Nature of holding
BlackRock Inc	16,718,253	5.43	16,718,253	5.43	Indirect

1 Represents the number of voting rights last notified to the Company by the shareholder in accordance with D.T.R.5.1.

Item	Further information
Statement of Directors' share interests	See page 121
Details of the authority for the Company to purchase its own shares	See page 109
Details of any arrangements under which a Director of the company has waived or agreed to waive any emoluments from the Company	See pages 110, 116 and 117

Directors' responsibility

The Directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulations. The Directors consider that the Annual Report and Accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. The Board reached this conclusion after receiving advice from the Audit Committee. Further details are provided on page 101.

By order of the Board

Tracy Davison
Company Secretary
2 March 2021

Persimmon Plc
Company registration number 1818486

Remuneration

REMUNERATION COMMITTEE CHAIR'S STATEMENT

Remuneration Committee Members and meeting attendance 2020

Members at 31 December 2020	Appointment date	Retirement date	Meetings attended	Percentage of meetings attended
Annemarie Durbin (Chair)	1 Jul 2020	–	1/1	100%
Nigel Mills	4 Apr 2016	–	6/6	100%
Joanna Place	1 Apr 2020	–	5/5	100%
Former members				
Roger Devlin	1 Jun 2018	14 Dec 2020	5/5	100%
Rachel Kentleton	24 Jun 2015	14 Dec 2020	5/5	100%
Simon Litherland	3 Apr 2017	14 Dec 2020	5/5	100%
Marion Sears[1]	8 Jan 2013	30 Jun 2020	5/5	100%
Claire Thomas	1 Aug 2019	1 Feb 2020	N/A	–

1 Chair until 30 June 2020.

"Continuing to enhance customer service and build quality is a key focus whilst prioritising the health, safety and wellbeing of our employees, customers, suppliers and contractors."

Annemarie Durbin
Chair of the Remuneration Committee

This is my first statement as Chair of the Persimmon Remuneration Committee, having been appointed on 1 July 2020.

I would like to take this opportunity to thank my predecessor Marion Sears for her Chairing of the Committee. The performance of the Group throughout 2020 has remained robust and we legally completed 13,575 homes in 2020, despite the challenges that the year brought. The health, safety and wellbeing of our customers, our workforce and our communities has been paramount throughout the year, and we have focused on providing Covid-secure policies and procedures.

We have continued to improve the quality of our homes and our customer services, which has seen us moving closer to a five-star rating on the HBF survey. We have commenced the roll out of a Group wide consolidated approach to new home construction, the Persimmon Way, increased digitalisation and enhanced quality assurance processes all of which have enabled us to improve customer satisfaction. Details on our strategy can be located in our Strategic Report on pages 2 to 78.

Our new Remuneration Policy and our focus in the year

Our new Remuneration Policy was approved by shareholders at the April 2020 AGM, receiving a high level of shareholder support at 97.8%. We consider that the high level of shareholder support was a result of our commitment to a best practice Policy, as we listened carefully to our stakeholders and consulted with major shareholders.

During the year the Committee focused on implementation of the new Policy for the Executive Directors and on pay for the Senior Executive Group. The implementation of the Policy for 2020 included the re-introduction of bonus and PSP awards for Executive Directors. The Committee agreed the structure and performance conditions for annual bonus and 2020 PSP awards made to Executive Directors and the Senior Executive Group.

Executive Director changes

Following Dave Jenkinson's decision to leave the Group, the Committee also agreed the remuneration of Dean Finch on his appointment as Group Chief Executive and agreed the leaving remuneration for Dave. All arrangements are in line with the Policy approved at the 2020 AGM, and further information is set out on pages 111 and 119.

Covid-19

The first Covid-19 lockdown resulted in the temporary closure of sales offices and the orderly shutdown of our sites. All Persimmon regional offices were closed, with only a skeleton staff to facilitate the wider workforce working from home. In light of this Covid-19 related uncertainty, and in line with the Group's strategy of minimising the financial risk through the cycle, the Board considered that conserving cash and maximising financial flexibility was in the long-term best interests of the business and all its stakeholders. Therefore, in March 2020, it was decided to cancel the proposed 125p per share interim dividend payable in April 2020 and postpone payment of the proposed 110p per share dividend payment due to be paid in July 2020.

As a result of the continuing strong performance of the business through 2020, the Board decided to pay a modest interim dividend of 40p per share in September 2020 and a further interim dividend of 70p per share in December 2020, together replacing the postponed 110p per share dividend.

During the year we kept as many of our employees working, in a Covid-secure environment, as possible and provided necessary support to our suppliers and subcontractors to ensure operational continuity and enable a safe and structured re-start to site operations in late April 2020.

The Group paid any employees who were stood down their full base pay and has not accessed any of the UK Government's Covid-19 financial support schemes, and has no plans to do so. We have continued to pay all taxes promptly and to date no redundancies have been made as a result of the pandemic.

Recognising the unprecedented circumstances created by the Covid-19 pandemic, in April 2020 voluntary changes were made to Directors' remuneration. The Executive Directors elected to take a temporary 20% reduction in base salary, until such time as the Group was able to recommence work on-site; they also volunteered to forgo any annual bonus which may have been payable for 2020 and the Committee confirmed these decisions. In addition, the Non-Executive Directors voluntarily reduced their fees by 20%, from 1 April 2020 until 30 June 2020.

2020 PSP awards

PSP awards were granted to Executive Directors and senior employees in May 2020. Further details, including the performance measures and targets are set out on page 119.

When calculating the number of shares to be granted under each award, the Committee considered carefully the Company's share price movement over the twelve months prior to the date of award. We wanted to ensure that awards were not being granted at a time when the share price was artificially low for Covid-19 related reasons and therefore inadvertently give rise to windfall gains for the participants. When Mike Killoran's award and awards for other senior staff were granted in May 2020, the average price over the previous 12 months was £22.82, whilst the share price on the day of grant was £21.28. When Dean Finch's award was granted in September 2020, the share price of £24.11 on the date of grant was not materially different from the price in May 2020. Having regard to the average share price over the previous 12 months and to the prices on the date of award, the Committee concluded that the level of award was appropriate. In addition, when these awards are due to vest, the Committee will consider carefully whether there was any Covid-19 related windfall gain before approving any vesting level.

2020 Remuneration outcomes

The Group continues to apply the Living Wage Foundation criteria to our direct employees. Salaried employees were generally awarded a 1% salary increase during the year. All employees who were unable to work due to suffering from Covid-19, self-isolating or shielding, were paid in accordance with Government guidance. In supporting customers, colleagues and communities throughout the pandemic we have supported c.86,000* jobs across our communities and supply chain. The Group Training Department provided online guidance to support those employees who were working from home for prolonged periods, including advice and sources of help on mental health.

The Committee set the Executive Directors' 2020 annual bonus targets based on stretching metrics linked to the Group's strategic objectives. Although the Directors volunteered to forgo their annual bonus, a decision which the Committee confirmed, the performance conditions were still measured. Full details can be found on page 118.

No Executive Director held a PSP award capable of vesting by reference to performance in 2020.

New Group Chief Executive Remuneration

The Committee agreed the remuneration arrangements for Dean Finch, Group Chief Executive who joined the Group in September 2020, as set out below. These arrangements are consistent with the Directors' Remuneration Policy approved by shareholders in April 2020. In determining the overall package, the Committee reflected the aim to deliver restraint on pay, balanced with the need to recruit a Group Chief Executive with FTSE experience and a track record of performance.

* Estimated using an economic toolkit, updated in 2020 to reflect latest best practice and government guidance.

Element	Quantum
Salary	£725,000 p.a. with effect from his appointment. Dean Finch's salary will remain unchanged for 2021. This represents salary at lower quartile to median versus other comparable FTSE 100 companies; it is positioned below our direct competitors. The base salary payable to Dean Finch is higher than that of Dave Jenkinson, his predecessor. Dave had agreed that his salary would not be increased on his promotion to CEO.
Pension	9% of salary – in line with salaried employees.
Annual Bonus	200% of salary, with half of any bonus award deferred into shares for three years. Dean Finch was not eligible to earn a bonus for 2020.
Performance Share Plan ('PSP')	200% of salary, with awards vesting subject to performance over three years and vested shares then subject to a further two year holding period.
Shareholding requirement	4 times salary – A holding of at least 2 times salary will be expected to be achieved within 5 years of appointment, with a timescale to achieve 4 times salary to be agreed with the Chairman.

The Remuneration Committee agreed that in recognition of certain elements of Dean's forfeiture of remuneration on leaving his previous employer, and in line with the current Remuneration Policy, he would receive the following share awards.

Remuneration forfeited	Replacement
National Express 2020 LTIP Award	An award with a value of £432,000 was made in 2020 under the Persimmon PSP. The award represented one third of the face value of Dean's 2020 long-term incentive plan forfeited award. This award is subject to the same performance conditions as apply to other awards granted under the Persimmon PSP in 2020, as set out on page 119.
National Express 2019 Deferred Bonus	An award to be granted in spring 2021 over shares with a value equal to the value of the 130,025 National Express shares subject to Dean's forfeited 2019 Deferred Bonus on the date in 2021 on which those shares would have vested (the current value is c.£398,000). The award will vest after a further 12 months and will accrue dividend equivalents between the date of grant and vesting. The award will lapse if Dean gives notice of termination after the grant date but before it vests.
Pension Promise	Major shareholders were informed in June 2020 that the Group would meet an unfunded Pension Promise made by National Express and expected to be forfeited by Dean Finch on his resignation from that company. It became clear shortly before Dean joined the Group that the pension promise remained payable by National Express and therefore this award was not made.

Remuneration

REMUNERATION COMMITTEE CHAIR'S STATEMENT CONTINUED

Departing Group Chief Executive's Settlement Terms

Dave Jenkinson's 12 months' notice period commenced on 26 February 2020. At that time it was agreed that he would remain as Group Chief Executive until the end of 2020 by which time it was expected that a new Group Chief Executive would be in role. As it transpired Dean Finch joined the Group on 28 September 2020 and Dave Jenkinson's employment ended on 20 September 2020. In recognising his contractual notice period and original agreement to remain as Group Chief Executive until the end of 2020, the Committee decided to make a payment to Dave equal to his base salary and benefits until 31 December 2020, which was shorter than his contractual notice period to February 2021. Full details of remuneration arrangements relating to Dave's exit are detailed on page 119.

2021 Implementation

Dean Finch's 2021 salary will remain as his 2020 salary, at £725,000. Mike Killoran has received a basic salary increase of 1%, in line with the increase awarded to salaried employees in July 2020, their normal salary review date. The maximum bonus quantum and maximum PSP quantum for both Directors will remain the same as for 2020, with a maximum bonus and PSP each at 200% for Dean Finch and maximum bonus quantum of 150% for Mike Killoran and maximum PSP quantum of 200%.

Notwithstanding the impact of the Covid-19 pandemic, the Committee considers it appropriate for variable remuneration opportunities to remain in place for 2021. However, when considering the outturns the Committee will take a holistic view, including in relation to the employee and wider stakeholder experience, in addition to the performance relative to the targets and objectives set.

The metrics which have been selected for 2021 annual bonus awards are profit before tax (pre-exceptional items and goodwill) (30%), pre-land cash generation (30%), and cultural metrics (40%). In 2021 there will be three cultural metrics; 15% of bonus will be based on a customer care measure, 15% will be based on a quality measure and 10% will be based on personal objectives, including ESG objectives. The customer care metric will be based on the strategy to achieve a five-star rating under the HBF 8 week customer satisfaction survey. The quality measure will be based on the results of independent warranty provider inspections, to drive continued improvement in build quality. The CEO's personal objectives include measures related to setting and publishing sustainability and diversity targets. The financial targets are commercially sensitive and therefore will be disclosed in the 2021 Remuneration Report. A wider range of +/- 9% around the target level of performance has been set, taking into account current market uncertainties. Delivery of a stretching target level of performance will result in the Executive Director receiving 50% of the maximum award. Vesting is at 10% of the maximum for threshold performance.

The metrics for PSP awards to be granted in 2021 are relative TSR (40%), cash generation (40%) and a cultural metric (20%). For 2021 the cultural metric will be the 9 month HBF customer 'recommend a friend' score. Our strategy is to extend the operating businesses' customer care focus for the longer term and beyond the 8 week star-rating period, and as a result we will use the 9 month HBF survey results for 2021 PSP awards. We have taken the decision to use a pre-land rather than a post-land measure for cash generation. The pre-land cash measure 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. Further information can be found on page 126.

The Board believes in the importance of environmental/ ESG metrics and recognises that many shareholders support inclusion of relevant metrics in the performance condition for incentive awards. In addition to the ESG measures included in the CEO's annual bonus personal objectives, our intention is that, once we have more robustly calibrated meaningful metrics linked to our strategic approach to sustainability, such metrics will be included as part of long-term Executive remuneration. We will monitor this work closely and consider inclusion of relevant metrics for awards from 2022 onwards.

The Committee considers the overall executive remuneration approach is fair, balanced and reasonable taking into account the interests of all stakeholders.

Senior Executive Group

The Committee reviewed the 2020 remuneration framework for the Senior Executive Group, including setting annual bonus and PSP quantum and performance conditions. This was done with a view to ensuring the right balance between pay restraint and the need to attract, retain and motivate high quality senior leadership. The composition of the Group was reviewed during the year and increased to the Regional Chairmen, Regional Divisional Directors, the Group Strategy Director, Group Transformation and Land Strategy Director and the Company Secretary.

We remain committed to a responsible approach to executive pay, as I trust this Directors' Remuneration Report demonstrates. We believe the Policy operated as intended and consider that the remuneration received by the Executive Directors in respect of 2020 was appropriate, taking into account Group, 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
2 March 2021

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 updated in February 2021. These can be found on our website at www.persimmonhomes.com/corporate. The Committee meets on at least four occasions a year and otherwise as required. In 2020 the Committee met on six occasions with additional calls as necessary. The attendance at meetings can be located on page 110.

The Committee determines the remuneration policy for the Group's Chairman, Executive Directors, and the Senior Executive Group, which consists of the Regional Chairmen, Regional Divisional Directors, the Group Strategy Director, the Group Transformation and Land Strategy Director and the Company Secretary. This is a responsibility which has been delegated from the Board. The policies and practices are designed to support strategy and promote the long-term sustainable success of the Group. When setting and implementing the Policy for Executive Directors, the Committee has reviewed and taken into account workforce related policies and the alignment of incentives and rewards with culture. The Committee carefully considered the Group's strategy to increase customer focus and has aligned the variable remuneration metrics to meet this.

A number of changes took place to the composition of the Committee in the year, as summarised in the table on page 110. Further information regarding the members of the Committee, including their biographies, can be located on pages 82 to 83.

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 performance metrics are aligned with the Group's purpose and strategy to build high quality homes for our customers, deliver growth and return cash to shareholders and provide sustainable value for all stakeholders through the housing cycle.

Directors are not involved in the setting of their own remuneration, being 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 Remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.	We have taken a fully transparent approach to our Remuneration Policy and arrangements. Our Policy can be located in our 2019 annual report at www.persimmonhomes.com/corporate/investors/results-presentations-and-financial-reports. We consulted with shareholders and major proxy advisors on two occasions during 2020 to discuss remuneration arrangements, listening to and taking into account the feedback that we received. We liaise with workforce representatives via the Employee Engagement Panel. We track a number of workforce related statistics via the workforce remuneration dashboard that is presented at each Committee meeting. The annual report is circulated to all employees, which has details of directors' remuneration.
Simplicity Remuneration structures should avoid complexity and their rationale and operation should be easy to understand.	We consider that our remuneration structures are clear and easily understandable. We welcome feedback and listen to stakeholder comments regarding the Policy and its implementation. In determining the incoming Group Chief Executive's remuneration, the Committee kept all remuneration arrangements consistent with the Policy. Awards in Persimmon shares were agreed for some, but not all, of the remuneration forfeited on Dean Finch leaving his previous employer and these awards have straightforward terms. Details of his remuneration were explained to major shareholders and leading proxy advisors. For the implementation of our 2021 PSP awards we have taken the decision to use a pre-land, rather than post-land measure for cash generation as this is in line with our strategy and is easily understood by our management teams.
Risk Remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated.	There are malus and clawback provisions included in the Policy to reflect best practice to override formulaic outcomes, where appropriate. These provisions are now capable of application in a range of circumstances including corporate failure, serious reputational damage and material failure of risk management. Appropriate discretion can be applied, in the case of the annual bonus for three years from the date on which the amount of the bonus is determined. For PSP awards discretion extends until the fifth anniversary of the grant date.
Predictability The range of possible values of rewards to individual directors and any other limits or discretions should be identified and explained at the time of approving the policy.	For the Group Chief Executive annual bonus and PSP awards are 200% of base salary. For the Group Finance Director, the annual bonus maximum award quantum is 150%, and the PSP award quantum is 200% of base salary. Maximum bonus is only payable if stretching targets are met and excellent Group performance is achieved. Half of the annual bonus and the whole of the PSP vesting is in shares. The Executive Directors have shareholding requirements, and for awards made from 1 January 2020 this includes a two-year post-cessation shareholding requirement. The value of share awards are less predictable than cash due to potential fluctuations in the share price. However, it means that Directors' remuneration is better aligned to the shareholder experience.

Remuneration

ANNUAL REPORT ON REMUNERATION CONTINUED

Principle	Alignment to the Code
Proportionality The link between individual awards, the delivery of strategy and the long-term performance of the Company should be clear. Outcomes should not reward poor performance.	Both the annual bonus and PSP include cultural metrics which have been introduced as these are key to our strategy and future success. In addition, for 2021 the Committee has agreed personal objectives for annual bonus performance conditions, that focus on wider measures such as sustainability and diversity. Subject to the Committee's discretion to override formulaic outturns, annual bonus awards will result in payment at threshold performance of up to 10% of the maximum. Up to 50% of the maximum will be payable for on-target performance and all of the bonus will be payable for maximum performance. Half of annual bonus that vests will be paid in cash, with the remaining 50% deferred into shares for a period of three years. The Executive Directors elected to take a temporary 20% reduction in base salary, until such time as the Group was able to recommence work on-site; they also volunteered to forgo any annual bonus which may have been payable for 2020 and the Committee accepted these offers. The PSP award granted in 2020 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 has a requirement of 4 times salary. Given the relative longevity with the Group, the Group Finance Director's requirement is 5 times salary. The new Group Chief Executive is expected to build up his shareholding over a period of time whereas the Group Finance Director already holds well in excess of the minimum required level. The Committee has discretion to override formulaic outcomes. Directors' pension contributions/salary supplement are in aggregate, up to 9% of base salary, in line with the Group's salaried employees (who make up the majority of Group employees).
Alignment to culture Incentive schemes should drive behaviours consistent with Company purpose, values and strategy.	Our annual bonus and PSP schemes each contain non-financial cultural metrics to measure improvements in customer care and build quality. The aim is to focus upon improving customer experience, customer satisfaction, and build quality. Ultimately, the strategy is to create and protect superior and sustainable levels of value for the benefit of our customers, workforce, suppliers and shareholders through the housing cycle and with a clear priority of putting customers before volume. Further information on our culture can be located on pages 86 to 87. Further information on the non-financial metrics can be located on pages 126 and 127.

What the Committee has focused upon during the year

Key areas of focus	Remuneration Committee activities in 2020
Executive Directors and Senior Management Remuneration	• Set the remuneration framework for the Executive Directors and Senior Executive Group. • Agreed that for 2021 there would be no change in salary for the Group Chief Executive, and a salary increase of 1%, the increase for salaried employees in July 2020, for the Group Finance Director. • Rebalanced the composition of the Senior Executive Group in line with the market. • Considered the effects of the Covid-19 pandemic on the variable remuneration of the senior management team.
New Group Chief Executive remuneration	• Agreed the remuneration arrangements for Dean Finch, including awards in Persimmon shares to compensate for some, but not all, of the remuneration forfeited on leaving his previous employer. • Communicated with shareholders regarding the remuneration arrangements for Dean Finch.
Departing Group Chief Executive remuneration	• Agreed and implemented a new remuneration package for Dave Jenkinson from 2020. • Agreed the remuneration arrangements on his departure, details of which are set out on page 119.
Governance	• Reviewed the Committee's terms of reference and agreed minor changes for approval by the Board. • Reviewed and agreed the Directors' expenses policy. • Confirmed the continuing independence of the remuneration consultants. • Considered and approved the Annual Report on Remuneration.
PSP awards	• Agreed the structure and performance conditions for 2020 PSP awards made to Executive Directors and senior management. • Agreed the level of awards made to the Executive Directors, the Senior Executive Group and to other senior managers in the Group. • Gave careful consideration to the level of award under the PSP, to avoid a windfall gain.
Workforce Remuneration	• Reviewed remuneration of senior management in Head Office functions. • Noted salary increases for salaried employees and pay practices for employees during the pandemic.

What the Committee is focusing on in the coming year

Key areas of focus	Remuneration Committee priorities for 2021
ESG Metric	• Consider the right ESG metrics and form, to include in incentive awards from 2022 onwards.
Executive Directors and Senior Management Remuneration	• Agree the remuneration framework for the Executive Directors and Senior Executive Group.
Annual Bonus	• Agree performance conditions for 2021 awards.
PSP Awards	• Agree performance conditions for 2021 PSP awards. • Agree the level of awards made to the Executive Directors, the Senior Executive Group and to other senior managers in the Group.
Workforce Dialogue	• Enhance the engagement between the Remuneration Committee and the Employee Engagement Panel.

Advisors

The Committee sought advice during the year on remuneration matters in relation to finalising the proposed remuneration policy; remuneration for Dave Jenkinson (the then Group Chief Executive) from 2020; and subsequently his leaving arrangements; the remuneration package for the incoming Group Chief Executive and remuneration matters for the Senior Executive Group. The advice was sought from Deloitte LLP, who act as the Group's independent remuneration consultants. Deloitte were appointed by the Remuneration Committee in 2016 and were selected due to their expertise in executive remuneration. During the year Deloitte also provided Financial Advisory forensic services to the Group. Deloitte LLP are not connected to any Group company.

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 2020 was £33,175, charged on a time spent basis.

Remuneration

ANNUAL REPORT ON REMUNERATION CONTINUED

2020 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 2020

The figures set out in the tables below are the actual amounts of salary or fees earned in the year to 31 December 2020.

Executive Remuneration (Fixed)

	Fixed remuneration							
	Salary		Benefits		Value of pension benefits earned/ Salary supplement		Total fixed remuneration	
Executive	**2020[3] £**	2019 £	**2020 £**	2019 £	**2020 £**	2019 £	**2020 £**	2019 £
D Finch[1]	**189,614**	–	**11,647**	–	**17,065**	–	**218,326**	–
D Jenkinson[2]	**372,228**	511,625	**30,303**	34,106	**37,355**	127,267	**439,886**	672,998
M H Killoran	**519,838**	511,775	**48,799**	57,327	**46,557**	63,972	**615,194**	633,074
Total	**1,081,680**	1,023,400	**90,749**	91,433	**100,977**	191,239	**1,273,406**	1,306,072

Executive Remuneration (Variable)

	Variable remuneration							
	Annual bonus		Value of long-term Awards Vesting		Value of SAYE options vesting		Total variable remuneration	
Executive	**2020[3] £**	2019[4] £	**2020[5] £**	2019[5] £	**2020 £**	2019 £	**2020 £**	2019 £
D Finch[1]	**–**	–	**–**	–	**–**	–	**–**	–
D Jenkinson[2]	**–**	–	**–**	–	**–**	–	**–**	–
M H Killoran	**–**	–	**–**	–	**7,648**	–	**7,648**	–
Total	**–**	–	**–**	–	**7,648**	–	**7,648**	–

	Total	
Executive	**2020 £**	2019 £
D Finch[1]	**218,326**	–
D Jenkinson[2]	**439,886**	672,998
M H Killoran	**622,842**	633,074
Total	**1,281,054**	1,306,072

1 Figures are from 28 September 2020, the date Dean Finch was appointed to the Board.
2 Figures are to 20 September 2020 the date Dave Jenkinson resigned as a Director. Payments made to Dave Jenkinson after that date are described on page 119.
3 Dave Jenkinson and Mike Killoran elected to take a temporary 20% reduction in base salary, until such time as the Group was able to recommence work on-site; they also volunteered to forgo any annual bonus which may have been payable for 2020 and the Committee accepted these offers. The salaries stated in the table above are after these reductions.
4 There was no annual bonus opportunity for Executive Directors in respect of the year ended 31 December 2019.
5 No long-term awards were due to vest in respect of 2020 or 2019.

Non-Executive Remuneration

As Non-Executive Directors only receive fees and benefits as part of their remuneration package, only these elements are shown in the table below.

	Fixed remuneration					
	Salaries and fees		Benefits		Total	
Chairman	**2020[5,6] £**	2019 £	**2020 £**	2019 £	**2020 £**	2019 £
R Devlin	**285,000**	300,000	–	–	**285,000**	300,000
Non-Executive						
R Kentleton	**71,250**	75,000	–	–	**71,250**	75,000
N Mills	**71,250**	75,000	–	–	**71,250**	75,000
S Litherland	**57,000**	60,000	–	–	**57,000**	60,000
J Place[1]	**4,066**	–	–	–	**4,066**	–
A Durbin[2]	**37,500**	–	–	–	**37,500**	–
M Sears[3]	**38,467**	90,000	–	–	**38,467**	90,000
C Thomas[4]	**5,165**	25,000	–	3,915	**5,165**	28,915
Total	**569,698**	625,000	–	3,915	**569,698**	628,915

1 Figures are from 1 April 2020, the date Joanna Place was appointed to the Board, to 30 April 2020. Joanna waived her fee from 1 May 2020. The Company has chosen to make a payment to the Persimmon Charitable Foundation, equivalent to her waived fees.
2 Figures are from 1 July 2020, the date Annemarie Durbin was appointed to the Board.
3 Figures are to 30 June 2020, the date Marion Sears retired as a Non-Executive Director.
4 Figures are to 1 February 2020, the date Claire Thomas resigned as Non-Executive Director.
5 Non-Executive Director fees can vary based on whether additional duties are required to chair a committee or perform the senior independent role. A more detailed explanation of this can be found on page 127.
6 Fees for Non-Executive Directors decreased by 20% from 1 April 2020 to 30 June 2020, due to voluntary reductions as a result of the circumstances created by the Covid-19 pandemic.

Additional information for single total figure remuneration table

Benefits

Benefits include car or car allowance, private medical scheme membership, life assurance benefits, income protection scheme membership, professional subscriptions and phone costs. This is in line with other senior employees across the Group.

Directors' pension entitlements

The value of the pension benefits earned and salary supplements payable during the year is as follows.

Executive Director	Value of defined benefit pension earned £	Salary supplement £	**Total £**
D Finch	–	17,065	**17,065**
D Jenkinson	8,333	43,373	**51,706***
M H Killoran	–	46,557	**46,557**

* In the single total figure table on page 116, we have included the pro-rated amount of this total, reflecting the proportion of 2020 for which Dave Jenkinson held office as a director and the amount earned in that period.

Dave Jenkinson was an active member of the Group's defined benefit pension scheme until he resigned on 20 September 2020. Accrual in the DB scheme is based on a career average revalued earnings basis at an accrual rate of 60ths and his normal retirement age in the scheme is 65. His pensionable salary was a fixed amount of £37,500, to generally align his pension accrual with his pension Annual Allowance for tax purposes. In addition, from 1 January 2020 Dave Jenkinson received a reduced salary supplement of 9% of the difference between his pensionable salary and his base salary.

	Accrued pension as at 31 December 2020 £	Accrued pension as at 31 December 2019 £	Increase in accrued pension £	Increase in accrued pension during the year (net of inflation) £
D Jenkinson	**49,878**	48,524	1,354	417

No additional benefits are receivable by the Directors on early retirement.

Remuneration

ANNUAL REPORT ON REMUNERATION CONTINUED

Annual Bonus 2020

Each of Dave Jenkinson and Mike Killoran was eligible to earn a bonus of in respect of 2020, up to 200% of salary in the case of Dave Jenkinson and up to 150% of salary in the case of Mike Killoran. As a result of the Covid-19 pandemic, the Executive Directors volunteered to forgo any annual bonus which may have been payable for 2020 and the Committee confirmed this decision. Dean Finch commenced employment with the Group on 28 September 2020 and was not eligible to earn a bonus in respect of 2020. Notwithstanding that no bonus has been received, we have set out below details of the performance measures and targets and the extent to which they were satisfied.

Non-financial KPIs (accounting for 40% of the bonus opportunity in total) are important to help the Group to assess our activities in achieving our strategic objectives. The non-financial KPIs help future performance as they measure how we have met our strategy of putting our customers before volume. The Group is taking major steps in following the strategy of customer focus and improving the customer experience, and a shift towards cultural metrics is a prime example of this.

Measure	Weighting	Threshold (10% achievement)	Target (50% achievement)	Maximum (100% achievement)	Outturn	Extent Bonus Measure Met[1] (% of maximum)
PBT[1]	30%	£967m	£1,040m	£1,113m	£863.1m	–
Pre-land cash generation[2]	30%	£1,014m	£1,090m	£1,166m	£1,066.8m	11.3
Customer Care	15%	See below[3]			23/31	11.1
Build Quality	15%	See below[4]			12/31	5.3
‘Persimmon Way’	10%	See below[5]			Implemented in full	10

1 Profit before tax (before exceptional items and goodwill impairment).

2 Pre-land cash generation (being net cash inflow before capital return plan and net land payments) with the outturn calculated as:

Cash at 31 December 2019:	£843.9m
Cash at 31 December 2020:	£1,234.1m
Increase in cash:	£390.2m
Add: Dividends paid:	£350.7m
Net land spend:	£325.9m
	£1,066.8m

3 The customer measure was achieved by reference to the fraction of those operating businesses rated as 87% or above as measured by the results of the HBF Customer Satisfaction Survey question – ‘Would you recommend Persimmon to a friend for the year to 30 September 2020?’ The outturn shows that 23 of the 31 operating businesses achieved a score of 87% or above.

4 The build quality was achieved by reference to the fraction of those operating businesses rated as 87% or above as measured by the results of the HBF survey quality question for the year to 30 September 2020. The outturn shows that 12 of the 31 operating businesses achieved a score of 87% or above.

5 The ‘Persimmon Way’ measure was achieved by reference to the Committee’s assessment of the successful establishment and implementation of the ‘Persimmon Way’ determined by reference to the metrics set out below. The Committee assessed the satisfaction of the metrics as set out below.

Metric	Achievement	Assessment
Formalised policy in place and rolled out nationally to all operating businesses.	✔	Met in full
Communication and education programme throughout the business so all staff understand and adhere to consistent, structured construction and quality processes.	✔	Met in full
External audit in place.	✔	Met in full

Savings-Related Share Option Scheme (‘SAYE’)

The SAYE Scheme is an HMRC approved all employee savings related share option scheme. Invitations are issued annually to all employees to apply for the grant of an option under the SAYE. There are no performance conditions attached to options granted under the SAYE. The option granted to Mike Killoran in 2017 became exercisable on 1 December 2020. The value of the options which matured has been calculated on the difference between the market value of a Persimmon share on 1 December 2020, being £28.39 and the option exercise price of £19.92, multiplied by the number of shares under option.

Performance share plan awards made during the year

PSP awards were granted on 22 May 2020 to Mike Killoran and on 28 September 2020 to Dean Finch on the basis set out below. Dave Jenkinson was not granted a PSP award in 2020.

When calculating the number of shares to be granted under each award, the Committee carefully considered the Company's share price movement over the twelve months prior to the date of award, as set out on page 111. If and when these awards are due to vest, the Committee will consider carefully whether there was any Covid-19 related windfall gain before approving the vesting level.

	Type of award	Basis of award	Threshold level of vesting	Face value of award £000[2]	Performance period[3]	Shares subject to option
Dean Finch	Nil-cost option	See below[1]	25%	432	1/1/20 – 31/12/2022	17,917
Mike Killoran	Nil-cost option	Percentage of salary – 200%	25%	1,054	1/1/20 – 31/12/2022	49,530

1 Dean Finch's award was granted to him in connection with an award forfeited on his resignation from his former employer, as set out on page 111.
2 The face value of the award is based on the closing share price on the day before the grant of the award (£24.11 in the case of Dean Finch and £21.28 in the case of Mike Killoran).
3 The awards will vest in 2023 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.

Each award is subject to the performance conditions set out below.

Performance measure	Weighting	Threshold (25% vesting)	Target (50% vesting)	Maximum (100% vesting)
Relative TSR[1]	40%	Median	–	Upper quartile or above
Average post land cash generation over the three year performance period	40%	£523m	£717m	£860m or more
Underpin – An average ROCE[2] of 20% over the three-year performance period				
Customer care	20%	Group is a four-star builder over the performance period	–	Group is a four-star builder over the performance period and all operating businesses achieve an HBF eight-week score of 90%

1 Compared to a peer Group of the UK's largest listed house builders: Barratt Developments Plc; Bellway p.l.c.; Countryside Properties PLC; Crest Nicholson Holdings plc; Redrow plc; Taylor Wimpey plc; The Berkeley Group Holdings plc; Vistry Group PLC.
2 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.

Payments for loss of office

Dave Jenkinson's employment ended on 20 September 2020. In recognising his contractual notice period and original agreement to remain as Group Chief Executive until the end of 2020, which was the anticipated start date of Dean Finch, the new Group Chief Executive, the Committee decided to make a payment to Dave equal to his base salary and benefits until 31 December 2020, which was shorter than his contractual notice period to February 2021. The value of these payments was £231,311, and was in accordance with the approved Remuneration Policy. This figure consists of salary payments of £209,277, benefits of £8,702 and a salary supplement in lieu of pension of £13,332 calculated between Dave's departure from the Group and 31 December 2020. No other payments are due to Dave. Upon his departure from the Company, Dave's unvested SAYE option lapsed and no other share awards were held.

Payments to past directors

Other than the payment for loss of office, as set out above, there were no payments to past Directors for the year ended 31 December 2020 where the total payment to the former Director exceeded a threshold set by the Group of £20,000. This has been reduced from £60,000 as the Committee deemed this lower level more appropriate.

Remuneration

ANNUAL REPORT ON REMUNERATION CONTINUED

Service contracts

The Executive Directors have service contracts with a 12-month rolling notice period. The Board recognises that external appointments can broaden an individual's skills and experience. If an Executive Director wishes to take up an external appointment, they must first seek approval from the Chairman. Neither of the current Executives hold Non-Executive directorships.

The Chairman and Non-Executive Directors are not employees, they have letters of appointment which set out their duties and responsibilities. They do not have service contracts. Their letters of appointment are available for inspection at the Group's registered office. A Non-Executive's appointment is initially for a three-year term, subject to re-election at each AGM but their appointment may be terminated on one month's notice.

Name	Service Contract/Letter of Appointment commencement date	Unexpired term remaining as at 31 December 2020
Dean Finch	28 September 2020	Terminable on 12 months' notice
Mike Killoran	4 January 1999	Terminable on 12 months' notice[1]
Roger Devlin	1 June 2018	Terminable on three months' notice and subject to reappointment at the AGM each year
Nigel Mills	4 April 2016	Terminable on one month's notice and subject to reappointment at the AGM each year
Rachel Kentleton	24 June 2015	Terminable on one month's notice and subject to reappointment at the AGM each year
Simon Litherland	3 April 2017	Terminable on one month's notice and subject to reappointment at the AGM each year
Joanna Place	1 April 2020	Terminable on one month's notice and subject to reappointment at the AGM each year
Annemarie Durbin	1 July 2020	Terminable on one month's notice and subject to reappointment at the AGM each year
Andrew Wyllie	4 January 2021	Terminable on one month's notice and subject to reappointment at the AGM each year

1 Under his service agreement entered into in 2002, if the Group serves notice on Mike Killoran within six months of a change of control, he may terminate his employment on 28 days' notice.

Directors' share option scheme interests

	Scheme	Total interests outstanding at 31 December 2019	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 2020[2]**	Options vested but unexercised	Latest vesting date
D Finch[1]	PSP 2017	–	17,917	–	–	2411p	–	17,917	**17,917**	–	Spring 2023
D Jenkinson	2012 LTIP	383,903	–	169,022	214,881*	2102p	–	–	**–**	–	Exercised
	Bonus Share Scheme	4,333	–	4,333	–	2530p	–	–	**–**	–	Exercised
	SAYE	903	–	–	903	1992p			**–**	–	Lapsed
M Killoran	PSP 2017	–	49,530	–	–	2128p	–	49,530	**49,530**	–	Spring 2023
	Bonus Share Scheme	4,306	–	4,306	–	2530p	–	–	**–**	–	Exercised
	SAYE	903	–	903	–	1992p	–	–	**–**	–	Exercised
	SAYE	–	970	–	–	1854p	970	–	**970**	–	December 2023

1 Dean Finch was appointed as Group Chief Executive on 28 September 2020.
2 At 20 September 2020 for Dave Jenkinson, the date he left the Group.
* As permitted by the rules of the Persimmon Plc 2012 Long Term Incentive Plan, on exercise, awards under the 2012 LTIP were settled as Share Appreciation Rights (SARs). Where an option price was payable, instead of requiring the participant to pay the option price, he received a number of shares which had an aggregate market value equivalent to the notional gain i.e. the amount by which the aggregate market value of the number of Shares in respect of which the award was exercised exceeded the aggregate option price of that number of Shares.

All of the above represent share options and were granted for no financial consideration.

Statement of Directors' shareholding requirements and share interests

The share ownership requirements for the Executive Directors serving during the year and the share interests of the Directors and of their connected persons in the ordinary share capital of the Group are as shown below. The shareholding requirements set out below are the requirements from 1 January 2020:

			Beneficial holdings (including interests of the Director's connected persons)	
Director	Shareholding requirement	**Value of base salary held at 31 December 2020 (including shares held by connected persons but excluding vested awards which have not yet been exercised)[1]**	**31 December 2020 (or if earlier, date of leaving the Board)**	31 December 2019 (or if later, date of joining the Board)
D Finch	4 times salary[2]	25%	6,600	–
D Jenkinson	5 times salary	N/A	603,983	781,124
M H Killoran	5 times salary	10,140%	1,931,192	1,928,136
Chairman				
R Devlin	N/A	N/A	12,575	12,575
Non-Executives				
J Place	N/A	N/A	–	–
R Kentleton	N/A	N/A	3,932	3,932
N Mills	N/A	N/A	716	716
S Litherland	N/A	N/A	–	–
A Durbin	N/A	N/A	–	–
M Sears	N/A	N/A	14,350	14,350
C Thomas	N/A	N/A	–	–
Total			2,573,348	2,740,833

1 Calculated based on the closing price of £27.67 at 31 December 2020 and on base salary at 31 December 2020.

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.

The Directors' beneficial holdings at 31 December 2020 were 2,573,348 shares, representing 0.8% of the Group's issued share capital as at that date. There have been no changes in these interests between 31 December 2020 and 2 March 2021, other than an acquisition by Dean Finch of 1,850 shares on 18 January 2021.

The Committee has an agreed Post-Employment Shareholding requirement pursuant to which it is a condition of any PSP or deferred bonus award granted to an Executive Director on or after 1 January 2020 that:

- any shares acquired pursuant to the award (including any shares acquired as part of a 'dividend equivalent') may be held in a nominee arrangement reasonably determined by the Remuneration Committee; and
- the Remuneration Committee may determine that the award will lapse if the Executive Director does not comply with the post-employment shareholding requirement.

There are no share ownership requirements for the Chairman and Non-Executive Directors.

An Executive Director may be asked to agree to the post-employment shareholding requirement as part of their settlement agreement or similar at the time of leaving. The Executive Director will be asked to confirm annually that they still comply with the post-employment shareholding requirement. The Remuneration Committee retains the discretion, in exceptional circumstances (such as serious illness), to determine that the post-employment shareholding requirement shall not apply or that its application shall be relaxed. The post-employment shareholding requirement shall not apply if an Executive Director's cessation of employment is by reason of death.

Should the Executive Director wish to sell shares which are subject to the post-employment shareholding requirement then they may request dispensation to sell from the Group Chairman. In determining whether to grant permission to sell, the Group Chairman will take into account such factors as they consider relevant which may include, but are not limited to, the underlying performance of the business since the Executive Director left the Group and the individual's conduct.

Remuneration

ANNUAL REPORT ON REMUNERATION CONTINUED

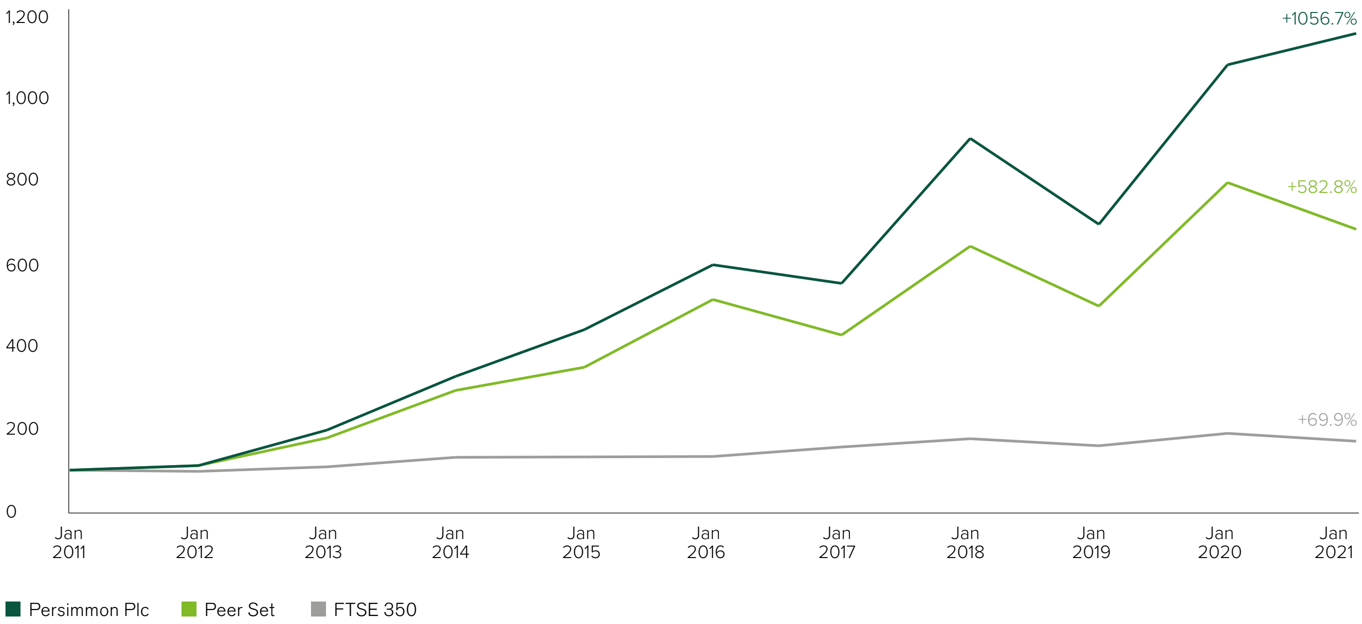
In accordance with the rules of the 2012 LTIP, Mike Killoran and Dave Jenkinson are required to hold the following shares until July and June 2021, respectively.

	Date of grant	Number of shares subject to a holding period	Date of release
Mike Killoran	17/10/2012	268,900[1]	06/07/2021
Dave Jenkinson	07/03/2016	44,791	03/06/2021

1 Mike Killoran agreed to an extended holding period for these shares, instead of the original holding period under the rules of the 2012 LTIP, being one year from date of exercise.

Total Shareholder Return

We have chosen to compare the Group's total shareholder return performance with that of the FTSE 350, being a broad index of the UK's largest companies and with the largest UK listed house builders, being the Group's peer group. The graph shows a hypothetical £100 holding in the Group's shares over ten years, relative to the FTSE 350.



Group Chief Executive Remuneration 2011 to 2020

Year	Chief Executive	Single total figure of remuneration £	Annual bonus paid against maximum opportunity	PSP/LTIP awards vesting against maximum opportunity
2020	D Finch/D Jenkinson*	658,212	n/a	n/a
2019	D Jenkinson	672,998	n/a	n/a
2018	J Fairburn	38,967,197	n/a	100%
2017	J Fairburn	45,739,514	95.7%	100%
2016	J Fairburn	2,123,692	97.3%	n/a
2015	J Fairburn	1,995,213	97.3%	n/a
2014	J Fairburn	1,890,918	91.6%	n/a
2013**	M P Farley/J Fairburn	5,957,479	100%	100%
2012	M P Farley	4,989,127	100%	100%
2011	M P Farley	3,206,309	98%	88%

* This is the total remuneration for Dave Jenkinson, who was Group Chief Executive until 20 September 2020, and remuneration for Dean Finch from 28 September 2020, the date he became Group Chief Executive.

** This is the total remuneration for Mike Farley, who was Group Chief Executive until 18 April 2013, and remuneration for Jeff Fairburn from 18 April 2013, the date he became Group Chief Executive.

Pay ratios

The table below compares the 2020 and 2019 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.

The CEO pay ratio for 2020 is based on Dave Jenkinson and Dean Finch's remuneration for the period each was CEO during 2020.

Year	Method	25th percentile pay ratio	Median ratio	75th percentile ratio
2020	Option B	28:1	17:1	14:1
2019	Option B	23:1	20:1	15:1

The median ratio for 2020 is 17:1. The Company considers that the median pay ratio for 2020 is consistent with the pay, reward and progression policies for the Company's UK employees taken as a whole (albeit that the total remuneration pay ratio is expected to increase going forward due to the grant of bonus and PSP awards to Executive Directors).

The Company adopted 'Option B' from The Companies (Miscellaneous Reporting) Regulations 2018. The latest available gender pay gap data (i.e. from April 2020) 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 2011 to 2020 table on page 122.

The total salary, and pay and benefits of employees who are paid at the 25th percentile, 50th percentile and 75th percentile is shown below:

	CEO	25th percentile pay	Median pay	75th percentile pay
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 31 December 2020, the number of people we employed was similar to those of the prior year at 5,221 (2019: 5,285). Of these, 1,453 (28%) were female and 3,768 (72%) were male, whereas during 2019 1,344 (25%) were female and 3,941 (75%) were male. At the year end the median Gender Pay Gap for the Group was 12.7% (2019: 12.4%), which compares positively with the Office of National Statistics figures for the same year, of 15.5% (2019: 17.3%). 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 40.

We currently do not record and calculate ethnicity pay data. The Group has appointed a Director of Talent and Diversity, who will commence with the Group shortly to add strategic resource to improving the Group's diversity and relevant pay data.

Further information on gender pay gap reporting can be located in the Strategic Report, on page 40, and in the Nomination Committee Report on page 96. Further information on our interaction with the workforce can be located in the Strategic Report on page 41.

Remuneration

ANNUAL REPORT ON REMUNERATION CONTINUED

Employee Engagement

When setting Executive Remuneration Policy the Committee engaged with the Employee Engagement Panel. Engagement is made with employees to explain how executive remuneration aligns with wider Group pay policy. The Employee Engagement Panel outcomes are reported to the Board and meetings are often attended by Board members or the Company Secretary. The Committee Chair will meet with the Engagement Panel during 2021. We publish an employee newsletter, called 'HQ', regularly throughout the year. The Group has adopted the Living Wage Foundation criteria for our employees, and the Committee tracks a number of workforce related statistics via a workforce remuneration dashboard of Group wide workforce pay statistics and trends. The Committee and Board are informed of the outcomes of Employee Engagement Surveys which are undertaken.

The remuneration policy for the workforce is given due consideration when determining the remuneration of the Executive Directors. The benefits received by Executive Directors are in line with senior employees across the Group. Whilst dialogue with the workforce has been impacted by Covid-19, there was an additional Engagement Panel meeting, and increased communications from the CEO. The Group Training Department provided online guidance to support those employees who were working from home for prolonged periods, including advice and sources of help on mental health. Going forward we will look to develop and enhance the methods used to engage with the workforce.

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 2020, with the change in remuneration of Persimmon Plc's employees. Dean Finch, Joanna Place and Annemarie Durbin were appointed to the Board in 2020 and, accordingly, they have been excluded from the table below. As Persimmon Plc has a relatively small number of employees, we have also chosen to compare the change in remuneration with the Group's salaried employees (the same comparator group as we have used in previous years).

	Percentage change from 2019 to 2020		
	Salary/Fee	Bonus	Value of taxable benefits
Chairman			
R Devlin	–	N/A	–
Executive Directors			
D Jenkinson*	1.6%	N/A – No bonus payable for 2019 and bonus was forgone for 2020	23%
M H Killoran	1.6%	N/A – No bonus payable for 2019 and bonus was forgone for 2020	-15%
Non-Executive Directors			
R Kentleton	–	N/A	–
N Mills	–	N/A	–
S Litherland	–	N/A	–
M Sears	–	N/A	–
C Thomas	–	N/A	–
Employees			
Average of Persimmon Plc's employees	5%	-19%	18%
Average of Group salaried employees	2.3%	-18.9%	0.1%

* The figures have been calculated on the pro-rated equivalent of a full year's salary and benefits for Dave Jenkinson. He left the Group on 20 September 2020.

Salaried staff generally received a 1% salary increase in July 2020, their normal salary review date, although there were also a number of promotional increases during the year. Due to timing issues the bonus comparison for employees is based on the actual amount paid in 2020 versus the actual amount paid in the 2019 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.

	2020 £m	2019 £m	Difference in spend £m	Difference as a percentage
Remuneration for all employees*	**204.2**	196.7	7.5	3.8%
Total Capital Return Programme payments made	**350.7**	747.8	397.1	-53.1%

* Figures are taken from note 7 of the accounts relating to staff and employee costs except that employer social security costs and IFRS2 Share-based payment charges have been removed.

Statement of voting at general meeting

The Directors' Remuneration Policy, effective from 29 April 2020 and the Annual Report on Remuneration for 2019 were put to shareholders for approval at the 2020 AGM. The 2020 AGM voting was conducted on a poll. The table below summarises the result of the poll vote on the 2020 Directors' Remuneration Policy and the 2019 Annual Report on Remuneration.

	Votes for	% for	Votes against	% against	Total votes cast	Votes withheld
Approval of the Directors' Remuneration Policy – 29 April 2020	196,105,834	97.80	4,403,134	2.20	200,508,968	63,556 (representing 0.02% of the issued share capital)
Approval of the Annual Report on Remuneration – 29 April 2020	198,263,119	99.50	999,047	0.50	199,262,166	1,310,380 (representing 0.41% of the issued share capital)

Statement of Remuneration Policy implementation 2021

A summary of the 2021 remuneration for each Executive Director is set out below.

Group Chief Executive pay

- Base salary of £725,000, unchanged from 2020;
- Pension salary supplement of 9% (in line with the pension of salaried employees);
- Benefits including life assurance, car allowance and phone costs;
- Maximum annual bonus opportunity of 200% of base salary; and
- Maximum PSP award of 200% of base salary.

Group Finance Director pay

- Base salary of £532,270 (an increase of 1%, in line with the increase awarded to salaried employees in July 2020, their normal salary review date);
- Pension salary supplement of 9% (in line with the pension of the salaried employees);
- Benefits including life assurance, car allowance and phone costs;
- Maximum annual bonus opportunity of 150% of base salary; and
- Maximum PSP award of 200% of base salary.

Annual bonus

Each Executive Director will be eligible for consideration of a bonus in respect of 2021. The maximum opportunity for Dean Finch, Group Chief Executive is 200% of base salary, and the maximum opportunity for Mike Killoran is 150% of base salary. In line with the 2020 metrics, as we are taking action to improve our build quality processes, we have applied an appropriate level of non-financial and cultural metrics which are key to our future success. The financial targets are commercially sensitive and therefore will be disclosed in next year's Remuneration Report. A wider range of +/- 9% around the target level of performance has been set, taking into account current market uncertainties. 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.

Remuneration

ANNUAL REPORT ON REMUNERATION CONTINUED

In 2021 there will be three cultural metrics; 15% of bonus will be based on a customer care measure, 15% will be based on a quality measure and 10% will be based on personal objectives (including ESG measures for the CEO). The customer care metric will be based on the strategy to achieve a five-star rating under the HBF 8 week customer satisfaction survey. The quality measure will be based on the results of independent warranty provider inspections, to drive continued improvement in build quality.

Metric	Weighting
60% Financial	30% Profit before tax
	30% Pre-land cash generation
40% Non-financial	15% Customer care
	15% Build quality
	10% Personal objectives (including ESG measures for the CEO)

Performance Share Plan awards

The Remuneration Committee intends to make PSP awards to the Executive Directors of 200% of base salary, with vesting subject to the performance conditions set out below. The three-year performance period will run from 1 January 2021 to 31 December 2023 (as regards the financial measures) and from October 2020 to September 2023 for the cultural measure, reflecting the periods applicable to the HBF survey. Awards will vest in 2024 subject to meeting the performance conditions, with a further two-year holding period before the shares can be released to the Executive Director.

PSP performance metrics are aligned with the Company's strategy to return cash to shareholders through the housing cycle and with relative TSR performance to link Executive Directors' reward to outperformance of sector peers. In addition, as we continue to drive cultural change in the business, there is a cultural measure based on the HBF customer care survey linked to the Company's purpose to build high quality homes for our customers. Collectively, these are important factors in ensuring overall business performance, sustainability and reputation. The detail of the performance conditions has been changed compared to 2020 to reflect our evolving strategy, as described below.

PSP performance metrics and targets – financial measures

As with the 2020 awards, financial metrics will be based on relative TSR (40% of the overall award) and cash generation subject to a ROCE underpin (40% of the overall award). No change is proposed to the relative TSR measure, where performance will continue to be assessed against a comparator group consisting of other listed housebuilders.

We have taken the decision to use a pre-land, rather than post-land measure for cash generation. A pre-land measure 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 better line of sight for them as participants in the PSP. We recognise that pre-land cash generation continues to be a measure in the annual bonus. However, we considered that the merits of using a pre-land measure referred to above warranted its inclusion in the PSP, and in reaching this decision we had regard to the fact that it is measured over a three year period for PSP purposes and is subject to a ROCE underpin. The ROCE underpin that we introduced for the 2020 PSP awards taking into account shareholder feedback will operate in the same way for the 2021 awards.

Performance measure	Weighting	Threshold (25% vesting)	Target (50% vesting)	Maximum (100% vesting)
TSR Ranking[1]	40%	Median	–	Upper quartile or above
Average pre-land cash generation[2] over the three year performance period	40%	£833m	£1,111m	£1,389m
Underpin – An average ROCE[3] of 20% over the three year performance period				

1 Compared to a peer Group of the UK's largest listed house builders: Barratt Developments Plc; Bellway p.l.c.; Countryside Properties PLC; Crest Nicholson Holdings plc; Redrow plc; Taylor Wimpey plc; The Berkeley Group Holdings plc; Vistry Group PLC.

2 Net cash inflow before capital return and net land payments.

3 ROCE = annual underlying profit from operations/average capital, where:
Annual Underlying Profit from Operations = 12 month consolidated Group profit before tax, interest, goodwill impairment and exceptional items;
Average Capital Employed = average of Capital Employed during the relevant calendar year; and
Capital Employed = Consolidated Shareholders Funds, plus consolidated borrowings, less consolidated cash holdings.

PSP performance metrics and targets – cultural measure

As with the 2020 PSP awards, the metric we use to measure customer care and quality for annual bonus will continue to be based on the HBF Survey. However, the detail of the measure will change, as set out below.

Chosen HBF survey

The HBF survey operates in the 8 week period following completion of a sale, the results of this survey are used by the HBF to determine a house builder's star rating. The HBF also operates a survey in the 9-month period following completion. For the 2020 PSP awards, we based the cultural metric on the 8 week survey. Our strategy is to extend the Group's customer care focus beyond the 8 week period, and as a result of that we will use the 9 month survey results for the 2021 PSP awards.

Measurement basis and targets

For the 2020 PSP awards, we assessed the measure by reference to the survey scores of each operating business. For the 2021 awards, we will assess the measure by reference to the overall Group scores because this aligns all participants with an improvement in Group performance.

For the 2020 awards, threshold vesting (accounting for 25% of this element) required the Group to be a four-star builder in each of the three years of the performance period, and at least one of the operating businesses to achieve a score of 90 in September 2022 (the final month of the performance period), with full vesting requiring all operating business to achieve a score of 90 in September 2022. The 9-month survey is a different measure to the 8 week survey and therefore, the targets are not comparable. The Group 9 month survey score for the year to 30 September 2020 is currently 66.5% and the targets for the 2021 awards require an improvement on this for all performance levels.

An underpin will continue to apply that the Group is four-star builder in each of the three years of the performance period.

Performance measure	Weighting	Threshold (25% vesting)	Maximum (100% vesting)
Customer care	20%	Group HBF 9 month score in February 2024 for the 2022/23 year is 75%	Group HBF 9 month score in February 2024 for the 2022/23 year is 80%

Discretion

The Remuneration Committee has discretion to override formulaic outcomes in relation to annual bonus awards and PSP awards.

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. Although the Non-Executive Director and Chairman fees have not been revised since 2017 and 2018 respectively, the Board and the Remuneration Committee do not believe it is appropriate to make changes in the current year. However, dependent on the external environment at that time, in 2022 they are minded to make increases in line with market rates for such roles.

The fees for 2021 are set out below.

Position	Fees for 2021
Chairman	£300,000
Non-Executive Director	£60,000
Senior Independent Director	£15,000
Audit Committee Chair	£15,000
Nomination Committee Chair	£15,000
Remuneration Committee Chair	£15,000

Senior Executive Group

The Committee sets remuneration for the senior executive group, with comprises of the Regional Chairmen, Regional Divisional Directors, the Group Strategy Director, Group Transformation and Land Strategy Director, and the Company Secretary. This was in accordance with the UK Corporate Governance Code 2018 and in consultation with the Group Chief Executive.

Annemarie Durbin
Chair of the Remuneration Committee
2 March 2021

Remuneration

SUMMARY OF DIRECTORS' REMUNERATION POLICY

The Group's Remuneration Policy for Executive Directors and Non-Executive Directors was approved by shareholders at the AGM on 29 April 2020, and took effect from that date for a period of three years. The Policy received 97.8% votes in favour. A summary of the Policy for the Executive Directors, Chairman and Non-Executive Directors is set out below.

The entire Policy, as approved by shareholders, may be found on the Group's website at www.persimmonhomes.com/corporate/investors/results-presentations-and-financial-reports in the 2019 Annual Report on pages 101 to 109. The Policy is forward-looking and intended to last for three years from its approval by shareholders, with a new policy intended to be submitted to shareholders at the 2023 AGM.

During the year there were no deviations from the Policy.

Remuneration Policy for Executive Directors

Purpose	How it operates	Maximum payable	Performance framework
Base salary			
Core element of fixed remuneration reflecting individual's role and experience.	Usually reviewed annually with any increases normally taking effect from 1 January. When reviewing salaries, consideration is given to business and market conditions, any increases awarded to the Group's salaried employees and any change in a Director's role and experience. Where an Executive Director is to be promoted or where their role is to be expanded or changed, the Committee will review the salary payable and decide whether an adjustment is appropriate.	The Committee does not consider it appropriate to set maximum salary levels. Any increases will generally be in line with increases applied to the Group's salaried employees (in percentage terms). Increases may be made either above or below that level in appropriate circumstances, which may include but are not limited to, promotions, where the Committee has purposefully set a lower starting salary for a newly appointed Director, or if a Director's salary is no longer market competitive or to reflect development and performance in role or a change in the size or complexity of the role.	Although performance conditions do not apply, the individual's performance is taken into account in determining the level of any salary increase.
Pension/Salary supplement			
Provide a competitive means of saving to deliver appropriate income in retirement.	Base salary is the only component of remuneration which is pensionable. The Group operates a defined benefit (DB) pension scheme, which is closed to new members and a defined contribution (DC) scheme. Accrual in the DB scheme is based on a career average revalued earnings (CARE) basis for all active members and normal retirement age for Directors is 60 or 65, dependent on date of appointment to the Board. A Director may receive a salary supplement in lieu of some or all of the pension benefits available under either of the schemes.	Pension accrual in the DB scheme is on a CARE basis at one-sixtieth of Pensionable Salary per year. The maximum DC pension contribution or salary supplement (or combination of those two elements) is 9% of base salary, subject to any increase to take account of changes to the pension/salary supplement provided to the Group's salaried employees.	None

Purpose	How it operates	Maximum payable	Performance framework
Benefits			
Provided on a market competitive basis.	The benefits include: a fully financed car or cash car allowance, group medical scheme membership, life assurance, provision of a mobile phone (or reimbursement of mobile phone costs), and income protection scheme membership. The Committee does not currently expect to change the range of benefits offered to Executive Directors but retains the discretion to add to the benefits available in appropriate circumstances, which may include providing relocation allowances where appropriate.	The Committee has not set a maximum value of benefits for Executive Directors, but the value will be set at a level which the Committee considers to be appropriately positioned, taking into account the nature and location of the role and individual circumstances.	None
HMRC qualifying all-employee scheme			
HMRC qualifying all-employee share schemes are to encourage employees to take a stake in the business, which aligns their interest with that of shareholders.	Executive Directors are eligible to participate in all-employee schemes on the same basis as other qualifying employees.	Maximum is subject to limits in the applicable tax legislation.	None
Annual bonus			
The annual bonus rewards Executive Directors for performance in the relevant year against targets and objectives linked to the delivery of the Company's strategy.	50% of any annual bonus earned is paid in cash. To further link the Executive Director's pay to the interests of shareholders, 50% of any bonus earned (subject to a de minimis limit of £5,000) is deferred into shares for three years. The Committee has the discretion to override the formulaic outturn of the bonus, including where it believes the outcome is not reflective of underlying performance or is not appropriate in the context of circumstances that were unexpected or unforeseen at the start of the bonus year. Vesting of deferred bonus awards is not subject to further performance conditions. Deferred bonus awards may incorporate the right to receive additional shares calculated by reference to the value of dividends which would have been paid on the shares up to the time of vesting. Recovery provisions apply, as referred to on page 131.	The maximum annual bonus potential is 200% of base salary for the Group Chief Executive and 150% of base salary for other Executive Directors. Maximum bonus is only payable if stretching targets are met and excellent Company performance is achieved.	Annual bonus performance conditions are set annually by the Committee to ensure that they take into consideration the Company's strategy and the outlook for the Company over the medium term and are appropriate from a risk perspective. Financial metrics such as profit, and cash generation will have the majority weighting. Non-financial metrics such as customer care and quality, where applied, will have a minority weighting. **Financial metrics:** Subject to the Committee's discretion to override formulaic outturns, payment at threshold performance is up to 10% of the maximum, up to 50% of the maximum will be payable for on-target performance and all of the bonus will be payable for maximum performance. **Non-financial strategic or individual metrics:** Subject to the Committee's discretion to override formulaic outturns, payment of the non-financial strategic or individual metrics will apply on a scale between 0% and 100% of that element based on the Committee's assessment of the extent to which a non-financial performance metric has been met.

Remuneration

SUMMARY OF DIRECTORS' REMUNERATION POLICY CONTINUED

Purpose	How it operates	Maximum payable	Performance framework
The PSP			
To provide a link between the remuneration of Executive Directors and the creation of shareholder value by rewarding Executive Directors for the achievement of longer term objectives aligned to shareholder interests.	Under the PSP, the Committee may grant awards as conditional shares, nil-cost options or in such other form as the Committee determines has a substantially similar economic effect. Awards vest subject to the satisfaction of performance conditions assessed over a period of not less than three years. The Committee has the discretion to reduce the formulaic vesting outturn applying to any PSP award, including where it believes the outcome is not reflective of underlying performance or is not appropriate in the context of circumstances that were unexpected or unforeseen at the date of grant. Awards are granted subject to a holding period of two years following the end of the performance period, with the awards usually only released to the Executive Director (so that the Executive Director can acquire the shares subject to the award) following the end of the holding period. PSP awards may incorporate the right to receive additional shares calculated by reference to the value of dividends which would have been paid on the shares up to the time of release. Recovery provisions apply, as referred to on page 131.	The usual maximum award level in respect of any financial year of the Company is 200% of base salary. However, in exceptional circumstances (such as on recruitment of an Executive Director), awards may be granted in respect of any financial year of the Company at the level of up to 300% of base salary.	Performance conditions applying to awards under the PSP will be based on financial and/or strategic measures aligned to the Company's long-term strategy, which may include, but is not limited to, cash generation, relative TSR, and a cultural metric. Awards will vest as to 25% for threshold performance, increasing to 100% for maximum performance.

Choice of performance conditions

Annual bonus conditions	Rationale for selection and how performance targets are set
Profit before tax and cash generation	Aligned with the Company's strategy to deliver high quality growth and return cash to shareholders. These are important factors in ensuring overall business performance, sustainability and reputation.
Customer satisfaction, quality, or other non-financial, strategic, or personal measure	Annual bonus performance measures and targets are reviewed annually by the Committee to ensure that they take into consideration the Company's strategy and the outlook for the Company over the medium term and are appropriate from a risk perspective.

PSP	Rationale for selection and how performance targets are set
Cash generation (subject to Return of Capital Employed underpin) Relative TSR A cultural metric	Performance conditions for the PSP will be determined by the Committee and aligned with the Company's strategy. The rationale for the proposed performance conditions is as follows. • Cash generation: Ensures generation of cash to fund returns to shareholders is the result of long-term sustainable financial performance which is a core element of the strategy. Return on Capital Employed underpin ensures that returns to shareholders are the result of long-term sustainable financial performance. • Relative TSR: Provides a means of comparing the Company's performance with that of peers. Aligns the rewards received by executives with the returns received by shareholders. Ensures rewards are linked to outperformance of sector peers. Aligned with market practice in wider FTSE 100 and sector peers. • Cultural metric: Performance against cultural metrics is key to our future success.

The Committee retains the right to adjust or set different performance measures if events occur (such as, but not limited to, a change in strategy, a material acquisition and/or a divestment of a Group business or a change in prevailing market conditions), which cause the Committee to determine that the measures are no longer appropriate and that amendment is required so that they achieve their original purpose.

Share ownership guidelines

In-service requirement

During employment, Executive Directors in office at the date on which the 2020 Policy is approved are required to acquire and retain shares with a value equal to 500% of base salary. The guideline for any Executive Director appointed on or after the date on which the 2020 Policy is approved is 400% of base salary. The Committee expects that a holding with a value equal to 200% of salary will be achieved within five years of appointment, with the balance of the guideline acquired within a period agreed with the Chairman; progress towards the guideline will be reviewed regularly.

Post-employment requirement

Following employment, Executive Directors are required to retain for a period of two years such number of shares as they were required to acquire and retain during employment (or, if fewer, the number of shares they held at the date of cessation of employment); shares which the Executive Director purchases or acquires pursuant to the Company's SAYE scheme and shares acquired pursuant to any other share plan awards granted before 1 January 2020 will not be subject to any post-employment holding requirement.

Recovery provisions (malus and clawback)

Recovery provisions may be applied in the event of the following:

- a material misstatement of any Group member's financial results;
- gross misconduct on the part of the participant which affects substantially the financial performance or reputation of a Group member;
- an error in assessing a performance condition;
- a material failure of risk management;
- serious reputational damage to any Group member;
- serious misconduct or material error on the part of the participant;
- a material corporate failure;
- a failure of acceptable health and safety standards, which may include a fatality; or
- any other circumstances considered to be similar in their nature or effect to those set out above.

The recovery provisions may be applied in the case of the annual bonus for three years from the date on which the amount of the bonus is determined and, in the case of PSP awards, until the fifth anniversary of the grant date.

Differences between the Executive Directors' and general employees' remuneration policy

Performance-related pay makes up a significantly higher proportion of remuneration for the Executive Directors and senior employees than for employees generally, reflecting the role of these individuals in managing the business to achieve the Company's strategic objectives. The Committee considers that the emphasis on performance related pay for Executive Directors and senior employees closely aligns the Directors' interests with those of shareholders and helps to deliver excellent long-term Company performance.

Remuneration

SUMMARY OF DIRECTORS' REMUNERATION POLICY CONTINUED

Non-Executive Directors

Purpose	How it operates	Maximum payable	Performance framework
Fees			
Fees are the principal element of Non-Executive Directors' remuneration and set at a level appropriate to attract Non-Executive Directors with a broad range of skills and experience to complement the Board. Non-Executive Directors with diverse skills and experience will assist the Board when setting the Company's strategy and overseeing its successful implementation. Benefits relevant to the role may also be provided.	Fees for the Chairman are determined by the Committee and fees for other Non-Executive Directors are determined by the Board as a whole. They are set at levels, commensurate with the individual's duties and responsibilities for a company of our size and complexity. Fees are reviewed annually with any increases normally taking effect from 1 January. When reviewing fees consideration is given to market conditions, the size of the business and any increases awarded to the Group's salaried employees. Non-Executive Directors do not receive bonus, pension or salary supplement payments or share scheme awards. Benefits may be provided in connection with the undertaking by a Non-Executive Director of their duties.	Increases to Non-Executive Directors' fees will be determined having regard to increases applied to the Group's salaried employees (in percentage terms), although fee increases may be awarded above this level in appropriate circumstances including (but not limited to): where there has been a change in market practice; where there has been a change in the size or complexity of the business; where there has been an increase in the time commitment required for the role. Additional fees are payable to Non-Executive Directors for extra responsibilities, such as chairing a Board committee, holding the office of Senior Independent Director or any other additional responsibilities.	N/A

STATEMENT OF DIRECTORS' RESPONSIBILITIES
IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

The current Directors who are listed on pages 82 and 83 are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations. Under that law they are required to prepare the Group financial statements in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No.1606/2002 as it applies in the European Union, and prepare the Parent Company financial statements in accordance with 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 the Directors to prepare Group and Parent Company financial statements for each financial year.

Under company law 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 International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No.1606/2002 as it applies in the European Union, and for the Parent Company financial statements that they have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 as applied in accordance with section 408 of the Companies Act 2006; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the Directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Dean Finch
Group Chief Executive
2 March 2021

Mike Killoran
Group Finance Director
2 March 2021

Independent Auditor's Report to the members of Persimmon Plc only

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 2020 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No.1606/2002 as it applies in the European Union;
- the Parent Company financial statements have been properly prepared in accordance with 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
- 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 2020 which comprise:

Group	Parent company
Group balance sheet as at 31 December 2020	Company balance sheet as at 31 December 2020
Consolidated statement of comprehensive income for the year then ended	Company statement of changes in shareholders' equity for the year then ended
Group statement of changes in shareholders' equity for the year then ended	Company cash flow statement for the year then ended
Group cash flow statement for the year then ended	Related notes 1 to 32 to the financial statements including a summary of significant accounting policies
Related notes 1 to 32 to the financial statements including a summary of significant accounting policies	

The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006 and, as regards to the Group financial statements, International Financial Reporting Standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union 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 are independent of the Group 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group and Parent Company's ability to continue to adopt the going concern basis of accounting included:

- In conjunction with our walkthrough of the Group's financial close process, we confirmed our understanding of management's going concern assessment process and also engaged with management early to ensure all key factors were considered in their assessment;
- We obtained management's going concern assessment, including the cash forecasts and covenant calculations for the going concern period which covers 15 months from the date of signing this audit opinion. Management has prepared three downside scenarios, taking account of the minimal impact of Covid-19 on the business. Firstly, a scenario which reflects a similar downturn to the impact of the most recent Global Financial Crisis (GFC). This scenario assumes a decrease in revenue to 2022 with a recovery over a similar extended period as the GFC. The second scenario assumes a more severe downside scenario, modelling a continued depression in the housing market. The last scenario assesses the impact of a complete shutdown of the housing market up to 30 June 2022. This scenario assumes that the Group does not receive any further sales receipts for the period whilst maintaining its current level of fixed costs.

In all of these scenarios, the Group maintains a positive cash balance throughout the Going Concern period to 30 June 2022 with no requirement to access the Group's £300m Revolving Credit Facility. For more detail on the assumptions in the three models, please refer to note 2,

- We assessed the appropriateness of the scenarios modelled by management and considered them to be reasonable.
- We have tested the factors and assumptions included in each modelled scenario for the cash forecast and covenant calculation. We considered the appropriateness of the methods used to calculate the cash forecasts and covenant calculations and determined through inspection and testing of the methodology and calculations that the methods utilised were appropriately sophisticated to be able to make an assessment for the entity.
- We considered the mitigating factors included in the cash forecasts and covenant calculations that are within the control of the Group. This includes review of the fixed cash outflows and evaluating the Group's ability to control these outflows as mitigating actions if required. We also verified credit facilities available to the Group.
- We have performed reverse stress testing in order to identify what factors would lead to the Group utilising all liquidity or breaching the financial covenants during the going concern period.
- We reviewed the Group's going concern disclosures included in the annual report in order to assess that the disclosures were appropriate and in conformity with the reporting standards.

Conclusion

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 a period of fifteen months from when the financial statements are authorised for issue.

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 and Parent Company's ability to continue as a going concern.

Overview of our audit approach	
Audit scope	• We performed an audit of the Persimmon Plc group, as a single aggregated set of financial information. Our work therefore covered 100% of Profit before tax, 100% of Revenue and 100% of Total assets. • This is consistent with our approach to the prior year audit.
Key audit matters	• Revenue recognition • Inventory valuation and profit recognition
Materiality	• Overall group materiality of £43.0m which represents 5% of profit before tax.

An overview of the scope of the Parent Company and Group audits

Tailoring the scope

We performed an audit of the Persimmon Plc group, as a single aggregated set of financial information. Our work therefore covered 100% of Profit before tax, 100% of Revenue and 100% of Total assets.

This is consistent with our approach to the prior year audit.

Independent Auditor's Report to the members of Persimmon Plc only continued

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Revenue recognition *Refer to Accounting policies (page 147); and Note 5 of the Consolidated Financial Statements (page 151).* The Group has reported revenues for the year of £3,328.3 (2019 – £3,649.4m). There is potential for material misstatement within revenue, particularly in relation to revenue being recorded in the wrong period, due to cut off errors or management bias.	We performed the following procedures over this risk area: • We performed walkthroughs to understand the key processes and identify key controls; • 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; • We tested whether revenue was recorded in the correct period by testing whether a sample of house sales recorded within 2 weeks either side of the year end had legally completed in the period in which it was accounted; • We tested all material manual journals to assess for any evidence of management bias by checking to supporting documentation; and • We assessed the adequacy of the related disclosures in the Financial Statements.	Based on our audit procedures we have concluded that revenue is appropriately recognised, and that there was no evidence of management bias.
Inventory valuation and profit recognition *Refer to the Audit Committee Report (page 100); Accounting policies (page 149; and Note 17 of the Consolidated Financial Statements (page 159).* At 31 December 2020, the Inventory balance includes WIP of £1,091.6m (2019 – £1,094.6m) and Land of £1,722.1m (2019 – £1,938.6m). The carrying value of Inventory is determined by reference to a number of assumptions such as costs to complete that are inherent in site forecasts and the level of any provisioning required for impairment, which are subject to levels of inherent estimation and therefore may be subject to management bias to over or understate inventory. The carrying value of Inventory is assessed by management for impairment by reference to current market information and assumptions. In performing the assessment, management undertake bi-monthly valuations to determine the expected outcome of each development and hence identify if any impairment is required. The same estimates are also used to determine the margin on each development which is used to determine the profit to be recognised.	We performed the following procedures over this risk area: • We performed walkthroughs to understand the key processes and identify key controls; • We performed testing on the Group's controls over the bi-monthly valuation process. In testing these controls we attended regional valuation meetings on a rotational basis to observe the level of rigour and the tolerances applied by management in challenging the assumptions within the site valuations. We inspected a sample of valuation meeting minutes in respect of the valuation meetings held throughout the year to ensure that matters were appropriately considered and followed up. This included ensuring that the appropriate individuals were in attendance at the meeting together with confirming the process which is undertaken to challenge the margin, forecast costs to complete and any other factors that could impact on the margin and confirm that any updates were made to the forecasts; • For a sample of development sites based on factors such as size and risk, we compared the estimated and actual costs and margin across the development lifecycle. We validated the key drivers for changes in costs and margin and considered historical outturns in order to assess management's ability to forecast accurately; • We critically assessed the appropriateness of key assumptions and the commercial viability of sites as determined by management through comparison against historic data and consideration of current market conditions; • We tested the appropriateness of any provisions included within the calculations, including those in relation to net realisable value and specific site provisions, taking into account the impact of Covid-19. We compared movements to prior periods, re-computed calculations and performed sensitivity analysis on sites where the margin was close to breakeven; and • We assessed the adequacy of the related disclosures in the Financial Statements.	Based on our audit procedures we have concluded that the inventory balance and profit recognised in the year are not materially misstated.

In the prior year, our auditor's report included a key audit matter in relation to Shared Equity Receivables. In the current year, we no longer consider this to be a key audit matter on the basis that we do not consider it to represent an area where there is a higher risk that a material misstatement will occur.

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 £42.9 million (2019: £52.0 million), which is 5% (2019: 5%) of profit before tax adjusted for the legacy buildings provision charge that was recognised in the year. We believe that profit before tax adjusted in this way provides us with an appropriate basis for materiality and is the most relevant measure for stakeholders as it is a focus of both management and investors.

Starting basis	• Profit Before Tax – £783.8m
Adjustments	• Legacy buildings provision charge – £75.0m
Materiality	• Totals £858.8m (materiality basis) • Materiality of £42.9m (5% of materiality basis)

We determined materiality for the Parent Company to be £22.2 million (2019: £19.4 million), which is 1% (2019: 1%) of equity. We selected equity as our basis for materiality as the Parent Company is a holding company.

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% (2019: 75%) of our planning materiality, namely £32m (2019: £39m). We have set performance materiality at this percentage based on our assessment of the control environment of the Group and expectation of errors.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £2.1m (2019: £2.6m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report (set out on pages 2 to 133), 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 there is 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.

Independent Auditor's Report to the members of Persimmon Plc only continued

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

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group and Parent Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

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 107;
- Directors' explanation as to its assessment of the Parent Company's prospects, the period this assessment covers and why the period is appropriate set out on pages 69 to 71;
- Directors' statement on fair, balanced and understandable set out on page 133;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 69 to 71;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 105 to 106; and
- The section describing the work of the audit committee set out on pages 98 to 106.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 133, 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 Parent 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 (International Financial Reporting Standards adopted pursuant to Regulation (EC) No.1606/2002 as it applies in the European Union, the Companies Act 2006 and UK Corporate Governance Code) and the relevant tax compliance regulations in the UK.
- We understood how Persimmon Plc is complying with those frameworks by making enquiries of management, Internal Audit, those responsible for legal and compliance procedures and the Company Secretary. We corroborated our enquiries through our review of board minutes and papers provided to the Audit Committee.
- We assessed the susceptibility of the Group financial statements to material misstatement, including how fraud might occur by meeting with management from various parts of the business to understand where it considered there was a susceptibility to fraud. We also considered performance targets and their propensity to influence efforts made by management to manage earnings. We considered the programmes and controls that the Group has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from fraud and error.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved journal entry testing, with a focus on manual consolidation journals, and journals indicating large or unusual transactions based on our understanding of the business; enquiries of Group management and Internal Audit; and focused testing, as referred to in the key audit matters section above. In addition, we completed procedures to conclude on the compliance of the disclosures in the Annual Report and Accounts with the requirements of the relevant accounting standards, UK legislation and the UK Corporate Governance Code 2018.

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 Parent 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 5 years, covering the years ending 31 December 2016 to 31 December 2020.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company during the year or the audit engagement period and we remain independent of the Group and the Parent Company in conducting the audit.
- The audit opinion is consistent with the additional report to the audit committee

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Peter McIver (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	**2020 Total £m**	2019 Total £m
Revenue	5	**3,328.3**	3,649.4
Cost of sales		**(2,433.9)**	(2,518.7)
Gross profit		**894.4**	1,130.7
Analysed as:			
Underlying gross profit		**969.4**	1,130.7
Legacy buildings provision	21	**(75.0)**	–
Other operating income		**5.4**	8.8
Operating expenses		**(116.3)**	(110.1)
Profit from operations	9	**783.5**	1,029.4
Analysed as:			
Underlying operating profit		**862.8**	1,036.7
Legacy buildings provision	21	**(75.0)**	–
Impairment of intangible assets	13	**(4.3)**	(7.3)
Finance income	8	**8.9**	20.5
Finance costs	8	**(8.6)**	(9.1)
Profit before tax		**783.8**	1,040.8
Analysed as:			
Underlying profit before tax		**863.1**	1,048.1
Legacy buildings provision	21	**(75.0)**	–
Impairment of intangible assets	13	**(4.3)**	(7.3)
Tax	10.1	**(145.4)**	(192.0)
Profit after tax (all attributable to equity holders of the parent)	12	**638.4**	848.8
Other comprehensive expense			
Items that will not be reclassified to profit:			
Remeasurement loss on defined benefit pension schemes	27	**(42.5)**	(27.0)
Tax	10.2	**6.5**	4.6
Other comprehensive expense for the year, net of tax		**(36.0)**	(22.4)
Total recognised income for the year		**602.4**	826.4
Earnings per share			
Basic	12	**200.3p**	266.8p
Diluted	12	**199.6p**	266.3p

The Company is taking advantage of the exemption in section 408 of the Companies Act 2006 not to present its individual income statement.

BALANCE SHEETS
AS AT 31 DECEMBER 2020

	Note	**Group 2020 £m**	Group 2019 £m	**Company 2020 £m**	Company 2019 £m
Assets					
Non-current assets					
Intangible assets	13	**181.8**	186.1	**0.7**	1.0
Property, plant and equipment	14	**90.4**	82.0	**3.2**	3.7
Investments accounted for using the equity method	15.1	**2.1**	2.1	**–**	–
Investments in subsidiaries	15.2	**–**	–	**3,205.7**	3,205.7
Shared equity loan receivables	16	**41.7**	59.2	**–**	–
Trade and other receivables	18	**4.0**	7.1	**–**	–
Deferred tax assets	23	**7.7**	6.6	**2.9**	2.7
Retirement benefit assets	27	**50.6**	77.6	**50.6**	77.6
		378.3	420.7	**3,263.1**	3,290.7
Current assets					
Inventories	17	**2,901.3**	3,156.8	**–**	–
Shared equity loan receivables	16	**14.5**	9.4	**–**	–
Trade and other receivables	18	**86.6**	58.5	**1,863.7**	1,772.7
Cash and cash equivalents	25	**1,234.1**	843.9	**1,010.9**	623.7
Current tax assets		**8.3**	–	**–**	9.3
		4,244.8	4,068.6	**2,874.6**	2,405.7
Total assets		**4,623.1**	4,489.3	**6,137.7**	5,696.4
Liabilities					
Non-current liabilities					
Trade and other payables	20	**(179.3)**	(178.0)	**(1.0)**	(0.4)
Deferred tax liabilities	23	**(22.9)**	(25.2)	**(9.6)**	(13.2)
Partnership liability	28	**(27.8)**	(31.6)	**–**	–
		(230.0)	(234.8)	**(10.6)**	(13.6)
Current liabilities					
Trade and other payables	20	**(794.2)**	(911.7)	**(3,896.7)**	(3,738.9)
Partnership liability	28	**(5.5)**	(5.5)	**–**	–
Legacy buildings provision	21	**(75.0)**	–	**–**	–
Current tax liabilities		**–**	(79.0)	**–**	–
		(874.7)	(996.2)	**(3,896.7)**	(3,738.9)
Total liabilities		**(1,104.7)**	(1,231.0)	**(3,907.3)**	(3,752.5)
Net assets		**3,518.4**	3,258.3	**2,230.4**	1,943.9
Equity					
Ordinary share capital issued	24	**31.9**	31.9	**31.9**	31.9
Share premium		**22.3**	19.2	**22.3**	19.2
Capital redemption reserve		**236.5**	236.5	**236.5**	236.5
Other non-distributable reserve		**276.8**	276.8	**–**	–
Retained earnings		**2,950.9**	2,693.9	**1,939.7**	1,656.3
Total equity		**3,518.4**	3,258.3	**2,230.4**	1,943.9

The profit for the year dealt with in the accounts of the Company is £666.7m (2019: £832.6m).

The financial statements of Persimmon Plc (Company number: 1818486) on pages 140 to 184 were approved by the Board of Directors on 2 March 2021 and were signed on its behalf by:

D Finch
Group Chief Executive

M H Killoran
Group Finance Director

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	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 2019	31.7	15.5	236.5	276.8	2,634.0	3,194.5
Profit for the year	–	–	–	–	848.8	848.8
Other comprehensive expense	–	–	–	–	(22.4)	(22.4)
Transactions with owners:						
Dividends on equity shares	–	–	–	–	(747.8)	(747.8)
Issue of new shares	0.2	3.7	–	–	–	3.9
Exercise of share options/share awards	–	–	–	–	(0.5)	(0.5)
Share-based payments	–	–	–	–	8.2	8.2
Net settlement of share-based payments	–	–	–	–	(26.9)	(26.9)
Satisfaction of share options from own shares held	–	–	–	–	0.5	0.5
Balance at 31 December 2019	**31.9**	**19.2**	**236.5**	**276.8**	**2,693.9**	**3,258.3**
Profit for the year	–	–	–	–	638.4	638.4
Other comprehensive expense	–	–	–	–	(36.0)	(36.0)
Transactions with owners:						
Dividends on equity shares	–	–	–	–	(350.7)	(350.7)
Issue of new shares	–	3.1	–	–	–	3.1
Exercise of share options/share awards	–	–	–	–	(0.2)	(0.2)
Share-based payments	–	–	–	–	7.7	7.7
Net settlement of share-based payments	–	–	–	–	(2.4)	(2.4)
Satisfaction of share options from own shares held	–	–	–	–	0.2	0.2
Balance at 31 December 2020	**31.9**	**22.3**	**236.5**	**276.8**	**2,950.9**	**3,518.4**

The other non-distributable reserve arose prior to transition to IFRSs and relates to the issue of ordinary shares to acquire the shares of Beazer Group Plc in 2001.

The Board have decided to net settle the withholding tax obligations associated with the exercise of the Persimmon Plc 2012 Long Term Incentive Plan option. There are currently no plans to extend this decision to other share options.

	Share capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings £m	Total £m
Company					
Balance at 1 January 2019	31.7	15.5	236.5	1,614.0	1,897.7
Profit for the year	–	–	–	832.6	832.6
Other comprehensive expense	–	–	–	(22.4)	(22.4)
Transactions with owners:					
Dividends on equity shares	–	–	–	(747.8)	(747.8)
Issue of new shares	0.2	3.7	–	–	3.9
Exercise of share options/share awards	–	–	–	(0.5)	(0.5)
Share-based payments	–	–	–	6.8	6.8
Net settlement of share-based payments	–	–	–	(26.9)	(26.9)
Other reserve movements	–	–	–	0.5	0.5
Balance at 31 December 2019	**31.9**	**19.2**	**236.5**	**1,656.3**	**1,943.9**
Profit for the year	–	–	–	666.7	666.7
Other comprehensive expense	–	–	–	(36.0)	(36.0)
Transactions with owners:					
Dividends on equity shares	–	–	–	(350.7)	(350.7)
Issue of new shares	–	3.1	–	–	3.1
Exercise of share options/share awards	–	–	–	(0.2)	(0.2)
Share-based payments	–	–	–	5.8	5.8
Net settlement of share-based payments	–	–	–	(2.4)	(2.4)
Other reserve movements	–	–	–	0.2	0.2
Balance at 31 December 2020	**31.9**	**22.3**	**236.5**	**1,939.7**	**2,230.4**

During the year the Company received dividends from wholly owned subsidiary undertakings of £700.0m (2019: £860.0m).

Retained earnings include £8.1m of non-distributable items (2019: £11.9m).

The other non-distributable reserve arose prior to transition to IFRSs.

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	**Group 2020 £m**	Group 2019 £m	**Company 2020 £m**	Company 2019 £m
Cash flows from operating activities:					
Profit for the year		**638.4**	848.8	**666.7**	832.6
Tax charge/(credit)	10.1	**145.4**	192.0	**(8.0)**	(6.2)
Finance income	8	**(8.9)**	(20.5)	**(3.3)**	(4.2)
Finance costs	8	**8.6**	9.1	**2.3**	1.3
Depreciation charge	14	**14.1**	13.3	**1.3**	1.1
Amortisation of intangible assets	13	**–**	–	**0.3**	0.3
Impairment of intangible assets	13	**4.3**	7.3	**–**	–
Legacy buildings provision	21	**75.0**	–	**–**	–
Share-based payment charge		**6.4**	3.7	**6.4**	3.7
Net imputed interest income		**(1.4)**	7.7	**–**	–
Other non-cash items		**(7.3)**	(7.6)	**2.7**	2.2
Cash inflow from operating activities		**874.6**	1,053.8	**668.4**	830.8
Movements in working capital:					
Decrease/(increase) in inventories		**265.0**	(87.7)	**–**	–
(Increase)/decrease in trade and other receivables		**(45.8)**	6.3	**(107.5)**	(186.8)
(Decrease)/increase in trade and other payables		**(116.9)**	(225.6)	**158.2**	(45.9)
Decrease in shared equity loan receivables		**16.4**	31.4	**–**	–
Cash generated from operations		**993.3**	778.2	**719.1**	598.1
Interest paid		**(4.1)**	(4.2)	**(2.3)**	(1.4)
Interest received		**4.7**	5.6	**1.7**	1.6
Tax (paid)/received		**(228.4)**	(159.6)	**19.5**	29.5
Net cash inflow from operating activities		**765.5**	620.0	**738.0**	627.8
Cash flows from investing activities:					
Joint venture net funding movement		**–**	0.9	**–**	–
Purchase of property, plant and equipment	14	**(18.9)**	(27.5)	**(0.5)**	(0.7)
Proceeds from sale of property, plant and equipment		**0.8**	0.7	**–**	–
Net cash outflow from investing activities		**(18.1)**	(25.9)	**(0.5)**	(0.7)
Cash flows from financing activities:					
Lease capital payments		**(3.6)**	(3.8)	**(0.3)**	(0.2)
Payment of Partnership Liability		**(3.6)**	(3.4)	**–**	–
Share options consideration		**3.1**	3.9	**3.1**	4.0
Net settlement of share-based payments		**(2.4)**	(47.2)	**(2.4)**	(47.2)
Dividends paid	11	**(350.7)**	(747.8)	**(350.7)**	(747.8)
Net cash outflow from financing activities		**(357.2)**	(798.3)	**(350.3)**	(791.2)
Increase/(decrease) in net cash and cash equivalents	25	**390.2**	(204.2)	**387.2**	(164.1)
Cash and cash equivalents at the beginning of the year		**843.9**	1,048.1	**623.7**	787.8
Cash and cash equivalents at the end of the year	25	**1,234.1**	843.9	**1,010.9**	623.7

Notes to the financial statements
For the year ended 31 December 2020

1 Adoption of new and revised International Financial Reporting Standards (IFRSs) and Interpretations (IFRICs)

The following relevant new amendments to standards are mandatory for the first time for the financial year beginning 1 January 2020:

- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendments to IAS 1 and IAS 8: Definition of Material
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform
- Amendments to IFRS 3 Business Combinations
- Amendment to IFRS 16 Leases Covid-19 Related Rent Concessions

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 EU endorsed but not yet effective:

- Amendments to IFRS 4 Insurance Contracts
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform – phase 2

The Group is currently considering the implication of these amendments with the expected impact upon the Group being limited to disclosures if applicable. Following the UK's exit from the EU, in future, the Group will be required to follow UK endorsed IFRS.

2 Accounting policies

Statement of compliance

The consolidated Group financial statements are prepared in accordance with International Accounting Standards ('IAS') in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards ('IFRS') adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union. The Parent Company financial statements are prepared in accordance with 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.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 2 to 78. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described on pages 54 to 57 and 69 to 71 of the Strategic Report. Further disclosures regarding borrowings are provided in note 19 to the financial statements. In addition, note 22 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Group entered this challenging time from a position of strength. Its long-term strategy, which focuses on the risks associated with the housing cycle and on minimising financial risk and maintaining financial flexibility, has equipped the business with strong liquidity and a robust balance sheet.

Despite the significant disruption caused by the response to the Covid-19 pandemic, the Group delivered a strong trading performance in the twelve months to 31 December 2020, completing the sale of 13,575 new homes (2019: 15,855) and generating a profit before tax of £783.8m (2019: £1,040.8m). At 31 December 2020, the Group's balance sheet was strong with £1,234.1m of cash held (December 2019: £843.9m), high quality land holdings and reduced land creditors of £329.3m (December 2019: £435.2m). In addition, the Group has an undrawn Revolving Credit Facility of £300m, with a maturity date of 31 March 2025.

The Group's forward order book, including new home legal completions taken so far in 2021, is 15% stronger year on year with new home forward sales of c.£2.3bn. We have 6,550 new homes sold forward into the private owner occupier market with an average selling price of £251,300.

The Directors have carried out a robust assessment of the principal risks facing the Group, as described on page 58. The impact of the ongoing social distancing restrictions, introduced by the UK and devolved Governments to mitigate the spread of Covid-19 and the risk of a further pandemic, have been included as a principal risk for the Group. The Directors have considered this risk and its potential impact on the other principal risks facing the Group including how they may threaten the Group's strategy, business model, future operational and financial performance, solvency and liquidity.

Notes to the financial statements continued
For the year ended 31 December 2020

2 Accounting policies continued

The Group has considered the impact of these risks on the going concern of the business by performing a range of sensitivity analyses covering the period to 30 June 2022 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 pages 69 to 71.

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

In the first scenario modelled, the combined impact is assumed to cause a c.38% reduction in volumes and a c.11% reduction in average selling prices through to 30 June 2022. As a result of these factors, the Group's housing revenues were assumed to fall by c.45% during this period. The assumptions used in this scenario reflect the experience management gained during the Global Financial Crisis ('GFC') from 2007 to 2010, it being the worst recession seen in the housing market since World War Two.

A second, even more extreme, scenario assumes a significant and enduring depression of the UK economy and housing market causing a reduction of c.38% in new home sales volumes and a c.37% fall in average selling prices through to 30 June 2022. As a result of these factors, the Group's housing revenues were assumed to fall by c.61% during this period.

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

In addition, due to the level of uncertainty surrounding the impact of the Covid-19 pandemic, the Directors have also assessed the impact of a complete shutdown of the housing market for the period to 30 June 2022. This extended 'lockdown' scenario assumes that the Group does not receive any further sales receipts for the period whilst maintaining its current level of fixed costs.

Throughout each of these scenarios, the Group maintains substantial liquidity with a positive cash balance and no requirement to access the Group's £300m Revolving Credit Facility.

Having considered the Group's forecasts, scenarios, sensitivity analyses and the Group's significant financial headroom, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these accounts.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries up to 31 December each year. Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect the returns through its power over the entity. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The subsidiary's identifiable assets, liabilities and contingent liabilities are recognised at their fair value at the acquisition date.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired entity at the date of the acquisition. Goodwill arising on acquisition of subsidiaries and businesses is capitalised as an asset. Goodwill is subsequently measured at cost less any accumulated impairment losses.

Brand intangibles

Internally generated brands are not held on the balance sheet. The Group carries assets on the balance sheet only for brands that have been acquired. Acquired brand values are calculated based on discounted cash flows. No amortisation is charged on brand intangibles as the Group believes that the value of the brands is maintained indefinitely. The factors that result in the durability of the brands capitalised are that there are no material legal, regulatory, contractual, competitive, economic or other factors that limit the useful life of these intangibles. The acquired brands are tested annually for impairment by performing a value in use calculation, using a discount factor based on the Group's pre-tax weighted average cost of capital, on the branded income stream.

Where a brand's life is not deemed to be indefinite it is written off over its expected useful life on a straight-line basis.

Revenue recognition

Revenue is recognised as the fair value of the consideration received or receivable on legal completion of a newly built residential property sale. Revenue also includes the fair value of the consideration received or receivable on the sale of part exchange properties and amounts contractually due under a development agreement at the balance sheet date relating to the stage of completion of the agreement as verified by surveys performed by the relevant customer as this reflects the performance obligations delivered by the Group at the balance sheet date.

Revenue relating to the provision of internet services is recognised as the service is provided.

Government grants

Grants are included within work in progress in the balance sheet and are credited to the statement of comprehensive income over the life of the developments to which they relate. Grants related to income are deducted from the related expense in the statement of comprehensive income.

Other operating income

Other operating income comprises profits from the sale of land holdings, freehold reversions, rent receivable, and other incidental sundry income.

Operating expenses

Operating expenses represent the administration costs of the business, which are written off to the statement of comprehensive income as incurred.

Borrowing costs

Interest bearing bank loans, overdrafts and Partnership liabilities are initially measured at fair value (being proceeds received, net of direct issue costs) and are subsequently measured at amortised cost, using the effective interest rate method. Finance charges, including direct issue costs are accounted for and taken to the statement of comprehensive income using the effective interest rate method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Where bank agreements include a legal right of offset for in hand and overdraft balances, and the Group intends to settle the net outstanding position, the offset arrangements are applied to record the net position in the balance sheet.

Exceptional items

Exceptional items are items of income and expenditure that, in the judgement of management, should be disclosed separately on the basis that they are material, either by their nature or their size, to an understanding of the financial performance and significantly distort the comparability of financial performance between accounting periods. Items of income or expense that are considered by management for designation as exceptional include such items as major restructuring and significant impairment of assets.

Share-based payments

Charges for employee services received in exchange for share-based payment have been made for all options/awards in accordance with IFRS 2 Share-based Payment, to spread the fair value of the grant over the anticipated vesting period.

The fair value of such options has been calculated using generally accepted option pricing models, based upon publicly available market data at the point of grant. Share options include both market and non-market conditions. Market conditions are considered in the establishment of the initial valuation of the options. In the event of failure to meet market conditions share-based payment charges are not reversed. In the event of failure to meet non-market conditions share-based payment charges are reversed.

Where options are net settled in respect of withholding tax obligations, these are accounted for as equity settled transactions. Payments to HMRC are accounted for as a deduction from equity for the shares withheld, except to the extent (if any) that the payment exceeds the fair value of shares withheld, in which case the excess will be charged to the statement of comprehensive income.

Share-based payments are charged wholly in the ultimate Parent Company.

Retirement benefit costs

The Group operates two defined benefit pension schemes. It also operates two defined contribution schemes for employees who are not members of a defined benefit scheme. The asset/liability in respect of the defined benefit schemes is the present value of the defined benefit obligation at the balance sheet date, less the fair value of the schemes' assets, together with adjustments for remeasurement gains and losses. Where a net asset results it is limited to the present value of economic benefits available in the form of future refunds from the scheme or reductions in future contributions, subject to any minimum funding requirements. Further details of the schemes and the valuation methods applied may be found in note 27.

Interest cost on the scheme liabilities and finance returns on scheme assets are recognised at the applicable discount rate as net finance income/costs in the statement of comprehensive income and remeasurement gains and losses via the statement of other comprehensive income.

Notes to the financial statements continued
For the year ended 31 December 2020

2 Accounting policies continued
Subsidiary entities bear a charge for current employees based upon their current pensionable salaries. Differences between this charge and the current service cost are borne by the Company as the legal sponsor, as are all experience gains and losses. There is no contractual arrangement or stated policy for recharging the other Group entities involved in the Scheme.

Payments to the defined contribution schemes are accounted for on an accruals basis. Once the payments have been made, the Group has no further payment obligations.

Taxation
Income tax on the profit for the year comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using enacted or substantially enacted tax rates, and adjusted for any tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill, the initial recognition of assets or liabilities that affect neither accounting or taxable profit, and differences relating to investment in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the carrying amount of assets and liabilities, using the tax rates applicable, or expected to be applicable at the date of settlement, based on enacted rates at the reporting date.

Where the deferred tax asset recognised in respect of share-based payments would give rise to a credit in excess of the related accounting charge at the prevailing tax rate the excess is recognised directly in equity.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each balance sheet date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities when the Group intends to settle its current tax assets and liabilities on a net basis.

Leases
The Group recognises a single recognition and measurement approach for all leases, except for short-term leases and leases of low value assets. The Group recognises lease liabilities to make lease payments and right of use assets representing the right to use the underlying assets.

Right of use assets are recognised at the commencement date of the lease and are measured at cost. The right of use assets are depreciated on a straight line basis over the shorter of the lease term and the estimated useful lives of the assets.

The Group recognises lease liabilities at the commencement date of the lease and are measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

The Group applies the short-term lease exemption and the low value asset recognition exemption to leases that have a lease term of 12 months or less from commencement date or are considered to be low value. Lease payments on short-term leases or leases of low value assets are charged to work in progress or operating expenses on a straight line basis over the lease term.

Property, plant and equipment
It is the Group's policy to hold property, plant and equipment at cost less accumulated depreciation, subject to the requirement to test assets for impairment.

Depreciation on property, plant and equipment is provided using the straight line method to write off the cost less any estimated residual value, over the estimated useful lives on the following bases:

Plant and equipment – 3 to 5 years.

Fixtures and fittings – 3 to 5 years.

Owned utility infrastructure – 15 to 40 years.

Freehold buildings – 50 years.

No depreciation is provided on freehold land.

The assets' useful economic lives and residual values are reviewed and adjusted, if appropriate, at each financial year end. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Investments
Interests in subsidiary undertakings are valued at cost less impairment. Other investments are stated at fair value.

Joint ventures
A joint venture is an entity in which the Group holds an interest with one or more other parties where a contractual arrangement has established joint control over the entity, and where the arrangements entitle the Group to a share of the net assets of the entity.

Investments in joint ventures are accounted for under the equity method of accounting.

Joint operations
A joint operation is an arrangement or entity in which the Group holds an interest with one or more other parties where a contractual arrangement has established joint control over the operation and where the arrangements entitle the Group to rights over specific assets or obligations of the operation. The Group recognises its share of revenue, costs, assets and liabilities for its joint operations.

Shared equity loan receivables

Receivables on extended terms granted as part of a sales transaction are secured by way of a second legal charge on the respective property. The loans are classified as financial assets held at fair value through profit or loss and are carried in the balance sheet at fair value with net changes in fair value recognised in the statement of comprehensive income as described in note 16.

Inventories

Inventories are stated at the lower of cost and net realisable value. Land with planning includes undeveloped land and land under development and is initially recorded at discounted cost. Where, through deferred purchase credit terms, the carrying value differs from the amount that will ultimately be paid in settling the liability, this difference is charged as a finance cost in the statement of comprehensive income over the period of settlement. Work in progress comprises direct materials, labour costs, site overheads, associated professional charges and other attributable overheads. Net realisable value represents the estimated selling prices less all estimated costs of completion and overheads. Investments in land without the benefit of a planning consent are initially included at cost. Regular reviews are carried out to identify any impairment in the value of the land considering the existing use value of the land and the likelihood of achieving a planning consent and the value thereof. Provision is made to reflect any irrecoverable amounts.

Expenditure relating to forward land, including options and fees, is held at cost. If the option expires or the Directors no longer consider it likely that the option will be exercised prior to the securing of planning permission, the amount is written off on that date.

Impairment of financial assets

The Group recognises an allowance for expected credit losses for all debt instruments not held at fair value through profit and loss. Expected credit losses are based on the difference between the contracted cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

For trade receivables and, in the Parent Company, intercompany receivables, the Group applies a simplified approach in calculating expected credit losses. The Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime expected credit losses at each reporting date.

Inter-Group guarantees

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within the Group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

Trade and other payables

Trade payables on normal terms are not interest bearing and are stated at amortised cost. Trade payables on extended terms, particularly in respect of land purchases, are initially recorded at their fair value and subsequently measured at amortised cost using the effective interest method.

Provisions

Provisions are recognised when the Group has a present commitment as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle that commitment. Provisions are measured at the Directors' best estimate of the expenditure required to settle the commitment at the balance sheet date and are discounted to present value where the effect is material.

Deposits

New property deposits and on account contract receipts are held within current trade and other payables until the legal completion of the related property or cancellation of the sale.

Cash and cash equivalents

Cash and cash equivalents include cash and balances in the bank accounts with no notice or less than three months' notice from inception, and are subject to insignificant risk of changes in value.

Interest bearing borrowings

Interest bearing borrowings and Partnership liabilities are carried at amortised cost.

Dividends

Dividends receivable by the Parent Company from subsidiaries are accounted for on a cash basis, or once formally approved by the shareholders of the subsidiary companies.

Dividends payable are recorded in the period in which they are approved or paid, whichever is earliest.

Own shares held

The Group may acquire holdings in its own shares either directly or via employee benefit trusts. The acquisition cost of such shares (including associated purchase costs) is treated as a deduction from retained earnings. Such shares may be used in satisfaction of employee options or rights, in which case the cost of such shares is reversed from the profit reserves on a 'first in first out' basis.

Transactions of the Company sponsored EBT are treated as being those of the Company and are therefore reflected in the Company financial statements. In particular, the trust's purchases and sales of shares in the Company are debited and credited directly to equity.

Notes to the financial statements continued
For the year ended 31 December 2020

3 Critical accounting judgements and key sources of estimation uncertainty

In applying the Group's accounting policies which are described in note 2, the Directors have made no individual judgements that have a significant impact upon the financial statements, excepting those involving estimation which are dealt with below.

The key sources of estimation uncertainty at the balance sheet date are:

Goodwill

The impairment testing of goodwill is substantially dependent upon the ability of the Group to successfully progress its strategic land holdings. The assumptions on which this estimate is based may be undermined by any significant changes in the current planning regime, or adverse economic conditions in the UK. The carrying amount of goodwill at the balance sheet date was £121.8m with an impairment of £4.3m recognised during the year.

Brand intangibles

The intangible brand assets have been assessed against the discounted cash flows arising. These are based upon estimated returns from the related businesses, which may be impacted by various factors, most notably Government social housing policy and further deterioration in the economic conditions in the UK. The carrying amount of indefinite life brands at the balance sheet date was £60.0m, with no impairment recognised during the year ended 31 December 2020.

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 2020 the loan recognised on the balance sheet was £56.2m (2019: £68.6m).

Pensions

The Directors have employed the services of a qualified, independent actuary in assessing pension assets/liabilities. However, they recognise that final liabilities and asset returns may differ from actuarial estimates and therefore the ultimate pension asset/liability may differ from that included in the financial statements.

Land and work in progress

Given the high quality of the Group's inventory asset base, the sensitivity of the assumptions used in assessing the Net Realisable Value ('NRV') of the Group's inventories is relatively low. As such no reasonably possible change in assumptions is likely to result in a material impact to the carrying value of the Group's land and work in progress balance within the next twelve months. The disclosure below provides additional insight into the carrying value of the Group's land and work in progress.

Valuations of the Group's developments, which include an estimation of costs to complete and anticipated revenues, are carried out at regular intervals throughout the year. The valuations allocate total expected site development costs between units built in the current year and those to be built in future years. These valuations therefore include a degree of uncertainty when estimating the profitability of a site and in assessing any impairment provision which may be required.

During the year ended 31 December 2020, 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. The impact of the Covid-19 pandemic on anticipated selling prices and future development costs was considered as part of this assessment. 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 15% 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. It should be noted that, the total cost impact of the Covid-19 disruption during 2020 was £17.1m and selling prices currently remain firm. Given these factors, the Board does not believe that a reasonably possible change in the assumptions could result in a material impairment of land and work in progress carrying values in the next twelve months.

If there are significant movements in UK house prices or developments costs, beyond management's reasonably possible expectations, then further impairments of land and work in progress may be necessary.

Provisions

The Group has recognised a provision of £75m (2019: £nil) based on management's best estimates of the costs of completing works to ensure fire safety on affected buildings under direct ownership, and to work with and support owners and other relevant stakeholders on buildings it has developed, in order to reach positive solutions where these buildings are affected. These estimates may change over time as further information is assessed, remedial works progress and the interpretation of fire safety regulations further evolves. This is a highly complex area with judgements and estimates in respect of the cost of remedial works to be incurred.

4 Principal activities

The Group has only one reportable operating segment, being housebuilding within the UK, under the control of the Executive Board. The Executive Board has been identified as the Chief Operating Decision Maker as defined under IFRS 8 Operating Segments.

5 Revenue

An analysis of the Group's revenue is as follows:

	2020 £m	2019 £m
Revenue from the sale of new housing	**3,129.5**	3,420.1
Revenue from the sale of part exchange properties	**196.2**	228.6
Revenue from the provision of internet services	**2.6**	0.7
Revenue from the sale of goods and services as reported in the statement of comprehensive income	**3,328.3**	3,649.4
Other operating income	**5.4**	8.8
Finance income	**8.9**	20.5
	3,342.6	3,678.7

Sale of goods includes £161.3m (2019: £240.9m) in respect of the value of properties accepted in part exchange by the Group on the sale of new housing.

6 Key management remuneration

Key management personnel, as disclosed under IAS 24 Related Party Disclosures, have been identified as the Board of Directors. Detailed disclosures of individual remuneration, pension entitlements and share options, for those Directors who served during the year, are given in the Annual Report on Remuneration on pages 110 to 132. A summary of key management remuneration is as follows:

	2020 £m	2019 £m
Short-term benefits	**1.9**	1.9
Termination benefits	**0.2**	–
Share-based payments	**0.2**	–
	2.3	1.9

Total gains on exercise of options by key management in the year amount to £4.5m (2019: £52.1m).

7 Employees

Group

The average monthly number of persons (including Executive Directors) employed by the Group during the year was 5,156 (2019: 5,097).

	2020 £m	2019 £m
Staff costs (for the above persons):		
Wages and salaries	**198.3**	192.6
Social security costs	**21.4**	21.3
Pensions charge	**5.9**	4.1
Share-based payments	**6.4**	3.7
	232.0	221.7

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 2020

7 Employees continued

Company

The average monthly number of persons (including Executive Directors) employed by the Company during the year was 282 (2019: 232).

	2020 £m	2019 £m
Staff costs (for the above persons):		
Wages and salaries	19.4	11.5
Social security costs	3.0	2.9
Pensions charge	1.7	–
Share-based payments	6.4	3.7
	30.5	18.1

8 Net finance income

	2020 £m	2019 £m
Recognised in profit after tax		
Interest receivable on bank deposits	1.4	3.2
Gains on shared equity loan receivables	4.0	13.1
Net interest on pension asset	1.7	2.7
Other interest receivable	1.8	1.5
Finance income	8.9	20.5
Interest expense on bank overdrafts and loans	1.5	1.8
Imputed interest on deferred land payables	5.4	5.4
Interest on Partnership liability	1.7	1.9
Finance costs	8.6	9.1
Net finance income	0.3	11.4

9 Profit from operations

	2020 £m	2019 £m
Profit from operations is stated after charging/(crediting):		
Staff costs (note 7)	232.0	221.7
Profit on sale of land holdings	–	(2.0)
Government grants	(0.3)	(0.3)
Rent receivable	(3.6)	(3.9)
Profit on sale of property, plant and equipment	(0.6)	(0.6)
Depreciation of owned assets	14.1	13.3
Impairment of intangible assets	4.3	7.3

The Group did not receive any new Government grants in either year, however the Group's customers have benefited from the availability of finance through the Government's 'Help to Buy' scheme which has provided indirect assistance to the Group.

9 Profit from operations continued

Amounts receivable by the auditor, Ernst & Young LLP, and their associates in respect of:

	2020 £'000	2019 £'000
Audit fees		
Audit of the Parent Company and consolidated financial statements	**285**	280
The audit of the Company's subsidiaries pursuant to legislation	**25**	25
Total fees for the audit of the Company and its subsidiaries	**310**	305
Non-audit fees		
Audit related assurance services	**60**	50
Total non-audit fees	**60**	50
	370	355

The extent of non-audit fees and non-audit related service fees payable to Ernst & Young LLP and its affiliated entities are reviewed by the Audit Committee in the context of fees paid by the Group to its other advisors during the year. The Committee also reviews the nature and extent of non-audit services to ensure that independence is maintained.

Fees to major firms of accountants other than Ernst & Young LLP and its affiliated entities for non-audit services amounted to £70,576 (2019: £65,526).

10 Tax

10.1 Analysis of the tax charge for the year

	2020 £m	2019 £m
Tax charge comprises:		
UK corporation tax in respect of the current year	**148.5**	196.7
Adjustments in respect of prior years	**(6.4)**	(8.2)
	142.1	188.5
Deferred tax relating to origination and reversal of temporary differences	**2.6**	3.2
Adjustments recognised in the current year in respect of prior years deferred tax	**0.7**	0.3
	3.3	3.5
	145.4	192.0

The tax charge for the year can be reconciled to the accounting profit as follows:

	2020 £m	2019 £m
Profit from continuing operations	**783.8**	1,040.8
Tax calculated at UK corporation tax rate of 19.0% (2019: 19.0%)	**148.9**	197.7
Accounting base cost not deductible for tax purposes	**0.3**	0.5
Goodwill impairment losses that are not deductible	**0.8**	1.4
Expenditure not allowable for tax purposes	**0.2**	0.2
Effect of change in rate of corporation tax	**0.9**	–
Deferred tax written off on lapsed share-based payments	**–**	0.1
Adjustments in respect of prior years	**(5.7)**	(7.9)
Tax charge for the year recognised in profit	**145.4**	192.0

The Group's overall effective tax rate of 18.6% has been reduced from the mainstream rate of 19.0% by a prior year tax credit arising from the removal of some uncertainties regarding the Group's prior year tax computations.

The applicable corporation tax rate remains at 19% in line with corporation tax rates effective from 1 April 2017. In relation to the Group's deferred tax calculations, the corporation tax substantively enacted on 17 March 2020 was 19% and all deferred tax balances have been recognised at this rate.

Notes to the financial statements continued
For the year ended 31 December 2020

10 Tax continued

10.2 Deferred tax recognised in other comprehensive income (note 23)

	2020 £m	2019 £m
Recognised on remeasurement loss on pension schemes	(6.5)	(4.6)

10.3 Tax recognised directly in equity

	2020 £m	2019 £m
Arising on transactions with equity participants		
Current tax related to equity settled transactions	(1.1)	(9.9)
Deferred tax related to equity settled transactions (note 23)	(0.2)	5.4
	(1.3)	(4.5)

11 Dividends/Return of capital

	2020 £m	2019 £m
Amounts recognised as distributions to capital holders in the period:		
2018 dividend to all shareholders of 125p per share paid 2019	–	397.7
2018 dividend to all shareholders of 110p per share paid 2019	–	350.1
2019 dividend to all shareholders of 40p per share paid 2020	127.5	–
2019 dividend to all shareholders of 70p per share paid 2020	223.2	–
Total capital return	350.7	747.8

The Directors propose to return 125 pence of surplus capital to shareholders for each ordinary share held on the register on 12 March 2021 with payment made on 26 March 2021 as an interim dividend in respect of the financial year ended 31 December 2020. The Directors propose two further additional distributions relating to surplus capital returns of 55 pence per share each as interim dividends with respect to the financial year ended 31 December 2020. These distributions to shareholders are anticipated to be made in August 2021 and in December 2021. Both additional distributions of surplus capital will be subject to continuous Board assessment. The total anticipated distributions to shareholders is therefore 235 pence per share (2019: 110 pence per share) in respect of the financial year ended 31 December 2020.

The Parent Company received £700.0m dividends from wholly owned subsidiary undertakings during 2020 (2019: £860.0m).

12 Earnings per share

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding those held in the employee benefit trusts (see note 24) and any treasury shares, all of which are treated as cancelled, which were 318.8m (2019: 318.1m).

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 319.9m (2019: 318.8m).

Underlying earnings per share excludes the legacy buildings provision charge and goodwill impairment. The earnings per share from continuing operations were as follows:

	2020	2019
Basic earnings per share	200.3p	266.8p
Underlying basic earnings per share	220.7p	269.1p
Diluted earnings per share	199.6p	266.3p
Underlying diluted earnings per share	219.9p	268.6p

12 Earnings per share continued

The calculation of the basic and diluted earnings per share is based upon the following data:

	2020 £m	2019 £m
Underlying earnings attributable to shareholders	703.5	856.1
Legacy buildings provision (net of tax)	(60.8)	–
Goodwill impairment	(4.3)	(7.3)
Earnings attributable to shareholders	638.4	848.8

13 Intangible assets

Group	Goodwill £m	Brand £m	Know-how £m	Total £m
Cost				
At 1 January 2019, 1 January 2020 and 31 December 2020	408.8	60.0	1.9	470.7
Accumulated impairment losses/amortisation				
At 1 January 2019	275.4	–	1.9	277.3
Impairment losses for the year – utilisation of strategic land holdings	7.3	–	–	7.3
At 1 January 2020	282.7	–	1.9	284.6
Impairment losses for the year – utilisation of strategic land holdings	4.3	–	–	4.3
At 31 December 2020	287.0	–	1.9	288.9
Carrying amount				
At 31 December 2020	121.8	60.0	–	181.8
At 31 December 2019	126.1	60.0	–	186.1

Goodwill brought forward at the start of the year of £126.1m includes £104.0m (2019: £110.2m) 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 (2019: £37.0m) of this amount represented the brand value of Charles Church, acquired with Beazer Group plc in 2001.

Acquired brand values, including the brand value of Charles Church which is classified as goodwill as this was acquired before the date of transition to IFRSs, are calculated based on discounted cash flows and are tested annually for impairment. The remainder of goodwill is allocated to acquired strategic land holdings and is tested annually for impairment.

The recoverable amounts of the intangibles are determined from value in use calculations. Goodwill is allocated for impairment testing purposes down to a lower level than the Group's single operating segment, being to Charles Church and to the portfolios of strategic land holdings throughout the UK acquired with Beazer and Westbury. The key assumptions for value in use calculations are those regarding discount and growth rates. Growth rates incorporate volume, selling price and direct cost changes.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management and extrapolated for four years, to form the basis of the Group's five-year business plan. When performing the impairment review of the brands, the relevant retraction/growth rates included therein vary between 0% to +2% (2019: 0% to +2%), reflecting the potential economic uncertainties associated with the UK's withdrawal from the EU.

The retraction/growth rates in relation to the impairment review of goodwill allocated to strategic land holdings vary between 0% to +2% (2019: 0% to +2%).

After this period the growth rates applied to calculate the cash flow forecasts vary between nil and 2% (2019: nil and 2%) reflecting management's estimate of the forecast recovery in the UK housing market, which do not exceed the long-term average growth rates for the industry.

Management used pre-tax discount factors between 2% and 7% (2019: 5% and 7%) over the forecast periods.

The goodwill allocated to acquired strategic land holdings is further tested by reference to the proportion of legally completed plots in the period compared to the total plots which are expected to receive satisfactory planning permission in the remaining strategic land holdings, taking account of historic experience and market conditions. This review resulted in an underlying impairment of £4.3m (2019: £7.3m). This charge reflects ongoing consumption of the acquired strategic land holdings. The effect of testing goodwill for impairment in the manner set out is that the goodwill will be completely impaired once the final plot for which management expects to receive a satisfactory planning permission is sold.

On concluding the annual impairment testing, there remains £63.5m (2019: £67.0m) and £21.3m (2019: £22.1m) of Beazer and Westbury goodwill allocated to strategic land holdings and £37.0m (2019: £37.0m) allocated to the Charles Church brand. In addition, there is £60.0m (2019: £60.0m) of carrying value in relation to the Westbury brand.

Notes to the financial statements continued
For the year ended 31 December 2020

13 Intangible assets continued

No reasonable possible change in any of the assumptions noted above would lead to an impairment charge being required. However, in the event of deterioration in the UK housing market conditions, operating margins reducing, or appropriate discount rates increasing the possibility of impairment losses in the future remains.

Company	Trademarks £m
Cost	
At 1 January 2019, 1 January 2020 and 31 December 2020	**5.0**
Amortisation	
At 1 January 2019	3.7
Charge for the year	0.3
At 1 January 2020	4.0
Charge for the year	0.3
At 31 December 2020	**4.3**
Carrying amount	
At 31 December 2020	**0.7**
At 31 December 2019	1.0

14 Property, plant and equipment

Group	Land and buildings £m	Plant £m	Fixtures and fittings £m	Total £m
Cost				
At 1 January 2019	36.5	85.9	20.3	142.7
Additions	9.1	19.1	9.2	37.4
Disposals	–	(1.7)	(0.2)	(1.9)
At 1 January 2020	45.6	103.3	29.3	178.2
Additions	4.1	17.3	1.4	22.8
Disposals	(0.5)	(3.7)	(1.0)	(5.2)
At 31 December 2020	**49.2**	**116.9**	**29.7**	**195.8**
Accumulated depreciation				
At 1 January 2019	5.3	65.3	14.1	84.7
Charge for the year	1.5	9.7	2.1	13.3
Disposals	–	(1.6)	(0.2)	(1.8)
At 1 January 2020	6.8	73.4	16.0	96.2
Charge for the year	1.6	10.0	2.5	14.1
Disposals	(0.3)	(3.7)	(0.9)	(4.9)
At 31 December 2020	**8.1**	**79.7**	**17.6**	**105.4**
Carrying amount				
At 31 December 2020	**41.1**	**37.2**	**12.1**	**90.4**
At 31 December 2019	38.8	29.9	13.3	82.0

At 31 December 2020, the Group had £nil contractual commitments for the acquisition of property, plant and equipment (2019: £0.3m).

At 31 December 2020, the Group had £nil held for sale (2019: £nil).

Within additions for the year are £3.9m of 'Right of Use' assets (2019: £12.2m). The 2019 additions includes £9.8m on initial recognition of 'Right of Use' assets on implementation of IFRS 16 Leases. At 31 December 2020 a 'Right of Use' asset of £9.4m is reported within Property, plant and equipment (2019: £8.4m).

14 Property, plant and equipment continued

Company	Land and buildings £m	Plant £m	Computer equipment, fixtures and fittings £m	Total £m
Cost				
At 1 January 2019	2.0	–	5.1	7.1
Additions	–	0.6	0.7	1.3
Disposals	–	–	(0.2)	(0.2)
At 1 January 2020	2.0	0.6	5.6	8.2
Additions	0.1	0.3	0.4	0.8
Disposals	–	–	(0.8)	(0.8)
At 31 December 2020	**2.1**	**0.9**	**5.2**	**8.2**
Accumulated depreciation				
At 1 January 2019	0.6	–	3.0	3.6
Charge for the year	–	0.2	0.9	1.1
Disposals	–	–	(0.2)	(0.2)
At 1 January 2020	0.6	0.2	3.7	4.5
Charge for the year	0.1	0.3	0.9	1.3
Disposals	–	–	(0.8)	(0.8)
At 31 December 2020	**0.7**	**0.5**	**3.8**	**5.0**
Carrying amount				
At 31 December 2020	**1.4**	**0.4**	**1.4**	**3.2**
At 31 December 2019	1.4	0.4	1.9	3.7

15 Investments

15.1 Investments accounted for using the equity method

Group	Investments in joint ventures £m
Cost	
At 1 January 2019	**3.0**
Distributions	(0.9)
At 31 December 2019 and 31 December 2020	**2.1**

The Group's principal investments in joint ventures comprise:

	Share of ordinary allotted capital held by the Group	Accounting date
Balaia Golf Village Realizacoes Imobiliaria Turísticos S.A. – Portugal	50%	31 December
Balvil – Gestão de Empreendimentos Turísticos Lda – Portugal	50%	31 December
Empreendimentos Turísticos da Armacao Nova Lda – Portugal	50%	31 December

Investments in joint ventures are accounted for under the equity method of accounting. All principal joint ventures have a single external partner holding a 50% interest giving an equal interest in the trade and net assets of the joint ventures. There are no significant restrictions on these entities.

Notes to the financial statements continued
For the year ended 31 December 2020

15 Investments continued
The Group's share of assets and liabilities of joint ventures is shown below:

	2020 £m	2019 £m
Non-current assets	0.5	0.8
Current assets	4.3	6.3
Current liabilities	(2.7)	(5.0)
Net assets of joint ventures	2.1	2.1

The Group's share of the income and expenses of joint ventures is as follows:

	2020 £m	2019 £m
Income	1.7	7.0
Expenses	(1.7)	(7.0)
Share of results of joint ventures	–	–

15.2 Investments in subsidiaries

Company	2020 £m	2019 £m
Cost		
At 1 January 2019, 31 December 2019 and 31 December 2020	3,540.7	3,540.7
Impairment		
At 1 January 2019, 31 December 2019 and 31 December 2020	335.0	335.0
Net book value		
At 31 December	3,205.7	3,205.7

The annual review of the carrying value of the investment in subsidiaries identified £nil impairment issues (2019: £nil impairment). Details of Group undertakings are set out in notes 31 and 32.

16 Shared equity loan receivables

Group	2020 £m	2019 £m
At 1 January	68.6	86.9
Settlements	(16.4)	(31.4)
Gains (Finance income)	4.0	13.1
At 31 December	56.2	68.6

All gains/losses recognised are through finance income in the statement of comprehensive income. Of the gains recognised in finance income for the period £1.5m (2019: £7.1m) 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 borrowers option, on sale or transfer of the related property or other redemption of the first legal charge or at the end of the fixed term. The loans are recorded at fair value, being the estimated future amount receivable by the Group, discounted to present day values. The fair value of future anticipated cash receipts takes into account the Directors' view of future house price movements, the expected timing of receipts and the likelihood that a purchaser defaults on a repayment.

The Directors revisit the future anticipated cash receipts from the loans at the end of each financial reporting period. The difference between the anticipated future receipt and the initial fair value is credited over the estimated deferred term to finance income, with the loan increasing to its full expected cash settlement value on the anticipated receipt date. Credit risk, which the Directors currently consider to be largely mitigated through holding a second legal charge over the assets, is accounted for in determining fair values and appropriate discount factors are applied. The Directors expect an average maturity profile of between five and ten years from the balance sheet date.

Further disclosures relating to loans are set out in note 22.

17 Inventories

	2020 £m	2019 £m
Land	1,722.1	1,938.6
Work in progress	1,091.6	1,094.6
Part exchange properties	40.9	71.8
Showhouses	46.7	51.8
	2,901.3	3,156.8

The Directors consider all inventories to be essentially current in nature although the Group's operational cycle is such that a proportion of inventories will not be realised within 12 months. It is not possible to determine with accuracy when specific inventory will be realised as this is subject to a number of issues, including consumer demand and planning permission delays.

The Group conducted a further review of the net realisable value of its land and work in progress portfolio during 2020. Our approach to this review has been consistent with that conducted at 31 December 2019. This review gave rise to a reversal of £nil (2019: £nil) of provision on inventories that were written down in a previous accounting period and an impairment of land and work in progress of £nil (2019: £nil). This reversal/charge arose due to forecast selling prices and development costs on individual sites being higher or lower than previously estimated by management as a result of changing conditions, and/or development plans. Net realisable provisions held against inventories at 31 December 2020 were £25.4m (2019: £33.7m).

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 2020 review, £5.9m (2019: £7.4m) of inventories are valued at fair value less costs to sell rather than at historical cost.

Land with a carrying value of £667.1m (2019: £855.3m) was used as security for land payables (note 20).

The value of inventories expensed in 2020 and included in cost of sales was £2,256.1m (2019: £2,438.8m).

18 Trade and other receivables

	Group 2020 £m	Group 2019 £m	Company 2020 £m	Company 2019 £m
Non-current assets				
Other receivables	4.0	7.1	–	–
Current assets				
Trade receivables	52.7	40.6	0.9	0.7
Other receivables	27.3	11.9	21.1	10.3
Amounts owed by Group undertakings	–	–	1,840.5	1,761.0
Prepayments and accrued income	6.6	6.0	1.2	0.7
	86.6	58.5	1,863.7	1,772.7

Trade and other receivables are non-interest bearing, and the Group applies a simplified approach in calculating expected credit losses. The Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime expected credit losses at each reporting date. The Directors consider that the carrying value of trade receivables approximates to their fair value.

No allowance for expected credit losses is deemed necessary in respect of amounts owed by Group undertakings.

	2020 £m	2019 £m
Ageing of overdue but not impaired receivables		
Less than 3 months	17.1	22.5
Over 3 months	5.7	4.4
	22.8	26.9

Notes to the financial statements continued
For the year ended 31 December 2020

18 Trade and other receivables continued

The carrying value of trade and other receivables are stated after the following allowance for expected credit losses:

	2020 £m	2019 £m
Group		
At 1 January	2.1	8.8
Allowance for expected credit losses charged	0.2	–
Amounts written off during the year as uncollectable	(0.3)	(0.2)
Allowance for expected credit losses reversed	–	(6.5)
At 31 December	2.0	2.1

19 Borrowings

Detailed disclosure of the Group's usage of financial instruments is included in note 22. There are £nil borrowings at 31 December 2020 (2019: £nil).

The contractual repayment terms of facilities are as noted below.

	Currency	Nominal interest rate	Year of maturity	2020 £m	2019 £m
Bank overdrafts	GBP	Base +1%-3.25%	2021	31.0	48.0
Syndicated loan	GBP	LIBOR +0.9%	2025	300.0	300.0
Available facilities				331.0	348.0

20 Trade and other payables

	Group 2020 £m	Group 2019 £m	Company 2020 £m	Company 2019 £m
Non-current liabilities				
Land payables	167.7	167.4	–	–
Other payables	11.6	10.6	1.0	0.4
	179.3	178.0	1.0	0.4

	Group 2020 £m	Group 2019 £m	Company 2020 £m	Company 2019 £m
Current liabilities				
Trade payables	206.5	224.1	0.6	0.8
Land payables	161.6	267.8	–	–
Deposits and on account contract receipts	47.8	4.0	–	–
Other payables	47.6	44.2	13.2	7.3
Accrued expenses	330.7	371.6	15.0	12.6
Amounts owed to Group undertakings	–	–	3,867.9	3,718.2
	794.2	911.7	3,896.7	3,738.9

Trade payables subject to payment terms were 13 days (2019: 12 days), based on the ratio of year end trade payables (excluding retentions and unagreed claims) to amounts invoiced during the year by trade creditors. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed terms. The Directors consider that the carrying amount of trade payables approximates to their fair value.

Land payables are reduced for imputed interest, which is charged to the statement of comprehensive income over the credit period of the purchase contract.

21 Legacy buildings provision

	Group 2020 £m
At 1 January 2020	–
Additions to provision in the year	75.0
At 31 December 2020	75.0

The Company has no provisions.

Given evolving practices experienced during the second half of 2020, in relation to fire safety on multi storey, multi occupancy buildings, the Group commenced a review of all of its legacy buildings that used cladding materials. The review, undertaken over a number of months, provided interim findings to the Board in February 2021. It identified 26 buildings that may have used now-banned materials. The Group has recognised a provision of £75m (2019: £nil) based on management's best estimates of the costs of completing works to ensure fire safety on affected buildings under direct ownership, and to work with and support owners and other relevant stakeholders on buildings it has developed, in order to reach positive solutions where these buildings are affected. These estimates may change over time as further information is assessed, remedial works progress and the interpretation of fire safety regulations further evolves. This is a highly complex area with judgements and estimates in respect of the cost of remedial works and the scope of the properties requiring remedial works may change should regulation further evolve.

The charge of £75m has been separately disclosed on the face of the Income Statement.

22 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Market risk
- Liquidity risk
- Capital risk
- Credit risk

This note presents basic information regarding the Group's exposure to these risks and the Group's objectives, strategy and processes for measuring and managing exposure to them. Unless otherwise stated references to Group should be considered to apply to the Company as well.

The Board has overall responsibility for risk management of the Group. The Board has established the Risk Committee which has the delegated task of overseeing the Board's responsibility with respect to risk and internal control. The Risk Committee reports to the Audit Committee on a regular basis.

The Risk Committee is supported in this task by the Group Risk management function. The Group Risk function performs an annual assessment of the risks faced by the Group. This assessment is used to drive a risk focused programme of work aimed to improve business processes and increase internal control effectiveness.

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 investments in a number of Portuguese joint ventures. These interests are not hedged. At 31 December 2020 the Group also holds €nil (2019: €nil) of cash.

The Group has no other significant currency exposures.

The following exchange rates applied during the year:

	2020		2019	
	Average rate	Year end spot rate	Average rate	Year end spot rate
Euro	1.13	1.11	1.14	1.18

Notes to the financial statements continued
For the year ended 31 December 2020

22 Financial risk management continued
The Group's exposure to foreign currency risk may be summarised as follows:

	2020 €m	2019 €m
Investments	2.3	2.1
Cash	–	–
Total	2.3	2.1

Sensitivity analysis
A rise/fall in the Euro/Sterling exchange rate of 10% would result in a £0.2m loss/gain in relation to investments (2019: £0.2m).

Interest rate risk
The Group currently holds no fixed interest borrowings. This reflects both the low borrowing requirements of the Group and the current low interest rates applicable to floating borrowings. The Group has no formal target for a ratio of fixed to floating funding. The responsibility for setting the level of fixed rate debt lies with the Board and is continually reviewed in the light of economic data provided by a variety of sources.

Sensitivity analysis
If in the year ended 31 December 2020 UK interest rates had been 0.5% higher/lower then the Group's pre-tax profit would have increased/decreased by £3.9m (2019: increased/decreased by £2.8m). The Group's post-tax profit would have increased/decreased by £3.2m (2019: increased/decreased by £2.3m).

These sensitivities have been prepared in respect of the direct impact of such an interest rate change on the net financing expense of financial instruments only, and do not attempt to estimate the indirect effect such a change may have on the wider economic environment such as house pricing, mortgage availability and exchange rates.

Housing market risk
The Group is fundamentally affected by the level of UK house prices. These in turn are affected by factors such as credit availability, employment levels, interest rates, consumer confidence and supply of land with planning. The UK's withdrawal from the EU may have a significant impact on these factors.

Whilst it is not possible for the Group to fully mitigate such risks on a national macroeconomic basis the Group does continually monitor its geographical spread within the UK, seeking to balance its investment in areas offering the best immediate returns with a long-term spread of its operations throughout the UK to minimise the risk of local microeconomic fluctuations. The Group has taken steps to control its speculative build, land acquisition activities and work in progress levels so as to manage the exposure of the Group to any further market disruption.

Sensitivity analysis
At 31 December 2020, 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 £5.6m (2019: £6.9m).

Liquidity risk
Liquidity risk reflects the risk that the Group will have insufficient resources to meet its financial obligations as they fall due. The Group's strategy in relation to managing liquidity risk is to ensure that the Group has sufficient liquid funds to meet all its potential liabilities as they fall due.

This is true not only of normal market conditions but also of negative projections against expected outcomes, so as to avoid any risk of incurring contractual penalties or damaging the Group's reputation, which would in turn reduce the Group's ability to borrow at optimal rates. Therefore the Group remains confident of its continued compliance with financial covenants under the syndicated loan even in the event of deterioration in market conditions. Further information on the Group's liquidity forecast process is included in the Viability Statement on pages 69 to 71.

The Group has entered into a number of deferred payment guarantees and performance bonds in the normal course of operations. The liabilities to which these guarantees relate are recognised and accounted for in accordance with our standard accounting policies.

Liquidity forecasts are produced on (i) a daily basis to ensure that utilisation of current facilities is optimised; (ii) a monthly basis to ensure that covenant compliance targets and medium term liquidity is maintained; and (iii) a long-term projection basis for the purpose of identifying long-term strategic funding requirements.

22 Financial risk management continued

The Directors also continually assess the balance of capital and debt funding of the Group. They consider the security of capital funding against the potentially higher rates of return offered by debt financing in order to set an efficient but stable balance appropriate to the size of the Group.

The Group operates short term uncommitted overdraft facilities to meet day-to-day liquidity requirements. These facilities are cancellable on request from the bank; however the Group generally maintains low levels of borrowing on these in favour of more cost efficient facilities. These overdraft facilities are provided by five leading clearing banks to minimise exposure to any one lender.

The Group maintains a £300m revolving credit facility committed to March 2025. These committed facilities are sufficient to meet projected liquidity requirements to this date. Undrawn committed facilities at the reporting date amount to £300m (2019: £300m).

Cash deposits

The Group has a policy of ensuring cash deposits are made with the primary objective of security of principal. Accordingly deposits are made only with approved, respected, high credit rating financial institutions. Deposits are spread across such institutions to minimise exposure to any single entity and are made on a short term basis only to preserve liquidity.

Capital risk

The capital structure of the Group consists of net cash/debt (borrowings as detailed in note 19 offset by cash and bank balances) and equity of the Group (comprising issued capital, reserves and retained earnings as detailed in the statement of changes in shareholders' equity). The Group's objective in managing capital is primarily to ensure the continued ability of the Group to meet its liabilities as they fall due whilst also maintaining an appropriate balance of equity and borrowings and minimising costs of capital. Close control of deployment of capital is maintained by detailed management review procedures for authorisation of significant capital commitments, such as land acquisition, capital targets for local management and a system of internal interest recharges, ensuring capital cost impact is understood and considered by all management tiers.

Decisions regarding the balance of equity and borrowings, dividend policy and all major borrowing facilities are reserved for the Board. The Group is currently pursuing a strategy of capital return to shareholders, whilst at the same time building a stronger, larger business. Full details are available in the Strategic Report on pages 54 to 57.

The following are the contractual maturities of financial liabilities, including interest payments (not discounted). These have been calculated using LIBOR rates at the year end (where applicable):

Group	**2020 Carrying amount £m**	Contractual cash flows £m	Less than 1 year £m	1–2 years £m	2–5 years £m	Over 5 years £m
Trade and other payables	**596.5**	599.8	585.9	4.3	4.9	4.7
Land payables	**329.3**	332.5	164.7	85.1	73.4	9.3
Partnership liability	**33.3**	39.2	5.5	5.5	16.8	11.4
Financial liabilities	**959.1**	971.5	756.1	94.9	95.1	25.4

Group	2019 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	650.5	650.5	639.8	3.7	5.8	1.2
Land payables	435.2	436.4	262.9	84.9	79.4	9.2
Partnership liability	37.1	44.7	5.5	5.5	16.7	17.0
Financial liabilities	1,122.8	1,131.6	908.2	94.1	101.9	27.4

Company	**2020 Carrying amount £m**	Contractual cash flows £m	Less than 1 year £m	1–2 years £m	2–5 years £m	Over 5 years £m
Trade and other payables (including intercompany balances)	**3,897.7**	3,897.7	3,896.7	0.6	0.4	–
Financial liabilities	**3,897.7**	3,897.7	3,896.7	0.6	0.4	–

It is noted that £3,867.9m (2019: £3,718.2m) 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.

Notes to the financial statements continued
For the year ended 31 December 2020

22 Financial risk management continued

Company	2019 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)	3,739.3	3,739.3	3,738.9	0.2	0.2	–
Financial liabilities	3,739.3	3,739.3	3,738.9	0.2	0.2	–

Credit risk

The nature of the UK housing industry and the legal framework surrounding it results in the Group having a low exposure to credit risk.

In all but a minority of cases the full cash receipt for each sale occurs on legal completion, which is also the point of revenue recognition under the Group's accounting policies.

In certain specific circumstances the Group has entered into shared equity arrangements (not applicable to the Company). The pressures of market conditions during recessionary periods necessitated an increase in this form of sales structure from 2008. In such cases the long-term debt is secured upon the property concerned. The Group does not recognise collateral rights as a separate asset, nor does it have rights to trade such collateral. Reductions in property values leads to an increase in the credit risk of the Group in respect of such sales. There was £0.5m requirement for a charge in relation to credit impairment in the year (2019: £0.6m).

The maximum total credit risk is as follows:

Group	**2020 £m**	2019 £m
Trade and other receivables	**84.0**	59.6
Shared equity loan receivables	**56.2**	68.6
Cash and cash equivalents	**1,234.1**	843.9
	1,374.3	972.1
Company		
Loans and receivables (including intercompany balances)	**1,862.5**	1,772.0
Cash and cash equivalents	**1,010.9**	623.7
	2,873.4	2,395.7

The maximum credit exposure of the Group to overseas parties is £nil (2019: £nil) (Company: £nil (2019: £nil)). The Group's credit risk is widely distributed. The maximum credit risk should any single party (excepting financial institutions) fail to perform is £3.8m (2019: £4.0m) and is not yet due (Company: £1,239.5m (2019: £1,099.6m) 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 £325.0m (2019: £187.5m).

Fair value

The fair value of financial assets and liabilities is as follows:

	2020		2019	
Group	**Fair value £m**	**Carrying value £m**	Fair value £m	Carrying value £m
Trade and other receivables	**84.0**	**84.0**	59.6	59.6
Shared equity loan receivables	**56.2**	**56.2**	68.6	68.6
Cash and cash equivalents	**1,234.1**	**1,234.1**	843.9	843.9
Trade and other payables	**(596.3)**	**(596.3)**	(650.6)	(650.6)
Land payables	**(329.3)**	**(329.3)**	(435.2)	(435.2)
Partnership liability	**(35.2)**	**(33.3)**	(38.5)	(37.1)
	413.5	**415.4**	(152.2)	(150.8)

In aggregate, the fair value of financial assets and liabilities are not materially different from their carrying value.

22 Financial risk management continued

Company	2020 Fair value £m	2020 Carrying value £m	2019 Fair value £m	2019 Carrying value £m
Trade and other receivables (including intercompany balances)	**1,862.5**	**1,862.5**	1,772.0	1,772.0
Cash and cash equivalents	**1,010.9**	**1,010.9**	623.7	623.7
Trade and other payables (including intercompany balances)	**(3,897.7)**	**(3,897.7)**	(3,739.3)	(3,739.3)
	(1,024.3)	**(1,024.3)**	(1,343.6)	(1,343.6)

Income and expense in relation to financial instruments is disclosed in note 8.

Financial assets and liabilities by category:

	Group		Company	
	2020 £m	2019 £m	**2020 £m**	2019 £m
Financial assets designated fair value through profit and loss	**56.2**	68.6	**–**	–
Trade and other receivables	**84.0**	59.6	**1,862.5**	1,772.0
Cash and cash equivalents	**1,234.1**	843.9	**1,010.9**	623.7
Financial liabilities at amortised cost	**(959.1)**	(1,122.7)	**(3,896.7)**	(3,739.3)
	415.2	(150.6)	**(1023.3)**	(1,343.6)

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	2020 Level 3 £m	2019 Level 3 £m
Shared equity loan receivables	**56.2**	68.6

Shared equity loan receivables

Shared equity loan receivables represent loans advanced to customers and secured by way of a second charge on their new home. They are carried at fair value. The fair value is determined by reference to the rates at which they could be exchanged by knowledgeable and willing parties. Fair value is determined by discounting forecast cash flows for the residual period of the contract by a risk adjusted rate.

There exists an element of uncertainty over the precise final valuation and timing of cash flows arising from these loans. As a result the Group has applied inputs based on current market conditions and the Group's historic experience of actual cash flows resulting from such arrangements. These inputs are by nature estimates and as such the fair value has been classified as level 3 under the fair value hierarchy laid out in IFRS 13 Fair Value Measurement.

Significant unobservable inputs into the fair value measurement calculation include regional house price movements based on the Group's actual experience of regional house pricing and management forecasts of future movements, weighted average duration of the loans from inception to settlement of ten years (2019: ten years) and discount rate 5% (2019: 9%) based on current observed market interest rates offered to private individuals on secured second loans.

The discounted forecast cash flow calculation is dependent upon the estimated future value of the properties on which the shared equity loans are secured. Adjustments to this input, which might result from a change in the wider property market, would have a proportional impact upon the fair value of the loan. Furthermore, whilst not easily assessable in advance, the resulting change in security value may affect the credit risk associated with the counterparty, influencing fair value further.

Detail of the movements in shared equity loan receivables in the period are disclosed in note 16.

Notes to the financial statements continued
For the year ended 31 December 2020

23 Deferred tax

The following are the deferred tax assets and liabilities recognised by the Group and the movements thereon during the current and prior year:

	Note	Accelerated tax depreciation £m	Retirement benefit obligation £m	Share-based payment £m	Intangible assets £m	Other temporary differences £m	Total £m
At 1 January 2019		2.0	(15.4)	9.1	(10.2)	0.2	(14.3)
Charge to profit and loss	10.1	–	(2.4)	(1.2)	–	–	(3.6)
Credit to other comprehensive income	10.2	–	4.6	–	–	–	4.6
Amounts taken directly to equity	10.3	–	–	(5.3)	–	–	(5.3)
At 1 January 2020		2.0	(13.2)	2.6	(10.2)	0.2	(18.6)
Charge to profit and loss		–	(2.9)	1.0	(1.2)	(0.2)	(3.3)
Credit to other comprehensive income		–	6.5	–	–	–	6.5
Amounts taken directly to equity		–	–	0.1	–	0.1	0.2
At 31 December 2020		**2.0**	**(9.6)**	**3.7**	**(11.4)**	**0.1**	**(15.2)**

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:

	2020 £m	2019 £m
Share-based payments	**3.7**	2.6
Other items, including accelerated capital allowances	**4.0**	4.0
Deferred tax assets	**7.7**	6.6
Brands	**(11.4)**	(10.2)
Other items, including accelerated capital allowances	**(11.5)**	(15.0)
Deferred tax liabilities	**(22.9)**	(25.2)
Net deferred tax liability	**(15.2)**	(18.6)

The Group has recognised deferred tax liabilities of £9.6m (2019: liabilities of £13.2m) on retirement benefit assets of £50.6m (2019: assets of £77.6m).

The following are the deferred tax assets and liabilities recognised by the Company and the movements thereon during the current and prior year:

	Accelerated tax depreciation £m	Retirement benefit obligation £m	Share-based payment £m	Other temporary differences £m	Total £m
At 1 January 2019	0.1	(15.4)	8.3	1.3	(5.7)
Credit/(charge) to profit and loss	0.1	(2.4)	(1.2)	(0.3)	(3.8)
Credit to other comprehensive income	–	4.6	–	–	4.6
Amounts taken directly to equity	–	–	(5.6)	–	(5.6)
At 1 January 2020	0.2	(13.2)	1.5	1.0	(10.5)
Credit/(charge) to profit and loss	0.1	(2.9)	1.0	(0.1)	(1.9)
Credit to other comprehensive income	–	6.5	–	–	6.5
Amounts taken directly to equity	–	–	(0.8)	–	(0.8)
At 31 December 2020	**0.3**	**(9.6)**	**1.7**	**0.9**	**(6.7)**

No deferred tax assets and liabilities have been offset (2019: £nil).

24 Share capital

	2020 £m	2019 £m
Allotted, called up and fully paid		
319,071,261 (2019: 318,902,385) 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 168,876 ordinary shares (2019: 1,342,324) 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 2020, the Trustee transferred 115,489 shares to employees. At 31 December 2020 the trust held 105,523 shares (2019: 221,012) on which dividends have been waived. The market value of these shares at 31 December 2020 was £2,919,821 (2019: £5,956,273).

Own shares

Own shares held at cost are reconciled as follows:

	Group £m
Balance at 31 December 2019	0.6
Disposed of on exercise/vesting to employees	(0.2)
Balance at 31 December 2020	0.4

25 Reconciliation of net cash flow to net cash and analysis of net cash

Group	2020 £m	2019 £m
Cash and cash equivalents at 1 January	843.9	1,048.1
Increase/(decrease) in net cash and cash equivalents in cash flow	390.2	(204.2)
Cash and cash equivalents at 31 December	1,234.1	843.9
IFRS 16 lease liability	(9.6)	(8.9)
Net cash at 31 December	1,224.5	835.0

Net cash is defined as cash and cash equivalents, bank overdrafts, finance lease obligations and interest bearing borrowings.

26 Contingent liabilities

As disclosed in note 21 the Group has undertaken a review of all of its legacy buildings that used cladding on their façades.

The Financial Statements have been prepared based on the latest available information, however the relevant Government guidance and retrospective review of building materials continues to evolve. As such, the costs of remedial works may change as work and regulations progress.

In the normal course of business the Group has given counter indemnities in respect of performance bonds and financial guarantees. Management estimate that the bonds and guarantees amount to £379m (2019: £364m), and confirm that the possibility of cash outflow is considered minimal and no provision is required.

Provision is made for the Directors' best estimate of all known legal claims and all legal actions in progress. The Group takes legal advice as to the likelihood of success of claims and actions and no provision is made where the Directors consider, based on that advice, that the action is unlikely to succeed, or a sufficiently reliable estimate of the potential obligation cannot be made.

The Company has entered into guarantees of certain financial liabilities of related undertakings as detailed in note 31.

Notes to the financial statements continued
For the year ended 31 December 2020

27 Retirement benefit assets

As at 31 December 2020 the Group operated four employee pension schemes, being two Group personal pension schemes and two defined benefit pension schemes. Remeasurement gains and losses in the defined benefit schemes are recognised in full as other comprehensive income within the consolidated statement of comprehensive income. All other pension scheme costs are reported in profit or loss.

Group personal pension schemes

The Group makes contributions to the Group personal pension schemes which are open to employees who are not members of the defined benefit schemes. Dependent upon an employee's role and length of service the Group may make contributions to the schemes of up to a maximum of 9% of basic salary. The Group has no liability beyond these contributions. Group contributions to these schemes of £4.6m (2019: £4.1m) are expensed through the statement of comprehensive income as incurred.

Persimmon Plc Pension & Life Assurance Scheme

The Persimmon Plc Pension & Life Assurance Scheme (the 'Persimmon Scheme') is a defined benefit scheme which was closed to new members in 2001. Active members of the Persimmon Scheme accrue benefits on a career average revalued earnings basis. The assets of the Persimmon Scheme are held separately from those of the Group.

On 12 December 2012 Persimmon Plc made a one-off cash contribution of £57.8m to the Persimmon Scheme. The Persimmon Scheme used these funds to invest in Persimmon Scottish Limited Partnership, which has undertaken to provide fixed cash payments to the Persimmon Scheme to meet its liabilities over a 15 year period. See note 28 for further details.

Prowting Pension Scheme

The Group also operates the Prowting Pension Scheme (the 'Prowting Scheme'), a defined benefit scheme. Benefits accrue on a career average revalued earnings basis. The assets of the Prowting Scheme are held separately from those of the Group.

Role of Trustees

Both the Persimmon Scheme and the Prowting Scheme (jointly 'the Pension Schemes') are managed by Trustees who are legally separate from the Company. The Trustees are composed of representatives appointed by both the employer and employees. The Trustees are required by law to act in the interest of all relevant beneficiaries and are responsible in particular for the asset investment policy plus the day-to-day administration of the benefits. They are also responsible for jointly agreeing with the employer the level of contributions due to the Pension Schemes (see below).

Funding requirements

UK legislation requires that pension schemes are funded prudently i.e. to a level in excess of the current expected cost of providing benefits. The last funding valuation of the Persimmon Scheme was carried out by a qualified actuary as at 1 January 2017 and as at 31 March 2018 for the Prowting Scheme. The next funding valuation will be as at 1 January 2020 for the Persimmon Scheme (which is in progress) and as at 31 March 2021 for the Prowting Scheme. Subsequent valuations will be at intervals of no more than three years thereafter. Following each valuation, the Trustees and the Company must agree the contributions required (if any) to ensure the Pension Schemes are fully funded over time on a suitable prudent measure. Contributions agreed in this manner constitute a minimum funding requirement.

Given the current strength of the Persimmon and Prowting Scheme's funding (due to recent cash contributions made to the Schemes) no deficit contributions are required for either scheme. Salary related contributions for active members and expense related contributions are payable for the Persimmon Scheme.

Under the governing documentation of the Pension Schemes, any future surplus in either scheme would be returnable to the Group by refund, assuming gradual settlement of the liabilities over the lifetime of the Pension Schemes. As a result the Group does not consider there to be an asset ceiling in respect of the Pension Schemes.

The Group has determined that in accordance with the rules of the Pension Schemes the present value of refunds or reductions in future contributions is not lower than the balance of the fair value of funding obligations. As such no decrease in the defined benefit asset was necessary.

Both Pension Schemes are in a strong funding position. The Group remains committed to the continuity of this position and will review future contribution levels in the event of any significant deficit arising.

The Pension Schemes investment strategy is to maintain a portfolio of suitable assets of appropriate liquidity which will generate investment returns to meet, together with future contributions, the benefits of the members as they fall due. The Pension Schemes do not invest directly in complex financial instruments, though there may be limited indirect investment through investment funds.

27 Retirement benefit assets continued

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.50%) of assets in growth assets (such as equities) which, although expected to outperform corporate bonds in the long term, create volatility and risk in the short term. The allocation to growth assets is monitored to ensure it remains appropriate given the Pension Schemes' long-term objectives.
Changes in bond yields	A decrease in corporate bond yields will increase the value placed on the DBO for accounting purposes, although this will be partially offset by an increase in the value of the Pension Schemes' bond holdings.
Inflation risk	A significant proportion of the DBO is indexed in line with price inflation and higher inflation will lead to higher liabilities (although, in most cases, this is capped at an annual increase of 5%).
Life expectancy	The majority of the Pension Schemes' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the liabilities.

There are a number of other risks of running the Pension Schemes including operational risks (such as paying out the wrong benefits), legislative risks (such as the Government increasing the burden on pension through new legislation) and other demographic risks, such as a higher proportion of members having a dependant eligible to receive a survivor's pension.

Net Pension Asset

The amounts included in the balance sheet arising from the Group's obligations in respect of the Pension Schemes are as follows:

	2020 £m	2019 £m
Fair value of Pension Scheme assets	**694.4**	672.8
Present value of funded obligations	**(643.8)**	(595.2)
Net pension asset	**50.6**	77.6

A deferred tax liability totalling £9.6m (2019: liability of £13.2m) has been recognised on the balance sheet in relation to the net pension asset.

Movements in the net pension asset on the balance sheet were as follows:

	2020 £m	2019 £m
As at 1 January	**77.6**	90.6
Total loss recognised in the period	**(43.8)**	(26.9)
Company contributions paid in the period	**16.8**	13.9
Net pension asset	**50.6**	77.6

The Group has recognised a Net Pension Asset on the basis that under the rules of the scheme any future surplus would be returnable to the Group by refund, assuming gradual settlement over the lifetime of the schemes.

Notes to the financial statements continued
For the year ended 31 December 2020

27 Retirement benefit assets continued

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:

	2020 £m	2019 £m
Current service cost	1.9	1.7
Past service cost	0.5	–
Administrative expense	0.6	0.9
Pension cost recognised as operating expense	3.0	2.6
Interest cost	11.7	14.9
Return on assets recorded as interest	(13.4)	(17.6)
Pension cost recognised as net finance credit	(1.7)	(2.7)
Total defined benefit pension cost/(credit) recognised in profit or loss	1.3	(0.1)
Remeasurement loss recognised in other comprehensive income	42.5	27.0
Total defined benefit scheme loss recognised	43.8	26.9

The past service cost recognised in the current period reflects the impact of the legal rulings regarding Guaranteed Minimum Pension equalisation (GMP).

Assets

The assets of the Pension Schemes have been calculated at fair value and are invested in the following asset classes:

	2020 £m	2019 £m
Equity		
– UK	29.1	79.9
– US	99.6	83.3
– Eurozone	28.6	31.4
– Other	20.0	14.6
Bonds		
– Government	157.2	139.8
– sub-investment grade	107.2	149.0
Asset backed funding	35.2	38.5
Diversified Growth Fund	138.5	79.5
Cash	79.0	56.8
Total	694.4	672.8

All assets have a quoted market value in an active market, with the exception of Asset backed funding of £35.2m (2019: £38.5m), which related to secured cash flows.

The Persimmon Scheme holds 93% (2019: 93%) of the gross assets of the Pension Schemes and 95% (2019: 95%) of the gross liabilities. The remainder relates to the Prowting Scheme. The Pension Schemes do not engage in investments in complex financial assets such as Insurance Contracts or Longevity Derivatives.

Changes in the fair value of scheme assets were as follows:

	2020 £m	2019 £m
As at 1 January	672.8	616.8
Return on assets recorded as interest	13.4	17.6
Remeasurement gain on assets	15.6	48.9
Contributions	16.8	13.9
Benefits and expenses paid	(24.2)	(24.4)
As at 31 December	694.4	672.8

27 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:

	2020 % p.a.	2019 % p.a.
Discount rate	1.4	2.0
General pay increases	2.7	2.9
RPI Inflation assumption	2.7	2.9
CPI Inflation assumption	2.2	2.1

Post retirement life expectancy for retirement aged members are as follows:

	2020 Years	2019 Years
Male current pensioner	22.5	22.5
Male future pensioner	23.2	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.

	2020 £m	2019 £m
Total value of current employees' benefits	45.1	51.1
Deferred members' benefits	264.0	262.6
Pensioner members' benefits	334.7	281.5
Total defined benefit obligation	643.8	595.2

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 18 years.

Changes in the defined benefit obligation were as follows:

	2020 £m	2019 £m
As at 1 January	(595.2)	(526.2)
Current service cost	(1.9)	(1.7)
Past service cost	(0.5)	–
Interest cost	(11.7)	(14.9)
Remeasurement loss on liabilities	(58.1)	(75.9)
Benefits paid	23.6	23.5
As at 31 December	(643.8)	(595.2)

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.

	2020 £m	2019 £m
Present value of defined benefit obligation (DBO)	643.8	595.2
– DBO following a 0.25% decrease in the discount rate	671.1	622.3
– DBO following a 0.25% increase in the discount rate	617.5	570.0
– DBO following a 0.25% decrease in the inflation assumption	631.1	578.8
– DBO following a 0.25% increase in the inflation assumption	660.5	612.0
– DBO following a 1 year decrease to life expectancy	611.6	567.5
– DBO following a 1 year increase to life expectancy	676.4	623.1

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 2020

28 Partnership Liability to the Persimmon Plc Pension & Life Assurance Scheme

Persimmon Scottish Pension Trustees Limited, a wholly owned Group subsidiary, is general partner in Persimmon Scottish Limited Partnership ('the Partnership'). Persimmon Pension Trustees Limited, the Trustee of the Persimmon Plc Pension & Life Assurance Scheme ('the Persimmon Scheme') is a limited partner. The Partnership is included in the consolidated results of the Group. The Partnership has taken advantage of the exemptions in the Partnerships (Accounts) regulations 2008 not to file separate accounts on this basis.

The terms of the Persimmon Scheme's interest in the Partnership give the pension scheme obligatory rights to cash returns but insignificant operational control over the Partnership. The interest has been classified as a financial liability and is accounted for on an amortised cost basis. During the year the Group has made payments in relation to the Partnership liability (including interest) totalling £5.5m (2019: £5.4m).

Under IAS 19 the partnership interest of the Persimmon Scheme is included within the UK pension scheme assets. For further details see note 27.

The Partnership is the beneficial owner of a bond secured on a proportion of the Group's shared equity loan receivables and guaranteed by Persimmon Plc, which will support the Partnership investment return to the Persimmon Scheme.

29 Share-based payments

The Group operates a number of share option schemes, the details of which are provided below. All schemes were equity settled, however the Board have decided to net settle the withholding tax in relation to the Persimmon Plc 2012 Long Term Incentive Plan. Payments made or due in association with the withholding tax have been accounted for as a deduction from equity. These amounts totalled £2.4m (2019: £26.9m). There are currently no plans to net settle other option schemes.

The Savings-Related Share Option Scheme is an HMRC approved scheme open to all permanent employees. Options can normally be exercised three years after the date of grant.

Options have been issued to senior management (including the Executive Directors) under the Group's various executive share option schemes, which include awards under the Group's long term incentive plans. Future vesting of options is dependent upon the return of cash to shareholders between 2017 and 2019 for options granted in 2017 under the Persimmon Plc 2017 Performance Share Plan, and upon TSR relative to a peer group, customer care performance and return of cash to shareholders between 2018 and 2020 for options granted in 2018 under the Persimmon Plc 2017 Performance Share Plan and on customer care, cash generation and TSR performance between 2019 and 2021 for options granted in 2019 and 2020 under the Persimmon Plc 2017 Performance Share Plan.

Options granted under the Persimmon Long Term Incentive Plan 2007 ('2007 LTIP') between September 2010 and September 2011 consisted of unapproved awards and HMRC approved awards where appropriate, with an exercise price equivalent to market value on the date of the award, plus a linked award. In the event that the market price of a share at the date of exercise of an approved option exceeds the option price, then the value of the linked award that vests is restricted to an amount capped at the cost of exercise of the approved option.

Reconciliations of share options outstanding during each period, under each type of share scheme, are as follows:

	2020 Savings-Related Share Option Scheme		2019 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	**798,842**	**1,788.3**	830,932	1,749.5
Granted during the year	**402,937**	**1,854.0**	403,070	1,691.4
Forfeited during the year	**(89,918)**	**1,792.0**	(176,605)	1,853.6
Exercised during the year	**(164,985)**	**1,853.2**	(258,555)	1,467.9
Outstanding at the end of the year	**946,876**	**1,804.6**	798,842	1,788.3
Exercisable at the end of the year	**29,391**	**1,982.1**	40,563	1,434.8

29 Share-based payments continued

Group and Company	2020 Bonus Share Scheme Number of shares under option	2019 Bonus Share Scheme Number of shares under option
Outstanding at the beginning of the year	8,639	29,054
Exercised during the year	(8,639)	(20,415)
Outstanding at the end of the year	–	8,639
Exercisable at the end of the year	–	–

Group and Company	2020 Long Term Incentive Plan 2007 Non HMRC Approved Number of shares under option	2019 Long Term Incentive Plan 2007 Non HMRC Approved Number of shares under option
Outstanding at the beginning of the year	3,320	6,643
Forfeited during the year	(2,749)	–
Exercised during the year	(571)	(3,323)
Outstanding at the end of the year	–	3,320
Exercisable at the end of the year	–	3,320

	2020 Long Term Incentive Plan 2007 HMRC Approved		2019 Long Term Incentive Plan 2007 HMRC Approved	
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	3,320	451.8	3,320	451.8
Exercised during the year	(3,320)	451.8	–	–
Outstanding at the end of the year	–	–	3,320	451.8
Exercisable at the end of the year	–	–	3,320	451.8

Group and Company	2020 Long Term Incentive Plan 2012* Number of shares under option	2019 Long Term Incentive Plan 2012* Number of shares under option
Outstanding at the beginning of the year	454,903	3,033,857
Forfeited/waived during the year	(241,293)	–
Exercised during the year	(201,610)	(2,578,954)
Outstanding at the end of the year	12,000	454,903
Exercisable at the end of the year	12,000	454,903

* 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.

Notes to the financial statements continued
For the year ended 31 December 2020

29 Share-based payments continued

Group and Company	**2020 2017 Performance Share Plan Number of shares under option**	2019 2017 Performance Share Plan Number of shares under option
Outstanding at the beginning of the year	**697,527**	191,235
Granted during the year	**646,841**	561,349
Forfeited during the year	**(82,614)**	(55,057)
Outstanding at the end of the year	**1,261,754**	697,527
Exercisable at the end of the year	**–**	–

The weighted average share price at the date of exercise for share options exercised during the period was 2,611.3p (2019: 2,432.0p). The options outstanding at 31 December 2020 had a range of exercise prices from nil to 1,992.0p and a weighted average remaining contractual life of 1.6 years (2019: 1.8 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 2020 Tranche 1	PSP 2020 Tranche 2	SAYE 2020
Grant date	22 May 2020	28 September 2020	15 October 2020
Risk free interest rate	(0.04)%	(0.10)%	(0.11)%
Exercise price	–	–	£18.54
Share price at date of grant	£21.64	£24.97	£25.25
Expected dividend yield*	0%	0%	4.65%
Expected life	2.8 years	2.4 years	3.1 years
Holding period	2.0 years	2.0 years	n/a
Date of vesting	28 February 2023	28 February 2023	1 December 2023
Expected volatility	26.7%	34.0%	29.4%
Fair value of option	£14.84	£17.92	£2.42

* At the discretion of the Remuneration Committee a cash bonus may be paid to holders of 2020 PSP grants equivalent to the value of any dividend which might have been paid on the shares held under option had those instead been issued. For purposes of valuation it has been assessed that such a payout will be made and the foregone dividend yield assumption set to nil.

Expected volatility was determined by calculating the historic volatility of the Group's share price over various timescales.

The expected life used in the model has been adjusted, based on best estimates, to reflect exercise restrictions and behavioural considerations.

In 2020, the Group recognised total expenses before tax of £6.4m (2019: £3.7m) 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 2020 the total credit recognised in relation to equity settled share-based payments was £10.7m (2019: £6.1m) of which £1.3m (2019: £5.7m) related to options currently vested awaiting exercise. All share-based payments are expensed by the Company.

30 Related party transactions

The Board and certain members of senior management are related parties within the definition of IAS 24 Related Party Disclosures. Summary information of the transactions with key management personnel is provided in note 6. Detailed disclosure of the individual remuneration of Board members is included in the Remuneration Report on pages 110 to 132. 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:

	2020 £m	2019 £m
Interest charges on intra-group funding	**(50.9)**	(58.4)
Group services recharges	**46.5**	51.1
	(4.4)	(7.3)

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 2020 totalled £1,840.5m (2019: £1,761.0m). Amounts owed to subsidiary undertakings by the Company at 31 December 2020 totalled £3,867.9m (2019: £3,718.2m).

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 2020 is £35.2m (2019: £38.5m).

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 2020 was £nil (2019: £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 2020 was £nil (2019: £nil).

The Company has suffered £nil expense in respect of bad or doubtful debts of subsidiary undertakings in the year (2019: £nil).

31 Details of major Group undertakings

The Directors set out below information relating to the major subsidiary undertakings (those that principally affect the profits and assets of the Group) of Persimmon Plc at 31 December 2020. All of these companies are registered in England. All voting rights are held by companies within the Group. A full list of subsidiary undertakings and jointly controlled entities can be found in note 32.

Major subsidiary undertakings

Persimmon Homes Limited°	Charles Church Developments Limited$^{\Delta}$	
Persimmon Holdings Limited*	Persimmon Shared Equity Limited**	Persimmon Scottish Limited Partnership***

° The shares of this company are held by Persimmon Holdings Limited and Persimmon Plc.

$^{\Delta}$ 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).

Notes to the financial statements continued
For the year ended 31 December 2020

32 Details of all subsidiary undertakings

Persimmon Group subsidiary companies

The following companies, included in these consolidated accounts, are wholly owned by the Persimmon Group and are incorporated in the UK unless otherwise stated. Persimmon Plc or its subsidiary companies also hold all of the voting rights unless otherwise stated. The Registered Office for each company is Persimmon House, Fulford, York, YO19 4FE unless otherwise stated.

Name of undertaking	Description of shares held
@Home Limited	Ordinary* and 3.5% Preference*
A.E.A Prowting Limited	Ordinary*
A Monk & Company Developments (S.W.) Limited	Ordinary* and Deferred*
Alford Brothers Limited	Ordinary*
Anjok 157 Limited	Ordinary*
Anjok 171 Limited[1]	Ordinary*
Anjok 172 Limited	Ordinary*
Anjok 173 Limited	Ordinary*
Anjok 269 Limited[1]	Ordinary* and Deferred*
Anjok 28 Limited	Ordinary* and 8% Preference*
Anjok 31 Limited	Ordinary*
Anjok Five (1996) Limited	Ordinary*
Anjok Holdings Limited	Ordinary* and Deferred*
Anjok Investments Limited	Ordinary*
Anjok Twenty Limited[1]	A Ordinary* and B Ordinary*
Anjok Two Limited	Ordinary*
Aria Homes Limited	A Ordinary* and B Ordinary*
Arthur S Nixon and Company	1% Non-Cumulative Preference* and Ordinary*
Aspect Homes Limited	Ordinary*
Atlantis One Limited	Ordinary* and Preference*
Beazer Group Limited	Ordinary*
Beazer Homes (Anglia) Limited	Deferred* and A Ordinary*
Beazer Homes (Barry) Limited	Ordinary*
Beazer Homes (FLE) Limited	A Ordinary* and B Ordinary*
Beazer Homes (FNLHS) Limited	Ordinary*
Beazer Homes (South Wales) Limited	Ordinary*
Beazer Homes (Wessex) Limited	Ordinary*
Beazer Homes and Property Limited	Ordinary*
Beazer Homes Bedford Limited	Deferred* and A Ordinary*
Beazer Homes Birmingham Central Limited	Deferred* and A Ordinary*
Beazer Homes Bridgwater Limited	Deferred* and A Ordinary*
Beazer Homes Bristol Limited	Deferred* and A Ordinary*
Beazer Homes Cardiff Limited	Deferred* and A Ordinary*
Beazer Homes Doncaster Limited	Deferred* and A Ordinary*
Beazer Homes Edinburgh Limited[1]	Deferred* and A Ordinary*
Beazer Homes Glasgow Limited[1]	Deferred* and A Ordinary*
Beazer Homes Limited	Ordinary*, Deferred* and A Ordinary*
Beazer Homes Nottingham Limited	Ordinary*
Beazer Homes Reigate Limited	Ordinary*
Beazer Homes Stockport Limited	Deferred* and A Ordinary*
Beazer Homes Yateley Limited	Deferred* and A Ordinary*
Beazer London Limited	Ordinary*
Beazer Partnership Homes (Scotland) Limited[1]	Ordinary*
Beazer Partnership Homes Midlands Limited	Ordinary*
Beazer Swaffham Limited	Ordinary*
Beazer Urban Developments (Anglia) Limited	Deferred* and A Ordinary*
Beazer Urban Developments (Bedford) Limited	Ordinary*
Beazer Urban Developments (East Midlands) Limited	Ordinary*
Beazer Urban Developments (South West) Limited	Ordinary*
Beazer Western Engineering Services Limited	Ordinary*
Belsco 1020 Limited[1]	Ordinary*
Breakblock Limited	Ordinary*
Broomco (3385) Limited	Ordinary*
Bruce Fletcher (Leicester) Limited	Ordinary*
Charles Church Civil Engineering Limited	Ordinary*
Charles Church Developments Limited	Ordinary*
Charles Church Essex Limited	Ordinary*
Charles Church Estates Limited	Ordinary*
Charles Church Holdings plc	A Convertible Ordinary*, B Ordinary*, B Redeemable Preference*, C Preference*, D Ordinary*, D Preference*, Deferred*, E Deferred*, E Ordinary* and Preference*.
Charles Church Housing Limited	Ordinary*
Charles Church Investment Properties Limited	Ordinary*
Charles Church Kent Limited	Ordinary*
Charles Church Limited	Ordinary*
Charles Church London Limited	Ordinary*
Charles Church Management Limited	Ordinary*
Charles Church Partnership Homes Limited	Ordinary*
Charles Church Residential Developments Limited	Ordinary*
Charles Church South East Limited	Ordinary*
Charles Church Southern Limited	Ordinary*
Charles Church Thames Valley Limited	Ordinary*
Charles Church Trading Limited	Ordinary*
Charles Church Village Heritage plc	Ordinary*
Coatglade Limited	Ordinary*
Comben Group Limited	A Deferred Ordinary, B Deferred Ordinary and Ordinary
Cresswellshawe Properties Limited	Ordinary* and 3.5% Preference*
Crowther Homes (Darlington) Limited	Ordinary*
Crowther Homes (Midland) Limited	Ordinary*
Crowther Homes (Nat W) Limited	Ordinary*
Crowther Homes (Yarm) Limited	Ordinary*
Crowther Homes Limited	Ordinary*
D Dunk (Builders) Limited	Ordinary*
D R Dunthorn & Son Limited	Deferred*, Deferred* and Ordinary*
Datblygwyr Dorothea Limited (94% of nominal value owned)	Ordinary*
Delany Brothers (Housebuilders) Limited	Ordinary* and Preference*
Domus Group Limited	Deferred*, Deferred* and A Ordinary*
E.E. Reed & Co. (Builders) Limited	Ordinary*
E F G H Limited	Ordinary*
E F G H Nominees Limited	Ordinary*
Emerson Park Limited	Ordinary*
F C Spear Limited	Ordinary*
Ferry Quay Developments Limited	A Ordinary*, B Ordinary* and C Ordinary*
FibreNest Limited	Ordinary*

32 Details of all subsidiary undertakings continued

Name of undertaking	Description of shares held
Frays Property Management (No.1) Limited	Ordinary*
Frays Property Management (No.2) Limited	Ordinary*
Frays Property Management (No.6) Limited	Ordinary*
Friary Homes Limited	Ordinary*
Galliford Developments Limited	Ordinary*
Galliford Homes (London) Limited	A Ordinary* and B Ordinary*
Galliford Homes Holdings Limited	A Ordinary*, B Ordinary* and Preference*
Galliford Homes Limited	Ordinary*
Galliford Properties Southern Limited	Ordinary*
Galliford Southern Limited	Ordinary*
Geo. Wright & Co. (Contractors Wolverhampton) Limited	Deferred*, A Deferred* and A Ordinary*
Glamford Building Company Limited	Ordinary*
Gomersal Mills Limited	Deferred* and Ordinary*
Gosforth Business Park Management Company (No.2) Limited	Ordinary*
Haven Retirement Homes Limited	Ordinary*
Hazels Development Company Limited	A Ordinary* and B Ordinary*
Hillreed Developments Limited	Ordinary*
Hillreed Holdings Limited	Ordinary*, Management Shares* and Cumulative Preference*
Hillreed Homes Limited	Ordinary*
Hillreed Properties Limited	Ordinary*
Ideal Developments Limited	Ordinary*
Ideal Homes (UK) Limited	Ordinary*
Ideal Homes Anglia Limited	Ordinary*
Ideal Homes Central Limited	A Non Voting Ordinary* and B Ordinary*
Ideal Homes Holdings Limited	Deferred and Ordinary
Ideal Homes Limited	Ordinary*
Ideal Homes Midlands Limited	Ordinary*
Ideal Homes North West Limited	Ordinary*
Ideal Homes Northern Limited	Ordinary*
Ideal Homes Scotland Limited	Ordinary*
Ideal Homes Services Limited	Ordinary*
Ideal Homes Southern Limited	Ordinary*
J.W. Liptrot & Company Limited	Ordinary*
Jaboulet Limited	Ordinary*
John Maunders Group Limited	Ordinary*
Kenton Contracting (Yorkshire) Limited	Ordinary*
Kenton Contractors (Yorkshire) Limited	Ordinary*
Kenton Homes (Builders) Limited	Ordinary*

Name of undertaking	Description of shares held
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*
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*

Name of undertaking	Description of shares held
Monsell Youell Limited	Deferred* and A Ordinary*
Montague Developments Limited	Ordinary*
Mount Row Finance Limited	Ordinary*
Mount Row Securities Limited	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*
Persimmon DN Limited (Incorporated in Ireland)[12]	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 9) Limited	Ordinary*
Persimmon GR (No 10) Limited	Ordinary*
Persimmon GR (No 11) Limited	Ordinary*
Persimmon Holdings Limited	Ordinary and A Ordinary*
Persimmon Homes (Anglia) Limited	Ordinary*
Persimmon Homes (Doncaster) Limited	Ordinary*
Persimmon Homes (East Midlands) Limited	Ordinary*
Persimmon Homes (East Scotland) Limited	Ordinary*
Persimmon Homes (East Yorkshire) Limited	Ordinary*
Persimmon Homes (Edmonstone) Limited	Ordinary

Notes to the financial statements continued
For the year ended 31 December 2020

32 Details of all subsidiary undertakings continued

Name of undertaking	Description of shares held
Persimmon Homes (Essex) Limited	Deferred* and A Ordinary*
Persimmon Homes (Lancashire) Limited	Ordinary*
Persimmon Homes (Mercia) Limited	Ordinary*
Persimmon Homes (Midlands) Limited	Ordinary*
Persimmon Homes (North East) Limited	Ordinary*
Persimmon Homes (North Midlands) Limited	Ordinary*
Persimmon Homes (North West) Limited	Ordinary*
Persimmon Homes (Partnerships) Limited	Ordinary
Persimmon Homes (South Coast) Limited	Ordinary*
Persimmon Homes (South East) Limited	Ordinary*
Persimmon Homes (South Midlands) Limited	Deferred* and A Ordinary*
Persimmon Homes (South West) Limited	Ordinary*
Persimmon Homes (South Yorkshire) Limited	Ordinary*
Persimmon Homes (Teesside) Limited	Ordinary*
Persimmon Homes (Thames Valley) Limited	Ordinary*
Persimmon Homes (Wales) Limited	Ordinary*
Persimmon Homes (Wessex) Limited	Ordinary*
Persimmon Homes (West Midlands) Limited	Deferred* and A Ordinary*
Persimmon Homes (West Scotland) Limited	Ordinary*
Persimmon Homes (West Yorkshire) Limited	Ordinary*
Persimmon Homes (Woodley) Limited	Ordinary
Persimmon Homes (York) Limited	Ordinary
Persimmon Homes (Yorkshire) Limited	Deferred* and Ordinary*
Persimmon Homes Developments Limited	Ordinary
Persimmon Homes Limited	Ordinary*
Persimmon Partnerships (Scotland) Limited	Ordinary*
Persimmon Pension Trustees Limited	Ordinary
Persimmon Residential Limited	Ordinary*
Persimmon Scottish Limited Partnership**[1]	n/a
Persimmon Scottish Pension Trustees Limited[1]	Ordinary
Persimmon Shared Equity Limited	Ordinary
Persimmon Tileworks Limited	Ordinary*
Persimmon Trustees Limited	Ordinary
Pinnacle Developments (Scotland) Limited[1]	Ordinary*

Name of undertaking	Description of shares held
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*
Tudor Jenkins & Company Limited	Ordinary*
Walker Homes (Scotland) Limited[1]	Ordinary*
Wardour Limited (Incorporated in Gibraltar)[9]	Ordinary*
Wenshaw Limited	Ordinary*
Wescott Holdings Limited	Ordinary*
Wescott Homes Limited	Ordinary*
Wescott Land Limited	Ordinary*
Westbury Direct Limited	Ordinary*

Name of undertaking	Description of shares held
Westbury Homes (Holdings) Limited	Irredeemable Preference*, Ordinary*, Deferred* and 9.25% Preference*
Westbury Homes (Midlands) Limited	Ordinary*
Westbury Homes (Oval) Limited	Ordinary*
Westbury Homes (Severnside) Limited	Ordinary*
Westbury Homes (Somerset) Limited	Ordinary*
Westbury Homes (South West) Limited	Ordinary*
Westbury Homes (Stadium) Limited	Ordinary*
Westbury Homes (Venymore) Limited	A Ordinary* and B Ordinary*
Westbury Homes (Wales) Limited	Ordinary*
Westbury Homes (West Midlands) Limited	Ordinary*
Westbury Homes Limited	Ordinary*
Westbury Housing Investments Limited	Ordinary*
Westbury Limited	Ordinary
William Leech Builders (North West) Limited	Ordinary*
William Leech Limited	Ordinary* and 6.5% Cumulative Preference*

* Share class held by another Group company, but ultimately held by Persimmon Plc.

** A Scottish Limited Partnership.

1 180 Findochty Street, Garthamlock, Glasgow, G33 5EP

2 6 Europa Court, Sheffield Business Park, Sheffield, S9 1XE

3 6 Drakes Meadow, Penny Lane, Swindon, Wiltshire, SN3 3LL

4 44 Esplanade, St Helier, JE4 9WG, Jersey

5 3rd Floor Citygate, St. James' Boulvard, Newcastle upon Tyne, Tyne & Wear, NE1 4JE

6 Third Floor, Pavilion House, Scarborough, North Yorkshire, YO11 2JR

7 250 Aztec West, Almondsbury, Bristol, BS32 4TR

8 Gate House, Turnpike Road, High Wycombe, Buckinghamshire, HP12 3NR

9 3 Bell Lane, Gibraltar

10 Av. Duque de Loulé 47-2, 1050-086, Lisbon, Portugal

11 The Office, 12 Westfield Close, Gravesend, Kent, DA12 5EH

12 10 Earlsfort Terrace, Dublin 2, D02 T380, Ireland

32 Details of all subsidiary undertakings continued

Joint Arrangements

Name of undertaking	Description of shares held	Proportion of nominal value of share class held	Proportion of all share classes
Balaia Golf Village Realizacoes Imobiliaria Turisticos SA (Incorporated in Portugal)[10]	Bearer Shares	50%	50%
Balvil – Gestao de Empreendimentos Turisticos Lda (Incorporated in Portugal)[10]	Ordinary	50%	50%
Beechpath Limited	Ordinary	50%	50%
Bentwaters Housing Limited	Ordinary	50%	50%
Bentwaters Nominees Limited	Ordinary	50%	50%
Brentford Lock Limited	A Ordinary	100%	50%
Coton Park Consortium Limited[11]	WD	50%	25%
Cramlington Developments Limited	A Ordinary	100%	50%
Empreendimentos Turisticos da Armacao Nova Lda (Incorporated in Portugal)[10]	Ordinary	50%	50%
Genesis Estates (Manchester) Limited[2]	Ordinary	50%	50%
Gosforth Business Park Management Company Limited	A Ordinary	100%	33.3%
Haydon Development Company Limited[3]	Ordinary	20.5%	20.5%
Leebell Developments Limited	A Ordinary	100%	50%
Newcastle Great Park (Estates) Limited[5]	A Ordinary	100%	50%
North Haven Developments (Sunderland) Limited	B Ordinary	100%	50%
North Swindon Development Company Limited[3]	Ordinary	15%	15%
Oxfordshire Land Limited	Ordinary	33.3%	33.3%
Quedgeley Urban Village Limited[7]	C Ordinary	100%	25%
Rothley Temple Estates Limited[6]	Ordinary	28.5%	28.5%
Sociedade Torre de Marinha Realizacoes Turisticas SA (Incorporated in Portugal)[10]	Ordinary	50%	50%
Trafalgar Metropolitan Homes Limited	A Ordinary	100%	50%
Triumphdeal Limited[8]	Ordinary	50%	50%
Wick 3 Nominees Limited	B Ordinary	100%	33.3%

Residents Management Companies

The companies listed below are Residents Management Companies (RMCs) currently controlled by the Group. Control is exercised by the Group's power to appoint Directors and the Group's voting rights in these companies. All RMCs are companies limited by guarantee without share capital (unless otherwise stated) and incorporated in the UK.

The capital, reserves and profit or loss for the year has not been stated for these RMCs as beneficial interest in any assets or liabilities of these companies is held by the residents. These companies have not been included in the consolidated accounts, are temporary members of the Group and will be handed over to residents in due course.

The Registered Office of each RMC is Persimmon House, Fulford, York, YO19 4FE (unless otherwise stated).

Company Name
Abbey Green (Amesbury) Management Company Limited
Abbeyvale Taunton Management Company Limited
Ackton Pastures (Castleford) Management Company Limited
Acorn Place Management Limited
Agusta Park Flats Yeovil Management Company Limited
Agusta Park Yeovil Management Company Limited
Aldenham Road (Bushey) Management Company Limited
Alderman Park (Hasland) Management Company Limited
Allt Y Celyn (Rhos) Management Company Limited
Amberwood (Carlisle) Management Company Limited
Amblehurst Green (Billingshurst) Management Company Limited[1]
Amherst Hill (Brompton) Management Company Limited
Appledore Grove Management Company Limited
Arisdale (Phase 2) Residents Management Company Limited
Augusta Park (Dinnington) Management Company Limited
Aurora (Portishead) Management Company Limited[2]
Avalon (Mansfield) Management Company Limited[3]
Aveley Village (Aveley) Residents Management Company Limited
Aveley Village (Thurrock) Management Company Limited
Avery Fields (Birmingham) Management Company Limited
Avon Fields (Durrington) Management Company Limited
Aykley Woods (Durham) Management Company Limited
Aylesham Village Phase 1b (Aylesham) Residents Management Company Limited
Aylesham Village Phase 2 (Aylesham) Residents Management Co Limited
Badbury Park (Swindon) Management Company Limited
Badbury Park (Swindon) No 2 Management Company Limited
Banister Court (Southampton) Management Company Limited
Bannerbrook Management Company Limited[4]
Barber Court (Birmingham) Management Company Limited
Barrington Park Management Company Limited[5]
Beauchamp Grange (Caister) Residents Management Company Limited
Beaumont Park (Blandford) Management Company Limited[2]
Beckets Grove Management Company Limited
Beckets Grove Phase 2 (Wymondham) Residents Management Company Limited
Beckford Road (Alderton) Management Company Limited
Bell Lane (Little Chalfont) Management Company Limited
Bells Hill Management Company Limited[6]
Bishops Mead (Lydney) Management Company Limited
Bishops Meade (Downton) Management Company Limited

Notes to the financial statements continued
For the year ended 31 December 2020

32 Details of all subsidiary undertakings continued

Company Name
Blossom Meadows (Buttershaw) Management Company Limited
Bluebell Gardens (Morley) Management Company Limited
Bluebell Meadow (Bradwell) Management Company Limited
Bluebell Wood (Willenhall) Management Company Limited[7]
Booths Farm Residents Management Company Limited[8]
Boulton Moor (Derby) Properties Limited
Boyton Place (Haverhill) Residents Management Company Limited
Brackenleigh (Carlisle) Management Company Limited
Bramble Rise (Hetton) Management Company Limited
Bramblewood (Old Basing) Residents Management Company Limited
Branshaw Park (Keighley) Management Company Limited
Bridgefield (Ashford) Management Company Limited
Bridgefield Nine Management Company Limited
Brislington House Management Company Limited
Broadway (Rainham) Residents Management Company Limited
Brockeridge Road (Twyning) Resident Management Company Limited[9]
Brook View (Blackburn) Management Company Limited
Brookfield (Golborne) Management Company Limited[5]
Buckton Place (Leiston) Residents Management Company Limited
Bugbrooke Road (Kislingbury) Management Company Limited[10]
Burfield Park (Witham St Hughs) Residents Management Company Limited
Burfield Valley Estate Management Limited[11]
Buttercup Leys (Boulton Moor) Residential Management Company Limited
Buzzard Meadows (Leighton Buzzard) Residents Management Company Limited[10]
Calder Grange (Dewsbury) Management Company Limited
Canalside (Burton Upon Trent) Residential Management Company Limited
Canonbury Rise (Berkeley) Management Company Limited
Carleton Meadows Management Company Limited
Carpenters Field (Denmead) Management Company Limited
Castellum Grange (Colchester) Residents Management Company Limited
Castle Hill (Cottingham) Management Company Limited
Castlemead (953) Trowbridge Management Company Limited
Castlemead (Persimmon 950) Town Trowbridge Limited
Castlemead (Persimmon 964) Town Trowbridge Limited
Castleton Court (Haverfordwest) Management Company Limited
Cathedral Court (Salisbury) Management Company Limited
Cathedral Gate (Salisbury) No.1 Management Company Limited
Cathedral Gate (Salisbury) No.2 Management Company Limited[2]
Cathedral View (Durham) Management Company Limited
Cayton Meadows (Scarborough) Management Company Limited
Century Rise (Emersons Green) Management Company Limited
Charlton Place (Keynsham) Management Company Limited
Chestom Road (Bilston) Management Company Limited[8]
Chilmark Glade Management Company Limited
Chorley G 1 Management Company Limited[6]
Church Lane (Deal) Residents Management Company Limited
Clarence Place (Bracknell) Residents Management Company Limited
Cloatley Cresent Management Company Limited
Clock Tower (Wolverhampton) Management Company Limited[6]
Clos Ty Gwyn (Hendy) Management Company Limited
Clover Chase (Lingwood) Residents Management Company Limited
Coastal Dunes (Lytham St Annes) Management Company Limited
Coed Darcy (Llandarcy) Management Company Limited
College Park (Thurston) Residents Management Company Limited
Colliers Walk (Nottingham) Management Company Limited[6]
Colonial Wharf (Chatham) Residents Management Company Limited
Copperfield Place (Chelmsford) Residents Management Company Limited
Copperfield Truro Management Company Limited
Coquet Grange (Amble) Management Company Limited
Corelli Sherborne Management Company Limited
Cote Farm (Thackley) Management Company Limited
Coton Park (Rugby) Management Company Limited
Cotswold Vale (Long Marston) Management Company Limited[9]
Coverdale Paignton Management Company Limited[12]
Cranborne Heights Management Company Limited
Crofton Walk (Fair Oak) Management Company Limited
Cromwell Gardens (Huntingdon) Residents Management Company Limited
Cromwell Place (Little Dunmow) Residents Management Company Limited
Crosland Road (Lindley) Management Limited[8]
Cross Quays (Westwood) Management Company Limited
Cross Quays Phase 2 (Thanet) Residents Management Company Limited
Cumnor Hill Management Company Limited
Cwrt Y Llwyfen (Johnstown) Management Company Limited
Daisy Hill (Morley) Management Company Limited
Dan Y Bryn Management Company Limited
Dartford Bow Arrow (Management Company) Limited[13]
Deerwood Park (Colne) Management Company Limited
Dol Yr Ysgol (Bridgend) Management Company Limited
Douglas Gardens (Hesketh) Management Company Limited[6]
Downs View (Swanley) Residents Management Company Limited
Dukes Meadow (Tangmere) Management Company Limited
D'urton Heights (Preston) Management Company Limited
Earlesmead (Framingham Earl) Residents Management Company Limited
East Benton Rise (Benton) Management Company Limited
Eastside Quarter, Maelfa (Cardiff) RMC Limited[14]
Eccleshall Road (Stone) Management Company Limited[8]
Eclipse House (Andover) Management Company Limited
Eldon Whins (Middridge) Management Company Limited
Elkas Rise (Ilkeston) Management Company Limited
Ellesmere Park (The Oaks) Management Company Limited[5]
Ellis Mews (Micheldever) Management Company Limited[11]
Elm Farm (Wymondham) Residents Management Company Limited
Elworth Park Management Company Limited[15]
Emerald Gardens (Yapton) Management Company Limited
Emily Fields (Swansea) Management Company Limited
Eton Place (Bracknell) Management Company Limited
Eve Park (Falmouth) Management Company Limited
Fair Mile Rise (Blandford St Mary) Management Company Limited
Fairfax Mews Crediton Management Company Limited[12]
Fairmoor (Morpeth) Management Company Limited
Fairways (Retford) Management Company Limited
Farley Fields South Petherton Management Company Limited
Field Place (Faversham) Management Company Limited[13]
Fleckney Road Management Company Limited
Flint Grange (Clacton) Residents Management Company Limited
Foley Gardens (Newent) Residential Management Company Limited[9]
Folly Grove (Hockley) Residents Management Company Limited
Forge Wood (Crawley) Management Company Limited[11]
Foundry Meadows (Bexhill) Residents Management Company Limited
Friarwood Park (Pontefract) Management Company Limited

32 Details of all subsidiary undertakings continued

Company Name
Fulbeck Avenue (West Durrington) Management Company Limited[16]
Garden Valley (Aylesham) Residents Management Company Limited[11]
George Ward Gardens (Melksham) Management Company Limited
Germany Beck (Fulford) Management Company Limited
Gipping Mill (Great Blakenham) Residents Management Company Limited
Glan Yr Afon (Swansea) Management Company Limited
Golwg Y Glyn (Fforest) Management Company Limited[2]
Golwg Y Mynydd (Mountain Ash) RMC Limited[14]
Gotherington Grange Resident Management Company Limited
Grangewood Park (Burnham On Crouch) Residents Management Company Limited
Grays Court (Orpington) Residents Management Company Limited[11]
Great Western Park (Didcot) No 1 Management Company Limited
Great Western Park (Didcot) No 2 Management Company Limited
Great Western Park (Didcot) No 3 Management Company Limited
Great Woodcote Park Exeter Management Company Limited
Greenacres (Easington) Management Company Limited
Greenfield Court (Newport) Limited[17]
Greenfields (Narberth) Management Company Limited
Greetwell Fields (Lincoln) Residents Management Company Limited
Griffin Wharf (Ipswich) Residents Management Company Limited
Grove Street (Raunds) Residents Management Company Limited
Hailes Wood (Elsenham) Residents Management Company Limited
Hamilton Gate (Frinton) Residents Management Company Limited
Hamlet Crescent (Little Walden) Residents Management Company Limited
Hampton Gardens Phase 3 (Peterborough) Residents Management Company Limited
Hampton Park (Littlehampton) Residents Management Company Limited
Hampton Park (Stanway) 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
Harford Mews Ivybridge Management Company Limited[12]
Harlow Fields (Mackworth) Residential Management Company Limited
Harlow Hill Grange (Harrogate) Management Company Limited
Harrington Road (Desborough) Management Company Limited
Harrow View West (Harrow) Residents Management Company Limited
Hartcliffe Meadows (Penistone) Management Company Limited
Hartnells Farm Management Company Limited
Hartshill (Stoke) Management Company Limited[8]
Hastings Place (Bentley) Management Company Limited
Hatchwood Mill (Winnersh) Management Company Limited
Hathern Road (Shepshed) Management Company Limited[9]
Hauxley Grange (Amble) Residents Management Company Limited
Hawthorn Chase (Aston Clinton) Residents Management Company Limited
Haywards Gardens (Kegworth) Man Co. Limited[18]
Haywood Heights (Writhlington) 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[16]
Heritage Gate (Llantwit Major) Residents Management Company Limited
Heritage Green (Newbottle) Management Company Limited[19]
Heritage Park (Shinfield) Residents Management Company Limited

Company Name
Heritage Park (Sutton Courtenay) Residents Management Company Limited
Herne Vale Ilminster Management Company Limited
Hethersett Residents Management Company Limited[6]
Higham Lane Management Company Limited
Highfield Farm (West Melton) Residents Management Company Limited
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
Holmewood (Littleport) Management Company Limited
Horsbere Mews (Longford) Management Company Limited
Horseshoe Meadows (Westbury) Management Company Limited
HRC (Ware) Residents Management Company Limited
Hunts Pond Road (No 2) Management Company Limited[2]
Hunts Pond Road Management Company Limited[2]
Hurdle Court (Andover) Management Company Limited
Hydro (St Neots) Number One Management Company Limited
Imperial Park (Bristol) Management Company Limited
Ingleby (Barwick) Management Company Limited
Iwade Meadows (Iwade) Management Company Limited
Iwade Meadows (Yalding Apartments Plots 74-79) Management Company Limited
Jasmine Gardens Management Company Limited
Kennedy Place (Ulverston) Management Company Limited
Kings Grove Cranbrook Management Company Limited
Kingsbridge Court (Gorseinon) Management Company Limited
Kingsbridge Fields Management Company Limited
Kingsbury Gardens (St Albans) Residents Management Company Limited
Kingsbury Meadows (Wakefield) Management Company Limited
Kingsmead (Gloucester) Management Company Limited
Knights Court (Old Sarum) Management Company Limited
Knightswood Place (Rainham) Residents Management Company Limited
Knoll Lane (Ashford) Management Company Limited
Kyngshouton (Houghton Regis) Residents Management Company Limited
Ladgate Woods (Middlesbrough) Management Company Limited
Lakeside Edge (Peterborough) Residents Management Company Limited
Lauder Mews Crediton Management Company Limited
Launds Field (Galgate) Management Company Limited
Laureate Heights Sidmouth Management Company Limited
Lime Tree Court Derby Management Company Limited
Limes Place (Upper Harbledown) Residents Management Company Limited
Lindale Park (Alverthorpe) Management Company Limited
Lindley Moor Meadows (Huddersfield) Management Company Limited
Lingfield Meadows (Houghton) Management Company Limited
Llanilid Management Company Limited
Llaniltern Village RMC Limited[14]
Llys Meredith (Swansea) Management Company Limited
Lodmoor Sands (Weymouth) Management Company Limited[2]
Longbridge Place (Longbridge) Management Company Limited
Longleaze Management Company Limited
Low Moor Meadows (Morley) Management Company Limited
Lowen Bre Truro Management Company Limited
Lucknam Crescent (Swindon) Management Company Limited
Lyne Hill (Flats) Management Company Limited[8]
Lyne Hill Penkridge Management Company Limited[8]

Notes to the financial statements continued
For the year ended 31 December 2020

32 Details of all subsidiary undertakings continued

Company Name
Lythalls Lane (Coventry) Management Company Limited
Lythalls Place (Coventry) Management Company Limited
Maes Dyfed Management Company Limited
Maes Y Parc (Cross Hands) Management Company Limited
Maiden Vale (Ryhope) Management Company Limited
Malvern Rise (Malvern) Management Company Limited
Malvern Vale (Malvern) Management Company Limited[9]
Manor Farm (Doncaster) Management Company Limited
Manor Farm (Micklefield) Management Company Limited
Manor Park (Appleby Magna) Management Company Limited[9]
Manor Park Residents Company Limited[20]
Manor Place (Maidenhead) Residents Management Company Limited
Manor Vale Residents Management Company Limited
Maple Oak (Alton) Management Company Limited[2]
Marbourne Chase (Lane End) Management Company Limited
Mariners Walk (Swansea) Apartment Management Company Limited*
Mariners Walk (Swansea) Management Company Limited*
Marshfoot Lane (Hailsham) Residents Management Company Limited
Martello Park (Pembroke) Management Company Limited
Martineau Gardens Harborne Management Company Limited[7]
Mascalls Grange (Paddock Wood) Residents Management Company Limited
Mayfields (South Kirkby) Management Company Limited
Meadow Grove Management Limited[8]
Meadow Rise (Lydney) Management Limited[17]
Meadow View (Oundle) Management Company Limited
Meadow View (Redditch) Resident Management Company Limited
Meadowbrook Gardens (Ossett) Management Company Limited
Merchants Walk Cullompton No 2 Management Company Limited
Mercians Place Management Company Limited
Meridian Place (Hertford) Residents Management Company Limited
Merlins Lane (Scarrowscant) Management Company Limited
Mersey View (Bromborough Pool) Management Company Limited[21]
Mill Valley (Pevensey) Residents Management Company Limited
Mill View (Willingdon) Management Company Limited
Millbeck Grange (Bowburn) Management Company Limited
Millennium Farm (New Waltham) Management Company Limited
Moat House Fields (Marston Green) Management Limited[8]
Monarchs Chase (Fulwood) Management Company Limited
Monkswood (Sacriston) Management Company Limited
Montague Park Residents Management Company Limited[22]
Montfort Place (Odiham) Management Company Limited[6]
Moorfield (Easington) Management Company Limited
Moorfield Park Management Company Limited[6]
Moorlands Walk (Sherburn) Management Company Limited
Morewood Close (Sevenoaks) 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*[23]
NGP Management Company (Cell F) Limited*[23]
NGP Management Company (Commercial) Limited*[23]
NGP Management Company (Town Centre) Limited*[23]
NGP Management Company Residential (Cell C) Limited*[23]
NGP Management Company Residential (Cell G) Limited*[23]
Nightingale Gardens (Nr1 And Nr3) Residents Management Company Limited

Company Name
Norton Gardens Residents Management Company Limited
Norton Hall Meadow Management Limited[6]
Oak Heights (Northiam) Residents Management Company Limited[11]
Oak Tree Gardens (Audley) Management Company Limited[8]
Oakhurst Village (Shirley) Management Company Limited
Oakland Gardens (Wilthorpe) Management Company Limited
Oakley Grange & Eden Villas (Cheltenham) Management Company Limited
Oakwood Farm (Sevenoaks) Management Company Limited
Oakwood Meadows (Colchester) Residents Management Company Limited
Oakwood Meadows Phase 4 (Stanway) Residents Management Company Limited
Oakwood Park (Wymondham) Residents Management Company Limited
Oakwood View (Brackla) Management Company Limited
Oakwood View (Weston-Super-Mare) Management Company Limited
Oast Court Farm Management Company Limited[24]
Old Road (Churwell) Management Company Limited
Orchard Croft (Diss) Residents Management Company Limited
Orchard Grove (Coxheath) Residents Management Company Limited
Orchard Manor (Cheddington) Residents Management Company Limited
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
Parklands (Maidstone) Management Company Limited
Parkside (Cosham) Management Company Limited
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
Penny Pot Lane (Harrogate) Management Company Limited
Perry Park View (Perry Barr) Management Company Limited[9]
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
Phoenix Park (Dunstable) Residents Management Company Limited
Phoenix Place (North Hykeham) Management Company Limited
Phoenix Wharf (West Bromwich) Management Company Limited[9]
Picket 20 Management Company Limited
Picket Twenty Two (Andover) Management Company Limited
Portland Park (Ashington) Management Company Limited
Princess Way (Brackla) Management Company Limited[14]
Priory Meadows (Bodmin) Management Company Limited
Quantock View Management Company Limited
Quantum (Grays) Management Company Limited
Quinta Mews Management Company Limited[25]
Radstone Road (Brackley) Management Company Limited
Rainton Meadows (Chilton Moor) Management Company Limited[19]
Ramsdell (Ashford Hill) Management Company Limited
Readers Retreat (Hay-On-Wye) Residents Management Company Limited
Rectory Lane (Standish) Management Company Limited
Redland Grange (Cottenham) Residents Management Company Limited

32 Details of all subsidiary undertakings continued

Company Name
Regent Park (Calne) Management Company Limited
Regents Place (Chellaston) Management Company Limited
Repton Park 18 (Ashford) Residents Management Company Limited
Repton Park 19-23 (Ashford) Residents Management Company Limited
Repton Park 8 & 10 (Ashford) Residents Management Company Limited
Rivendell (Gedling) Management Company Limited
Riverbourne Fields Management Company Limited
Rooley Park (Bradford) Management Company Limited
Roseberry Park (Pelton) Management Company Limited
Salterns (Terrington) Residents Management Company Limited
Saltram Meadow Plymouth Management Company Limited
Saltwells (Dudley) Management Company Limited[1]
Sandfield Walk (Nottingham) Management Company Limited
Sandgate Drive (Kippax) Management Company Limited
Sandpipers (Minster) Residents Management Company Limited
Saxon Fields (Bridgwater) Management Company Limited
Saxon Gate (Chelmsford) Management Company Limited
Saxon Grove (Purton) Management Company Limited
Saxon Meadow (Sutton On Trent) Residents Management Company Limited
Saxons Chase (Headcorn) Residents Management Company Limited
Scholar's Green (Northampton) Residents Management Company Limited[10]
Seaside Lane (Easington) Management Company Limited
Sharpes Meadow (Heybridge) Residents Management Company Limited
Sherborne Fields (Basingstoke) Management Limited
Sherborne Fields Apartments Ph3 (Basingstoke) Management Limited
Sherborne Fields Apartments Ph6 (Basingstoke) Management Company Limited
Shilton Place (Coventry) Management Company Limited[26]
Shirewood (Beighton Road) Management Company Limited
Silver Hill (Preston) Management Company Limited
Solway View (Workington) Management Company Limited
Sovereign Quarter (Gillingham) Management Company Limited
Speckled Wood (Carlisle) Management Company Limited
St Andrews (Uxbridge) Management Company Limited[9]
St Andrews Park (Phase 3c Uxbridge) Management Company Limited
St Andrews Park (Vine Lane 1a) Management Company Limited[9]
St Andrews Park (Vine Lane 2a) Management Company Limited
St Andrews Park 2b/3a (Churchill Road, Uxbridge) Management Company Limited
St Andrews Park 3b (Uxbridge) Management Company Limited[9]
St Andrews Ridge (Swindon) Management Company Limited
St Dunstans Place (Burbage) Management Company Limited
St Edeyrns Apartments (Cardiff) RMC Limited
St Edeyrns Village (Cardiff) Residents Management Company Limited
St Edmunds (Frome) Management Company Limited
St George (Lancaster) Management Company Limited
St James Park (Bramley) Residents Management Company Limited
St Johns (Lichfield) Management Company Limited
St Oswalds Park (Gloucester) Management Company Limited
St Peters Place (Salisbury) Management Company Limited
St Wilfrid View (Ripon) Management Company Limited
Stanbridge Meadows (Petersfield) Management Company Limited
Stanford Meadows (Stanford-Le-Hope) Residents Management Company Limited
Stortford Fields (Bishops Stortford) (Persimmon) Resident Management Company Limited
Strawberry Fields Penryn Management Company Limited
Stream View Management Limited[25]
Sunningdale Park (Thornton) Management Company Limited

Company Name
Sycamore Gardens (Oakdale) RMC Limited[14]
Sycamore Rise (Thame) Residents Management Company Limited
Tarraby View (Carlisle) Management Company Limited
Teasdale Place (Carlisle) Management Company Limited
The Acorns (Shirley) Management Company Limited[9]
The Alders (Gilwern) Residents Management Company Limited
The Blossoms (Blackburn) Management Company Limited[6]
The Boulevards (East Tilbury) Residents Management Company Limited
The Boulevards (Newport) Residents Management Company Limited
The Bridge (Dartford) 29 And 31a Residents Management Company Limited
The Bridles Management Company Limited[14]
The Carriages (Burscough) Management Company Limited
The Copse (Bridgwater) Management Company Limited[20]
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
The Gateway (Colchester) Residents Management Company Limited
The Goldings Newquay Management Company Limited
The Grange (Chalfont St Peter) Management Company Limited
The Grange (Chepstow) Limited
The Grange (Wellesbourne) Management Company Limited
The Haven (Swansea) Management Company Limited
The Heath (Sandbach) Management Company Limited[6]
The Hedgerows (Alsager) Management Company Limited[5]
The Hedgerows (Thurcroft) Management Company Limited[21]
The Heights (Newark) Residents Management Company Limited
The Lancasters (Cambridge) Residents Management Company Limited
The Landings (Waddington) Residents Management Company Limited
The Links (Machynys East) Management Company Limited[2]
The Longlands (Management Company) Limited[27]
The Maltings (Shaftesbury) Management Company Limited
The Maltings (Shaftesbury) No 2 Management Company Limited[2]
The Middles (Stanley) Management Company Limited
The Mile (Pocklington) Management Company Limited
The Oaks (Selly Oak) Management Company Limited[7]
The Orchard (Elsenham) Management Company Limited
The Orchard Brompton Farm (Strood) Residents Management Company Limited
The Oval (Selly Oak) Management Company Limited[7]
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
The Propella's (Kings Hill) Management Company Limited
The Quadrant (Whitney Crescent) Management Limited[20]
The Reeds Lower Halstow Management Limited[25]
The Ridge (Lyde Green) Management Company Limited[20]
The Rosary (Emersons Green) Management Company Limited
The Rydons Exeter Number Two Management Company Limited
The Sands (Durham) Management Company Limited
The Shires (Oswaldtwistle) Management Company Limited[6]

Notes to the financial statements continued
For the year ended 31 December 2020

32 Details of all subsidiary undertakings continued

Company Name
The Village, Aveley Phase II Residents Management Company Limited
The Weald (Easingwold) Management Company Limited
The Whinmoor (Leeds) Management Company Limited[21]
The Wickets (Penenden Heath) Residents Management Company Limited
The Willows Earlestown (Newton Le Willows) Management Company Limited[21]
The Windmills (Kirton) Residents Management Company Limited
Thornley Woods (Gateshead) Management Company Limited
Tilbury Fields (Oxford) Management Company Limited[6]
Towcester Grange (Towcester) Residents Management Company Limited[18]
Trevelyan Grange (Morpeth) Residents Management Company Limited
Trevethan Meadows Liskeard Management Company Limited
Tudor Park (Saffron Walden) Management Company Limited
Tundra Point (Emersons Green) Management Company Limited
Urban Central (Grays) Residents Management Company Limited
Urpeth Green (Ouston) Management Company Limited
Valley Heights (Frome) Management Company Limited[16]
Village Mews (Southowram) Management Company Limited
Walmsley Park (Leigh) Management Company Limited[5]
Watercress Way Management Company Limited[25]
Waterfield Place (Market Harborough) Residential Management Company Limited
Waters Edge (Buckshaw) Management Company Limited
Waterside At The Bridge Management Company Limited
Watling Place (Newington) Residents Management Company Limited
Weavers Meadow Estates Management Company Limited
Weavers Meadow Phase 2 (Hadleigh) Residents Management Company Limited
Weavers View (Pleasley Hill) Residents Management Company Limited
Weavers Wharf Apartments (Coventry) Management Company Limited
Wellington Gate (Grove) Management Company Limited
Wellington Gate (Maresfield) Management Company Limited
Wellswood Park (Reading) Residents Management Company Limited
Wentworth Green Management Company Limited
West Gate House (Machynys East) Management Company Limited[2]
Westgate (Llanfoist) Management Company Limited
Westhaven Apartments (Barry) Residents Management Company Limited
Weston Park Limited
Westvale Park (Horley) Management Company Limited[1]
Westwood Park (Churwell) Management Company Limited
White Rose Park (Norwich) Residents Management Company Limited
Whiteford Mews Management Company Limited
Whitewood Park (Bristol) Management Company Limited
Whittington Walk (Worcester) Management Company Limited[9]
Willow Court (Abergavenny) RMC Limited
Willow Park (Aylsham) Management Company Limited
Windmill View (Stanground) Residents Management Company Limited
Windrush Place Witney Management Company Limited
Wombwell (Barnsley) Management Company Limited
Woodbridge House Management Company Limited
Woodland Gardens (Pyle) Management Company Limited
Woodland Rise (Great Cornard) Residents Management Company Limited
Worcester Gate (Worcester) Management Company Limited[9]
Yew Tree Farm (Droitwich) Management Company Limited
Yew Tree Gardens (Tuffley) Management Company Limited
Ysgol Maes Dyfan (Barry) Residents Management Company Limited

1 Homer House, 8 Homer Road, Solihull, B91 3QQ
2 Fisher House, 84 Fisherton Street, Salisbury, Wiltshire, SP2 7QY
3 Fountain House, Southwell Road West, Mansfield, Nottinghamshire, NG18 4LE
4 Persimmon House, Birmingham Road, Studley, Warwickshire, B80 7BG
5 Unit 7 Portal Business Park, Eaton Lane, Tarporley, CW6 9DL
6 RMG House, Essex Road, Hoddesdon, Hertfordshire, EN11 0DR
7 154-155 Great Charles Street, Queensway, Birmingham, B3 3LP
8 North Point, Stafford Drive, Battlefield Enterprise Park, Shrewsbury, Shropshire, SY1 3BF
9 Whittington Hall, Whittington Road, Worcester, Worcestershire, WR5 2ZX
10 Persimmon Homes Midlands, 3 Waterside Way, Bedford Road, Northampton, Northamptonshire, NN4 7XD
11 94 Park Lane, Croydon, Surrey, CR0 1JB
12 Pembroke House, Torquay Road, Paignton, Devon, TQ3 2EZ
13 1 Georges Square, Bath Street, Bristol, BS1 6BA
14 46 Whitchurch Road, Cardiff, CF14 3LX
15 C/O Premier Estates Limited, Chiltern House, 72 – 74 King Edward Street, Macclesfield, SK10 1AT
16 The Maltings, Hyde Hall Farm, Sandon, Hertfordshire, SG9 0RU
17 C/O Firstport Secretarial Limited Marlborough House, Wigmore Place, Wigmore Lane, Luton, LU2 9EX
18 2 Hills Road, Cambridge, CB2 1JP
19 C/O Greenbelt Group Ltd, 4335 Park Approach, Thorpe Park, Leeds, LS15 8GB
20 Unit 2 Beech Court, Wokingham Road, Hurst, Twyford, Berkshire, RG10 0RU
21 Gateway House, 10 Coopers Way, Southend On Sea, Essex, SS2 5TE
22 20 King Street, London, EC2V 8EG
23 3rd Floor, Citygate St James' Boulevard, Newcastle Upon Tyne, NE1 4JE
24 1 Sherman Road, Bromley, Kent, BR1 3JH
25 Scholars House, 60 College Road, Maidstone, Kent, ME15 6SJ
26 1st Floor Lancaster House, 67 Newhall Street, Birmingham, B3 1NQ
27 Vantage Point, 23 Mark Road, Hemel Hempstead, Hertfordshire, HP2 7DN
* Private Limited Company

Other information

SHAREHOLDER INFORMATION

Band analysis as at 31 December 2020

Size of shareholding	Number of shareholders	% of shareholders	Number of shares	% of shares
1 – 5,000	8,051	86.83	5,112,010	1.60
5,001 – 50,000	729	7.86	13,087,680	4.11
50,001 – 250,000	301	3.25	34,756,155	10.89
250,001 – 999,999,999	191	2.06	266,115,416	83.40
Total	**9,272**	**100.00**	**319,071,261**	**100.00**

Share price – year ended 31 December 2020

Price at 31 December 2020	£27.67
Lowest for year	£15.345
Highest for year	£32.98

The above share prices are the closing share prices as derived from the London Stock Exchange Daily Official List.

Financial Calendar 2021

Ex-Dividend Date of 125p interim dividend	11 March 2021
Record Date of 125p interim dividend	12 March 2021
Payment of interim dividend of 125p	26 March 2021
Annual General Meeting	28 April 2021
Trading Update	28 April 2021
Trading Update	8 July 2021
Announcement of Half Year Results	18 August 2021
Trading Update	9 November 2021

Five Year Record

	2020	2019	2018	2017	2016
Unit sales	**13,575**	15,855	16,449	16,043	15,171
Housing revenue	**£3,129.5m**	£3,420.1m	£3,545.8m	£3,422.3m	£3,136.8m
Average selling price	**£230,534**	£215,709	£215,563	£213,321	£206,765
Profit from operations	**£862.8m**	£1,036.7m	£1,091.9m	£966.1m	£778.5m
Profit before tax	**£863.1m**	£1,048.1m	£1,100.0m	£977.1m	£782.8m
Basic earnings per share	**220.7p**	269.1p	286.3p	258.6p	205.6p
Diluted earnings per share	**219.9p**	268.6p	283.7p	246.5p	199.5p
Cash return/dividend per share	**110.0p**	235.0p	235.0p	235.0p	135.0p
Net assets per share	**1,102.7p**	1,021.7p	1,006.0p	1,036.6p	887.3p
Total shareholders' equity	**£3,518.4m**	£3,258.3m	£3,194.5m	£3,201.6m	£2,737.4m
Return on capital employed	**29.4%**	37.0%	41.3%	40.3%	30.7%

All figures stated before exceptional items, goodwill amortisation/impairment, legacy buildings provision and includes land creditors where applicable.

Other information

SHAREHOLDER INFORMATION CONTINUED

Directors

Roger Devlin
Chairman

Dean Finch
Group Chief Executive

Mike Killoran
Group Finance Director

Nigel Mills
Senior Independent Director

Rachel Kentleton
Non-Executive Director

Simon Litherland
Non-Executive Director

Joanna Place
Non-Executive Director

Annemarie Durbin
Non-Executive Director

Andrew Wyllie CBE
Non-Executive Director

Life President

Duncan Davidson founded Persimmon in 1972. The Company floated on the London Stock Exchange in 1985 and became the first pure housebuilder to enter the FTSE 100 in December 2005. Mr Davidson retired as Chairman in April 2006 and assumed the role of Life President.

Company information

Company Secretary
Tracy Davison

Registered office
Persimmon House
Fulford, York YO19 4FE
Telephone (01904) 642199

Company number
1818486
Incorporated in England

Auditor
Ernst & Young LLP

Bankers
The Royal Bank of Scotland plc
Lloyds Banking Group plc
Barclays Bank PLC
HSBC plc
Santander UK plc
Investec Bank Plc

Financial PR Consultants
Citigate Dewe Rogerson
8th Floor, Holborn Gate
26 Southampton Buildings
London
WC2A 1AN
Telephone (020) 7638 9571

Registrars
Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ
Telephone 0370 7030178
www.investorcentre.co.uk

Some of the photographs in this report were taken before the Covid-19 pandemic. Any images taken during the pandemic were taken in compliance with our Covid-secure protocols.

With thanks to the following for their photographs:

Page 8 @_a.day.in.jos.life_

Page 28 @to.haveandtohome

Page 29 @south_wales_chedworth

Page 34 @my_persimmon_home

Page 48 @mrs_fagans_style

Page 52 Joe McCluskey, Senior Group Health & Safety Advisor

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Persimmon Plc

Persimmon House
Fulford
York YO19 4FE

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Email feedback@persimmonhomes.com

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