

Building for tomorrow, today

Persimmon Plc Annual Report 2022



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www.persimmonhomes.com/corporate

About Persimmon

Our mission

To build homes with quality our customers can rely on at a price they can afford.

Our vision

To be Britain's leading homebuilder, with quality and customer service at its heart, building the best value homes on the market in sustainable and inclusive communities.

We will invest in innovation and technology to extend our low cost strengths and enhance our five-star capabilities to enable as many people as possible to buy the homes we build.



1. Estimated using an economic toolkit.
2. The value of homes delivered to housing associations, the value of discounted open market value homes plus the value of planning contributions we have made over the last five years.
3. 12-month rolling average calculated on operating profit before legacy buildings provision charge (2022: £275.0m, 2021: £nil) and goodwill impairment (2022: £6.6m, 2021: £6.2m) and total capital employed. Capital employed being the Group's net assets less cash and cash equivalents plus land creditors.

Highlights

Number of homes sold

14,868

2021: 14,551

Average selling price 2022

£248,616

2021: £237,078

Construction and supply chain jobs supported¹

c.92,000

2021: c.92,000

Investment in local communities²

c.£2.4bn

2021: c.£2.3bn

Owned land holdings (plots)

70,768

2021: 67,089

Return on capital employed ('ROCE')³

30.4%

2021: 35.8%



Chairman's statement

A more challenging period but opportunities ahead



We have a strong platform to prepare for a new growth phase when market conditions permit.



Roger Devlin
Chairman



I am pleased to report that Persimmon had a strong year in 2022. For the first time in our 50 year history we delivered five-star quality and service while also achieving underlying pre-tax profits¹ in excess of £1 billion.

By contrast 2023 promises to be a tough year, albeit largely for reasons beyond our control. While I am confident that our attention to build quality and customer care will remain undimmed, we will inevitably see a sharp fall in the number of completions as well as a decline in profitability as a consequence of the nationwide diminution in demand for housing arising from higher mortgage rates and challenging economic circumstances.

However, I remain very confident of the exciting long-term prospects for Persimmon. We are constantly reminded by the political classes of the national need for 300,000 homes to be built every year. I expect the outturn for 2023 may not be much more than half this number. Therefore we anticipate that our company will be a beneficiary of strong pent up demand when the economic and housing cycles turn in our favour eventually.

When I joined the company as Chairman in 2018 I quickly commissioned an Independent Review of our approach to build quality. I am delighted that Dean and his team have responded to the challenge so vigorously and diligently to deliver better homes built right first time.

Many colleagues have commented to me that 2022 was perhaps the most difficult year they have known in the building trade. The combination of material and labour shortages, significant inflation and the stark drop-off in sales rates in the fourth quarter presented myriad challenges that my colleagues have navigated with impressive skill and commitment. Our mission is to build homes with quality our customers can rely on at a price they can afford and 2022's results demonstrate the company has done just that.



1. Stated before legacy buildings provision charge (2022: £275.0m, 2021: £nil) and goodwill impairment (2022: £6.6m, 2021: £6.2m).

A more challenging period but opportunities ahead

Following the swift rise in interest rates the Group acted quickly to enhance its already strong investment discipline and working capital cost controls, to protect our cash position and in the longer-term provide the flexibility to pursue new growth opportunities.

We have a strong platform to prepare for a new growth phase when market conditions permit. Although 2023 will be a difficult year, Persimmon has the opportunity to expand our outlet network at the right time through disciplined and targeted investment and a more sophisticated approach to securing planning to expedite approvals. We are hopeful that by next year we will be expanding once more, delivering more new homes for customers and sustainable returns for shareholders.

Industry leadership

Although the national political environment has become more challenging as backbench anti-new housing forces have gained strength, we are pleased to continue to lead the industry with cladding and fire safety remediation. We were proud to be first with our initial commitment in February 2021 to protect leaseholders from the costs of remediation in any multi-storey development we built. The government's developer remediation contract seeks to contractualise our existing commitment; a commitment we are already making good progress on. We expect to sign the contract imminently. We are also engaged in similarly positive discussions with the Welsh and Scottish governments.

As announced in November 2022, the Group increased our provision for building safety remediation across the UK to £350m (before spend to date), resulting in a £275m exceptional charge for the year. This increase reflects the extensive work we have done to get a more detailed understanding of costs over the last year. The government has also broadened the scope of works required this year to include non-cladding fire related build defects, resulting in both an increase in the amount of work required and in the number of eligible buildings. This has also happened against a background of significant build cost inflation during the period. We expect the work to be largely completed – with the associated cash impact – over the next three years.

Capital allocation policy

Persimmon remains a fundamentally strong business, with industry-leading financial performance through the cycle. The actions we are currently taking will strengthen our capabilities to grow and deliver sustainable returns over time to shareholders.

A new capital allocation policy was announced in November to deliver sustainable returns to shareholders while investing in future growth through disciplined expansion of our industry-leading land portfolio and enhancing our quality and service capabilities. Alongside this the Board considers our current assessment of prevailing market conditions, the sector's increased tax contribution and building safety remediation costs.

For 2022, the Board proposes a final dividend of 60p per share to be paid on 5 May 2023 to shareholders on the register on 14 April 2023, following shareholder approval at the AGM. This dividend is the final and only dividend in respect of financial year 2022. The Board's intention is to at least maintain the 2022 dividend per share in 2023, with a view to growing this over time. As previously announced, payments will be made semi-annually with an interim dividend paid in the second half of this year in relation to 2023.

Board changes

The only Board change during the year was Jason Windsor joining on 11 July 2022 as Chief Financial Officer, replacing Mike Killoran following his retirement in January 2022. The Board warmly welcomes Jason to the business.

Finally, on behalf of the whole Board I would like to thank our colleagues, subcontractors and suppliers for their hard work and determination to deliver a good performance in 2022. This year will not be easy. Sometimes in life you have to go backwards in order to move forwards. I am convinced our long-term future is bright and we all look forward to working together to maintain Persimmon's industry-leading position and deliver more quality homes for our customers and sustainable returns for our shareholders through the cycle.

Roger Devlin

Chairman

28 February 2023

Revenue

£3.82bn

2021: £3.61bn

Dividend per share paid in the year

235p

2021: 235p

Underlying new housing operating margin¹

27.2%

2021: 28.0%

Forward sales²

£1.52bn

2021: £2.21bn

Affordable homes³

2,868

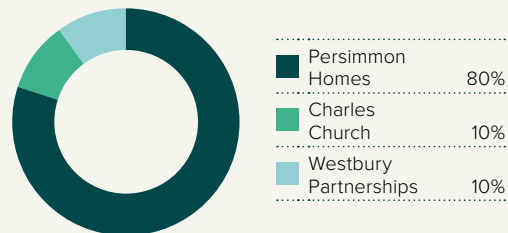
2021: 2,759

1. Based on new housing revenue (2022: £3,696.4m, 2021: £3,449.7m) and underlying operating profit (2022: £1,006.4m, 2021: £966.7m) (stated before legacy buildings provision charge (2022: £275.0m, 2021: £nil) and goodwill impairment (2022: £6.6m, 2021: £6.2m)).
2. As at 28 February 2023 (2021 figure as at 1 March 2022).
3. Homes provided to our housing association partners and discounted open market value homes.

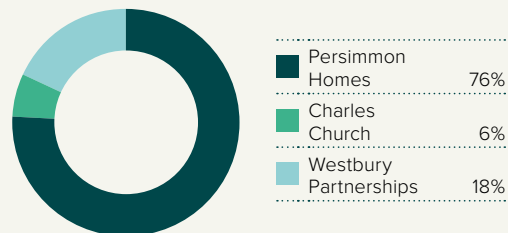
The strength of our business

Three strong brands

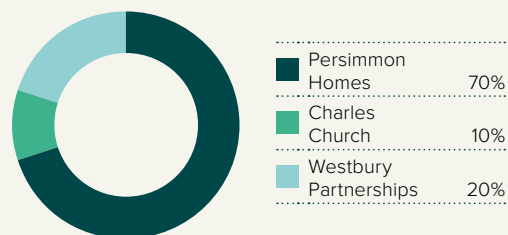
Group housing revenue %



Homes sold %



Landholdings %



Persimmon Homes is our core brand which delivers a range of traditional family housing throughout the UK in places where customers wish to live and work. With a focus on delivering value and quality for our customers, we sell most of our homes under this brand.

Average selling price

£262,461

2021: £249,498

Revenue

£2,961m

2021: £2,736m

Completions

11,282

2021: 10,965



The Charles Church brand complements and differentiates itself from Persimmon by delivering larger, higher specification homes in premium locations across the UK. We build homes under this brand tailored to local markets where our research and experience has identified a strong demand for a premium product.

Average selling price

£395,460

2021: £360,575

Revenue

£353m

2021: £380m

Completions

892

2021: 1,053



Westbury Partnerships is our brand with a focus on affordable social housing. We sell these homes to housing associations across the UK. This brand plays a key part in the delivery of sustainable homes for the benefit of lower income occupiers, offering solutions to some of the country's affordable housing needs.

Average selling price

£142,017

2021: £131,976

Revenue

£383m

2021: £334m

Completions

2,694

2021: 2,533

Key attributes

UK-wide network

We have a UK-wide network with 30 operating businesses, three housebuilding brands and off-site manufacturing facilities providing homes and serving local communities.

We are a national housebuilder with a local focus. This ensures that our developments are aligned with local needs, as we build good-quality homes which are affordable for local people.



Disciplined approach

Persimmon has a strong track record of acquiring high quality land. We have significant experience in identifying high potential sites in attractive locations where people wish to live and work. We acquire land from multiple channels and have a strong track record of designing sites that deliver for both Persimmon and our customers. This achieves high quality embedded margins across our portfolio. At the end of 2022, we had 87,190 plots owned and under our control across the UK, providing good visibility over future developments.

We have a highly disciplined approach to work in progress investment, taking into account current levels of demand, the cash cost of fire safety remediation works and land creditor commitments. The Group operates from an already lean fixed cost base and has an established and disciplined cost control process. With a strong balance sheet, we can be agile to quality opportunities as they arise.



Innovation and technology

We are continuing to innovate through the increased use of Modern Methods of Construction ('MMC') providing security of our supply chain and exploring solutions to meet changing regulations within the building industry.

We are investing in a second Space4 factory to complement our existing factory and our Tileworks and Brickworks manufacturing facilities. We are also exploring where we can manufacture additional components and further improve the quality of our homes.

Our FibreNest business was developed in response to feedback from customers and aligns with the current Government strategy to deliver modern technology to new homes.



Strong operating platform

We have a strong platform led by an experienced operational management team that have deep industry skills and knowledge.

The national footprint of our business means we benefit from scale with a good track record of building efficiently.

We have made significant progress on quality over recent years, with The Persimmon Way fully embedded across the business as we look to build right, first time, every time. This, combined with the Group's longstanding commercial excellence, positions the business well to meet the strong demand for new homes over the long-term.



The strength of our business

Vertical integration

Our vertical integration provides us with security of supply over key material components while allowing continued innovation.

Space4

Our Space4 manufacturing business produces timber frames, highly insulated wall panels and roof cassettes as a 'fabric first' solution to the construction of new homes. Space4's MMC system helps us to improve site productivity, increase build capacity and mitigate construction industry skills shortages. Space4 supports all of our brands and supplied 4,448 timber frame kits and roof systems to the Group in 2022. Our Space4 factory provides us with the unique ability to implement (among other initiatives) innovative 'fabric first' solutions to enhance the future efficiency of our homes.



Brickworks

Brickworks produces concrete bricks and is entirely focused on supplying the Group's housebuilding operations. During 2022, Brickworks supplied c.53m bricks to 239 sites across the Group. The factory has the capacity to produce c.80m bricks per year, which is approximately two thirds of the Group's brick requirements.



Tileworks

Tileworks, the Group's own concrete roof tile manufacturing facility, produces tiles solely for the Group. During the year, Tileworks supplied c.12m tiles to 264 sites across the Group.



FibreNest

FibreNest is the Group's own ultrafast, nationwide full fibre broadband service to the home, which aims to ensure all our customers are connected to the internet from moving in day. FibreNest provides ultrafast speeds coupled with excellent levels of service. At the end of 2022, there were over 30,000 connected customers across c.330 housing developments.



www.fibrenewest.com

Clear priorities with sustainability at the heart

Our mission

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Our vision

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We will invest in innovation and technology to extend our low cost strengths and enhance our five-star capabilities to enable as many people as possible to buy the homes we build.

Our sustainability pillars

» Read more on pages 42 to 52.



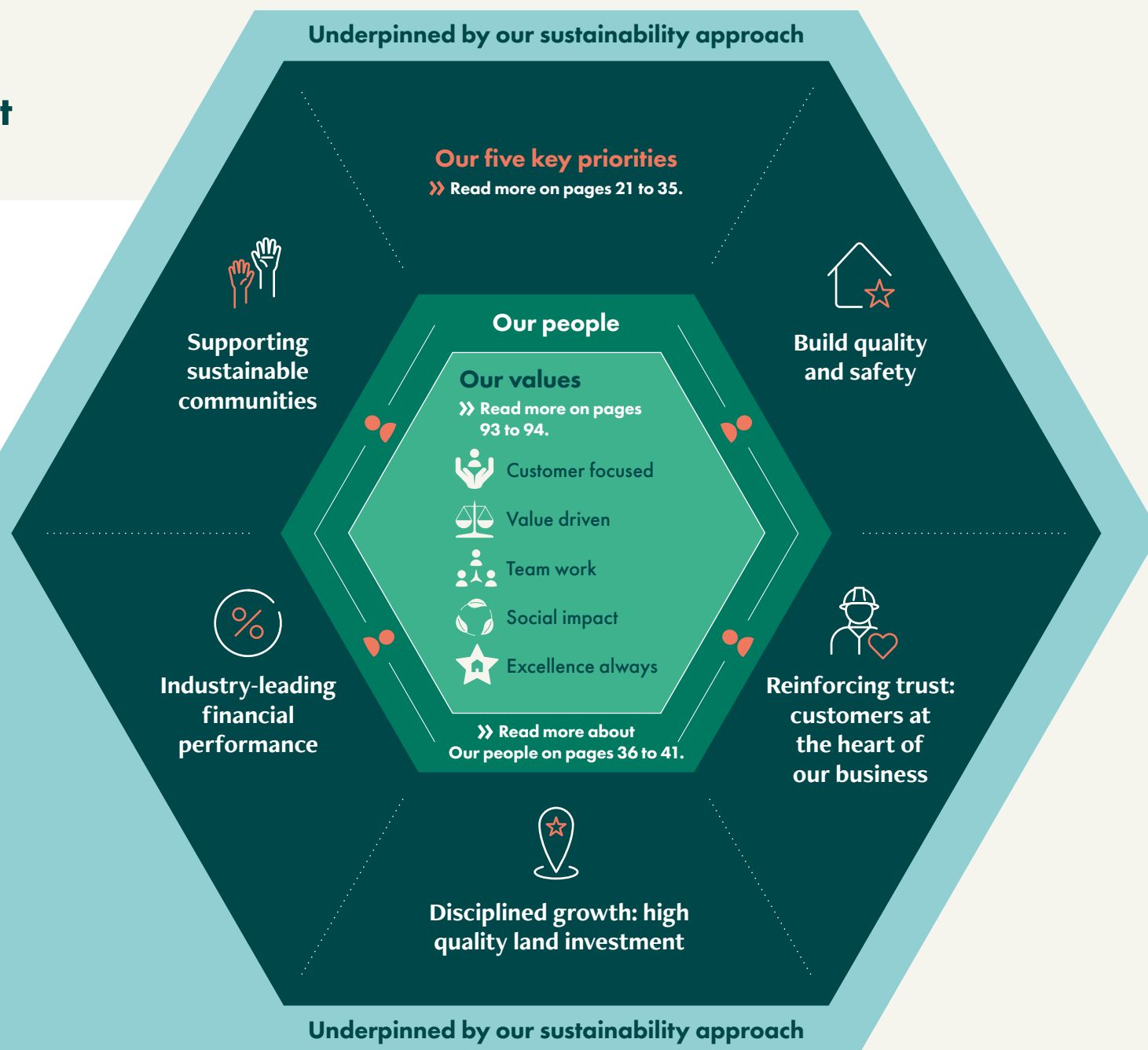
Building for tomorrow



Transforming communities



Safe and inclusive



Our marketplace

The UK housing market

The UK housing market started strongly with some signs of weakness emerging during the summer months. Demand particularly weakened in the fourth quarter as economic uncertainty, high inflation and an increase in interest rates impacted consumer confidence.

Housing supply

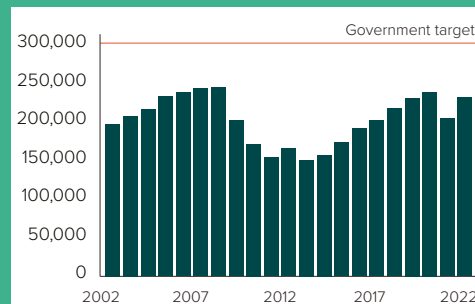
A substantial shortage of homes is still evident in the UK with an estimated shortfall of c.1.3m homes in England since 2010. The Government's ambition to deliver 300,000 new homes per year in order to tackle the long-term housing crisis in the UK remains.

How we are responding

We continue to play our part in addressing this challenge, delivering 14,868 homes in 2022 (including 2,694 home to our housing association partners). This brings the total number of homes delivered to 146,121 over the last 10 years. We offer high quality homes that are affordable, with our average selling price significantly below the market average¹.

1. Based on the Group's private average selling price of £272,206 for the year to 31 December 2022 compared with the national average selling price for newly built homes sourced from the UK House Price Index, as calculated by the Office for National Statistics from data provided by HM Land Registry.

Net additional dwellings



Source: UK Office for National Statistics

Estimated homes
shortfall

c.1.3m

Government's
ambition

300k

Mortgage availability and affordability

Mortgage availability and affordability came under pressure in 2022, with interest rates increasing materially in the second half of the year. This, combined with the closure of the Government Help to Buy scheme in England, had a material impact on affordability, particularly for first-time buyers. We estimate that the monthly cash cost of mortgage payments for some first-time buyers approximately doubled during 2022² compounded by limited availability of high loan to value mortgages.

There was some stabilisation in the mortgage market towards the end of the year along with a reduction in interest rates, albeit availability of 95% loan to value products remained limited. In Wales, the Welsh Government announced in December its intention to extend the scheme for a further two years until April 2025.

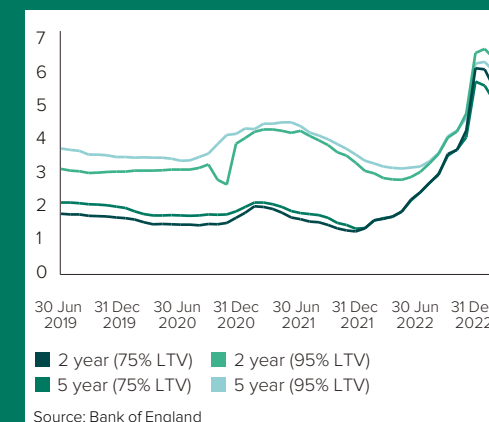
How we are responding

The Group provides a range of house types at attractive prices, enabling its customers to benefit from the security of owning their own home. The Group provides quality homes for all, with an average selling price of £272,206, which is over 20% below the UK national average¹.

With the closure of Help to Buy in England, we are looking at alternative solutions to help first-time buyers. We have signed up to Deposit Unlock, a scheme devised in collaboration with lenders and the housebuilding industry, which enables buyers to purchase a new build home with just a 5% deposit.

Considering the demand for home ownership within the UK, Persimmon is well placed to continue to provide homes for its customers over the long-term, given its range of house types and price points.

Quoted monthly mortgage rates



Source: Bank of England

Increase in Bank of England
base rate during 2022

+325bps

Mortgage approvals

c.754k in 2022

2. Illustration based on a property price of £250,000 with an estimated monthly mortgage cost of £753 in March 2022 (Help to Buy customer, with 5% deposit, 75% loan to value mortgage at a rate of 1.53% and 25 year term) compared with an estimated monthly mortgage cost of £1,488 in December 2022 (Deposit Unlock customer with 5% deposit, 95% loan to value mortgage at a rate of 5.71% and 25 year term).



Skilled labour and materials

During the year, the UK construction market continued to see high build cost inflation as a result of material shortages, compounded by the conflict in Ukraine and resulting impact on energy prices. Overall, build cost inflation was 8-10% in 2022. With energy costs having peaked and a weaker outlook for the housing market in 2023, we would anticipate this to soften as we progress through the next financial year.

The shortage of skilled workers, as a result of an ageing workforce and labour migration post-Brexit, also continues to present challenges for the industry.

How we are responding

We have a strong supply chain across the business and we look to make use of Group agreements where possible to keep costs down. Our vertical integration helps to protect us from supply chain shortages, and we are expanding the product range. For example, we added ridge tiles to our Tileworks products during 2022.

To address the labour shortage, we continue to recruit and train large numbers of apprentices and trainees alongside our graduate recruitment programme. We engage with schools and colleges and support subcontractors' apprentice recruitment.

» Read more on pages 6 and 36 to 41.



Planning and regulation

During 2022, new Building Regulations came into effect, with parts L, F, O and S applicable for new developments from June 2022, covering all developments from June 2023. Amendments to Part L require a c.30% improvement in the efficiency of a new home, which will result in new homes having improved insulation, ventilation and more efficient boilers, some may also have solar panels. The Future Homes Standard ('FHS'), which is likely to be implemented in 2025, requires a c.80% improvement in the efficiency of a new home. In December 2022, the Government launched a consultation into the Levelling Up and Regeneration Bill which seeks views on the proposed approach to updating to the National Planning Policy Framework. While the government has reconfirmed its commitment to delivering 300,000 new additional dwellings p.a., it has recommended the removal of 'top down' housing targets

and the lack of clarity is causing further delays in a challenged planning system.

How we are responding

The Group is supportive of the objectives to improve the quality of homes and is well placed to continue delivering sustainable and attractive developments through our Group master-planning team. The time taken to achieve planning consents continues to increase, and we are working with local authority teams to help speed up the process. We welcome initiatives aimed at increasing the efficiency of this system.

The Group strongly supports the initiatives to reduce carbon usage within the industry and is already heavily involved in the research and implementation of greener building methods through our Low Carbon Homes Steering Group.

Our business model Overview

The resources we need

High quality land holdings

» Read more on pages 28 to 30.

A diverse and talented workforce

» Read more on pages 36 to 41.

Good relationships with our local communities

» Read more on pages 33 to 35.

Well-established relationships with our supply chain and wider workforce

» Read more on pages 44 to 48.

Good relationships with local government

» Read more on pages 29 to 30.

Financial strength

» Read more on pages 31 to 32.

What we do

Identify areas of housing need



Execute disciplined land investment



Build quality and material supplies



Create sustainable communities



Deliver high levels of customer service



» Read more on pages 21 to 52.

The value we create

HBF score

90.6%

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

New homes delivered

14,868

2,694 delivered to housing associations

'Homes for all'

£272,206

our private average selling price is over 20% lower than the UK national average¹

Jobs supported

c.92k

construction and supply chain jobs²

Employment

5,862

people directly employed on average in 2022

Investing in communities

c.£2.4bn

over the last five years

Investing in communities

c.630

local charities supported in the year

Public open spaces

674

acres created²

Strong financial returns

30.4%

ROCE³

Financial strength

£3.4bn

balance sheet net assets at 31 December 2022

Surplus capital returned to shareholders

£750m

in the year to 31 December 2022

High quality

86.6%

build quality score based on customer satisfaction

1. Based on the Group's private average selling price of £272,206 for the year to 31 December 2022 compared with the National average selling price for newly built homes sourced from the UK House Price Index as calculated by the Office for National Statistics from data provided by HM Land Registry.
2. Estimated using an economic toolkit.
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 of £275m (2021: £nil) and goodwill impairment (2022: £6.6m, 2021: £6.2m).

What we do

Identify areas of housing need

We have skilled land, planning and design teams who have a good knowledge of their local communities' needs. Our teams work closely with local government, land owners and their communities to identify and plan developments in areas where people want to live and work.

Execute disciplined land investment

The Group has high quality land holdings providing it with continuity of supply, 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 to secure options on areas of land which will give a stronger return on investment in the future.

Build quality and material supplies

The Group owns Space4 (a timber frame, wall panel and roof cassette manufacturing facility) and has built its own Brickworks and Tileworks facilities. This vertical integration provides security of supply and quality of key materials. This is supported by Group and local buying teams, who secure the best deals on other material requirements. The Persimmon Way is also making a real difference to improving build quality across the Group.

Create sustainable communities

The Group has introduced a new Placemaking Framework aligned to the Government's planning policy requirements to ensure that all developments create a sense of place for our customers and put communities at the heart of our developments. 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.

Deliver high levels of customer service

The Group has dedicated sales advisers and customer care teams to look after our customers throughout their home buying journey. We have invested significantly in increased training and improved communication for our customers and have seen continued progress in our HBF 8-week customer survey score.



How we performed

KPIs

Revenue measures

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

New housing revenue (£m)

£3,696m (+7%)

2022	3,696.4
2021	3,449.7
2020	3,129.5
2019	3,420.1
2018	3,545.8

» Read more on pages 53 to 54.

Link to priorities:   

Forward sales at 31 December (£m)

£1,040m (-36%)

2022	1,040.0
2021	1,623.8
2020	1,689.2
2019	1,356.5
2018	1,397.2

» Read more on pages 17, 20 and 53.

Link to priorities:   

Profit measures

We have a strong track record of delivering industry-leading returns. Our disciplined 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 future growth.

Underlying new housing operating margin (%)¹

27.2% (-80bps)

2022	27.2
2021	28.0
2020	27.6
2019	30.3
2018	30.8

» Read more on pages 15 and 54.

Link to priorities:   

Underlying profit before tax (£m)⁴

£1,012m (+4%)

2022	1,012.3
2021	973.0
2020	863.1
2019	1,048.1
2018	1,100.0

» Read more on pages 15 and 54.

Link to priorities:   

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)²

£373m (-51%)

2022	372.5
2021	766.6
2020	748.8
2019	608.0
2018	686.0

» Read more on pages 32 and 55.

Link to priorities:   

Cash (£m)

£862m (-31%)

2022	861.6
2021	1,246.6
2020	1,234.1
2019	843.9
2018	1,048.1

» Read more on pages 32 and 55.

Link to priorities:   

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 (%)³

30.4% (-540bps)

2022	30.4
2021	35.8
2020	29.4
2019	37.0
2018	41.3

» Read more on page 54.

Link to priorities:  

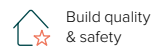
Net assets per share (pence)

1,077p (-5%)

2022	1,077.0
2021	1,135.7
2020	1,102.7
2019	1,021.7
2018	1,006.0

» Read more on page 54.

Link to priorities:   

Build quality
& safetyReinforcing trust:
customers at the
heart of our businessDisciplined growth:
high quality land
investmentIndustry-leading
financial
performanceSupporting
sustainable
communities

Land holdings

The Group's high quality land holdings with industry-leading embedded margins are a key strength of the business.

Plots

87,190 (-1%)

2022	87,190
2021	88,043
2020	84,174
2019	93,246
2018	99,088

» Read more on pages 15, 30 and 54.

Link to priorities:

Customer survey

The Group participates in a National New Homes Survey, run by the HBF. The customer satisfaction rating system is based on the number of customers who would recommend their builder to a friend. The build quality score is based on how satisfied customers are with the quality of their new home.

Customer satisfaction score (%)

90.6 (-140bps)

2022	90.6
2021	92.0
2020	89.7
2019	83.7
2018	78.9

» Read more on pages 22 and 27.

Link to priorities:

Quality (%)

86.6 (-130bps)

2022	86.6
2021	87.9
2020	84.7
2019	79.2
2018	77.6

» Read more on pages 21 to 24.

Link to priorities:

Working safely, responsibly and efficiently

Our priority is the health and safety of our workforce, visitors and homeowners 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). 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.

Number of construction work related incidents (RIDDORs)

3.6 (-10%)

2022	3.6
2021	4.0
2020	3.4
2019	3.8
2018	3.2

» Read more on pages 51 to 52.

Link to priorities:

Percentage of waste recycled (%)

96%

2022	96%
2021	94%
2020	96%
2019	97%
2018	96%

» Read more on page 48.

Link to priorities:

1. Based on new housing revenue (2022: £3,696.4m, 2021: £3,449.7m) and underlying operating profit (2022: £1,006.4m, 2021: £966.7m) (stated before legacy buildings provision (2022: £275.0m, 2021: £nil) and goodwill impairment (2022: £6.6m, 2021: £6.2m)).
2. Free cash generation is defined as net cash flow before financing activities and before £nil of employers' National Insurance contribution payments in respect of share-based payments (2021: £nil; 2020: £0.7m; 2019: £13.9m; 2018: £46.7m; 2017: £nil).
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 (2022: £275.0m, 2021: £nil) and goodwill impairment (2022: £6.6m, 2021: £6.2m).
4. Stated before legacy buildings provision (2022: £275.0m, 2021: £nil) and goodwill impairment (2022: £6.6m, 2021: £6.2m). Profit before tax after legacy buildings provision and goodwill impairment is £966.8m (2021: £783.8m).

Group Chief Executive's statement

A strong year and actively managing the challenges we face



Our build rates, which were a record for the Group, were 8% higher year on year. The build rate in the second half of the year was particularly strong, up 15% year on year. Delivering these build rates while maintaining a five-star HBF score demonstrates the progress we have made through The Persimmon Way to strengthen our key build quality and customer service capabilities and embed them throughout the Group.



Dean Finch
Group Chief Executive



Persimmon delivered a very strong performance in 2022. I am delighted that the Group's second half delivery was 15% higher year on year, resulting in 14,868 legal completions for 2022 (2021: 14,551), with a new housing gross margin of 30.9%¹ (2021: 31.4%) and a five-star HBF 8 week customer satisfaction score² maintained.

This performance – perhaps Persimmon's strongest ever – was delivered despite prevailing economic headwinds and supply constraints. Its achievement is testament to the hard work of colleagues across the whole Group to preserve Persimmon's great strengths while making good progress in enhancing our build quality and customer service.

2022 trading

The Group generated total revenues of £3.82bn, a 6% increase year on year (2021: £3.61bn). Our new housing revenues increased to £3.70bn in 2022, from £3.45bn in the prior year.

Our build rates, which were a record for the Group, were 8% higher year on year. The build rate in the second half of the year was particularly strong, up 15% year on year. Delivering these build rates while maintaining a five-star HBF score demonstrates the progress we have made through The Persimmon Way to strengthen our key build quality and customer service capabilities and embed them throughout the Group.

Demand reflected the broader market, with a significant weakening in the second half of the year as concerns over the economy, mortgage rates and the cost of living weighed heavily on customer confidence. Overall private net sales rates for 2022 were 0.69 per outlet per week (2021: 0.83), driven by a steep decline in Q4 to 0.30 (Q4 2021: 0.77). Indeed, after the well-publicised problems catalysed by September's 'mini-budget', the last 7 weeks of the year saw 0.19 private net sales per outlet per week, compared to 0.61 in the comparative period the year before.

1. Stated before legacy buildings provision charge (2022: £275.0m, 2021: £nil) and based on new housing revenue (2022: £3,696.4m, 2021: £3,449.7m).

2. The Group participates in a National New Homes Survey, run by the Home Builders Federation. The build quality score is based on how satisfied customers are with the quality of their home. The rating used here reflects the live score at time of publication.

Average selling prices increased 5% year on year to £248,616 (2021: £237,078), reflecting house price inflation, our more sophisticated approach to local market pricing and the mix of homes sold. The Group's private average selling price was £272,206 in 2022, 5% higher than the prior year (2021: £259,231).

These price increases helped mitigate build cost inflation of c.8-10% for the year. Our vertically integrated factories – Brickworks, Tileworks and Space4 – also helped here, with all three increasing their production year on year. Our increased use of Space4 timber frame also helped deliver the improved build rate and efficiency in the year.

The Group delivered a 4% year on year increase in underlying operating profit³ to £1,006.5m (2021: £966.7m) generating an underlying new housing operating margin of 27.2%⁴ (2021: 28.0%). This 80bps reduction reflects the Group's investment in its enhanced operational capabilities, delivering improved quality and service for its customers.

Underlying profit before tax⁵ grew 4% year on year to £1,012.3m (2021: £973.0m). Reflecting the £275.0m exceptional charge for building safety remediation made in the year, profit before tax was £730.7m (2021: £966.8m). The Group's cash generation was strong at £1,002.7m pre-capital return of £750.1m and net land spend of £637.6m (2021: £1,209.8m). Cash held at 31 December 2022 was £861.6m (2021: £1,246.6m) reflecting strong investment in land and work in progress and capital returns.

Disciplined investment

The Group's high quality land holdings are a key strength for the business. At 31 December 2022, the Group held 70,768 plots in its owned land holdings with a plot cost to anticipated revenue ratio of 11.4%⁶. During the year, we invested in some exciting land opportunities adding 14,670 plots across 66 sites into the Group's portfolio, a plot replacement rate of 99%. These additions maintained our industry-leading embedded margins through our well-established, disciplined approach to land investment. Reflecting this strong position, in current market conditions we are being highly selective, taking advantage of only the very best opportunities at the right time.

The Group entered 2022 with 234 selling outlets, which it successfully built up through the year as planned, ending at 272 selling outlets at 31 December 2022 and operating from an average of 259 for the year. As market conditions became increasingly uncertain, particularly during the last quarter of the year, we carefully managed outlet openings to ensure that infrastructure and work in progress investment met local demand.

Creating sustainable communities

We have a clear approach to sustainability that is centred around three core pillars: transforming communities, safe and inclusive and building for tomorrow. Our approach is embedded in our day-to-day operations and we are proud of the work that we do in creating sustainable communities for our customers. Our new Placemaking Framework considers social value and the wellbeing of our communities within our site design, for example providing public open spaces, walkways, play areas and enhancing bio-diversity.

Our private average selling price is over 20% below the UK national average⁷, enabling customers to access the housing market when otherwise they might not have been able to do so. The business also delivered 2,694 homes to its Housing Association partners during the year (2021: 2,533).

We aim to provide a scalable, cost effective way of ensuring our customers can live more sustainable lives through exploring innovative solutions to deliver net zero carbon homes in use. We are undertaking a number of trials to support this transition by 2030. A "net zero carbon home" was built at one of our developments in York to evaluate how we could achieve this in a practical, repeatable way. We are working in conjunction with the University of Salford to assess the "liveability" of the home for our customers.

Building on from this trial, we are constructing a highly thermally efficient timber frame home utilising new wall cassettes from Space4, our timber frame manufacturing facility, together with zero carbon heating from air source heat pumps with connection to a 100% renewable electricity supply. This is an exciting opportunity to establish if, through use of innovative technology at our Space4 factory, we can achieve a net zero carbon home in use with relatively simple technologies inside the home for our customers to maintain. We are also trialling alternative heating solutions, such as infra-red and underfloor systems on other developments.



3. Stated before legacy buildings provision charge of £275.0m (2021: £nil) and goodwill impairment (2022: £6.6m, 2021: £6.2m).

4. Stated before legacy buildings provision charge (2022: £275.0m, 2021: £nil) and goodwill impairment (2022: £6.6m, 2021: £6.2m) and based on new housing revenue (2022: £3,696.4m, 2021: £3,449.7m).

5. Stated before legacy buildings provision charge (2022: £275.0m, 2021: £nil) and goodwill impairment (2022: £6.6m, 2021: £6.2m).

6. Land cost value for the plot divided by the anticipated future revenue of the new home sold.

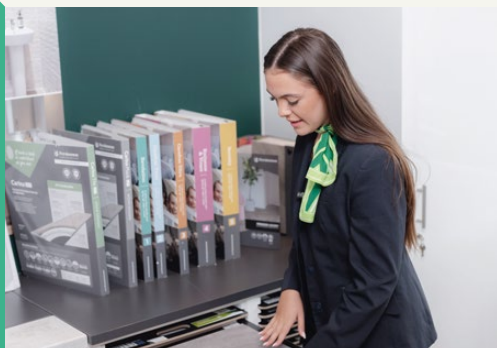
7. National average selling price for newly built homes sourced from the UK House Price Index as calculated by the Office for National Statistics from data provided by HM Land registry. Group average private selling price is £272,206.

Group Chief Executive's statement continued



Investing in our colleagues

Staff engagement scores demonstrate the progress we have made in supporting our colleagues' professional development and making Persimmon a great place to work. In 2022's survey our staff engagement score was 83% (2021: 78%). Managing Directors and Site Management teams are good examples of our approach to colleagues' development. Both have received tailored training courses and plans to enhance their skills further. Alongside rolling out enhanced technical standards through The Persimmon Way, we have actively assessed our site team's understanding of the requirements to identify any gaps. Our NVQ programme continues, with over 500 site management staff undertaking courses since 2021. Managing Directors have also received assessments with plans put in place to develop skills and strengthen any gaps. As we drive up our standards and the consistency of their delivery we are investing to make Persimmon an even better place to work where colleagues' skills are developed and career aspirations fulfilled. We were delighted to be announced as a Top 100 Apprenticeship Employer by the Department for Education in 2022.



FibreNest

FibreNest continues to be a real strength for the Group, with over 30,000 customers across more than 330 developments now connected to our national ultrafast broadband network. FibreNest was created to address persistent customer frustration that larger and established internet providers were not connecting their homes from the day they moved in, and has seen a sustained improvement in day one connection rates. In 2022, FibreNest's Day One connection rate was 90% (2021: 85%). FibreNest's customer ratings on Google and Trustpilot are currently ahead of the larger and established national internet providers. Customers view broadband as a key utility and FibreNest's gigabit ready, ultrafast network is therefore an important part of our service.

FibreNest's Day One connection rate

90%

2021: 85%



Building safety and the developer remediation contract

Persimmon was proud to lead the industry with our original commitment made in February 2021 to protect leaseholders in multi storey developments we built from the cost of any necessary cladding removal or fire safety remediation. Since that original commitment, we have worked proactively with management companies and their agents to progress remediation. We have also worked positively with the Department for Levelling Up, Housing and Communities (DLUHC) this year to agree a final developer remediation contract. This was recently published by DLUHC, contractualising the Developer Pledge made in April 2022. We have signalled our intention to sign ahead of the March 13th deadline set by DLUHC.

As indicated in November 2022, the Group has increased its provision for building safety remediation at the 2022 year end to £350m. This rise reflects the more detailed understanding of costs, which now include non-cladding fire related build defects, the broader scope required by Government and an increase in the number of eligible buildings, against a background of significant cost inflation. We currently have 73 multi-storey developments identified that require cladding removal or life-critical fire safety work. Any necessary work has already been completed on 33 developments and is underway on a further 9. We aim for work to have started at all remaining sites by the end of 2023.

Our five priorities

Our 2022 performance demonstrates that we have delivered against the five priorities I first set out 2 years ago. These priorities have guided our approach of building on Persimmon's great strengths and enhancing our capabilities in key areas:

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

2023: A year of discipline

Our progress against these five priorities also provides a strong platform from which to continue to deliver against the backdrop of a challenging operational environment in 2023. We are combining operational excellence with commercial excellence to improve our product, our systems and processes and our position in the market, to serve customers well while building a stronger business for the long-term.



» Read more on pages 21 to 41.

Proactive response to a challenging sales environment

As set out above, the sales environment has become more challenging. The sales window for 2023 completions effectively opened around September 2022. With the significant drop in sales rates in Q4 2022, we ended the year with a forward sales position of £1bn, 36% lower year on year (2021: £1.6bn). Private forward sales revenue was down more markedly (55%) at £0.5bn (2021: £1.1bn).

We responded proactively, including with a marketing campaign launched on Boxing Day. This campaign offered "up to 10 months mortgage free" or 105% part exchange for those reserving before the end of February. Our website visitors increased markedly year on year after its launch. Beyond the campaign specifically, our marketing is more sophisticated, using targeted, digital channels to drive sales and our brand reputation.

These actions have helped drive an improvement in sales rates in 2023 compared to the end of last year. Private sales rates per outlet per week are running at 0.52 for the first 8 weeks of the year. This is still below last year's comparable rate of 0.96.

Pricing has remained firm and cancellation rates have returned to typical historical norms. Sales incentives costs have increased slightly to around 3% of gross sales price from 2.39% in the fourth quarter of last year. Part Exchange is proving popular, accounting for around 25% of sales in the first 8 weeks of the year (2021: c.6%).

There have been some encouraging signs in the mortgage market recently, with rates reducing compared to late last year. However, affordability and mortgage product availability still remain the key issues, with particular challenges in the south of England. Our sales rates are proving more resilient in the North and Midlands. The end of Help to Buy means that for the first time in over a decade there is not a significant government scheme to assist first time buyers in place. With the affordability challenges in London and the south east, its removal is being felt most strongly there.

Our enduring relative pricing position in the market and national network has helped maintain first time buyer interest outside of London and the South East especially, and helped mitigate the impact on sales rates. Given the political salience of young families and the aspiration of homeownership, this may prove to be a policy area that the major parties revisit ahead of the general election. In the meantime, we will continue to focus on improving our product, our quality and our service whilst maintaining this price advantage within the market for the benefit of our customers. Our mission 'to build homes with quality our customer can rely on at a price they can afford' has never been more relevant.

Our Partnership Homes team has also been working to improve our business processes and reputation amongst Registered Providers (RP) and local authorities. By drawing on our improved product and build quality consistency, they have reviewed our standard approach to working with RPs across the Group. This is leading to more RPs looking to partner with us and puts us in a stronger position to drive market competition and secure enhanced returns. Equally, we have proactively engaged with the First Homes pilot scheme which delivers homes to first time buyers at a 30% discount to prevailing market value. We have around 215 homes either completed or allocated within the current Homes England programme. We have also identified the potential for additional homes to be included subject to Homes England's approval.

Group Chief Executive's statement continued

Disciplined cost controls and opportunities for further efficiency

Within this challenging market we are exerting ever-more discipline and even greater cash and cost control. Since Q4 2022 we have been increasingly selective on new land investment. We are only targeting exceptional deals and expect our land spend to be down in 2023, compared to 2022. Our local teams are focused on securing planning consents from sites we already own and are working closely with our External Affairs team to enhance our stakeholder engagement and presentation to achieve approvals from planning committees. Recent successes with previously stalled applications are already demonstrating the benefit of this new approach. We are also embedding this more proactive approach earlier on in our new planning application process.

Persimmon has a strong track record of disciplined cost control and we have strengthened these further. We are taking clear actions to mitigate the impact of the deterioration in sales rates and have added extra control stages into our existing processes to ensure work in progress is being spent most effectively and at the right time to secure the best returns. A key part of this is closely managing construction programmes to local sales rates. We already operate with a lean cost base and are operating from a relatively low number of outlets but we also have a hiring freeze in place, except where the role is business critical. Our approach is one of prudent discipline and agility: seeking to reduce costs where appropriate while making sure the company is ready for an upturn in demand. We are therefore looking to retain and enhance key skills and capabilities in the business to respond with even better customer service and build quality.

Securing efficiency gains in our build programmes continues to be a key area of focus for the business. A detailed review last year found that Space4 timber frame construction is around 7 weeks faster than traditional build. Space4's timber frames are therefore being rolled out to more regions across the Group. We are looking to expand timber frame's use more widely and our planning application for our new state of the art factory in Leicestershire was submitted last year. This factory will provide a wider variety of timber frame products and innovative solutions to delivering increasingly energy efficient homes even more cost effectively.

Our tendering processes have been strengthened through greater central oversight and an expanded use of framework agreements. Build cost inflation is currently c.8%, showing some slight moderation from last year but still persisting. Strict disciplines have been in place since the fourth quarter of 2022 to ensure new contracts did not fix prices beyond 6 months, to give the opportunity for price reductions at that time. Where incumbents are not willing to negotiate we will go to a tender process, while maintaining quality, service and safety standards, to secure best value. With greater central specification and standardisation of layouts and products (such as internal door sets) the Group is using framework agreements to secure cost efficiency, enhanced quality consistency and greater certainty on materials' delivery.

We have conducted a thorough review of build programmes to identify further opportunities. Every business now has a build programme that better matches their prevailing conditions. This allows for more accurate forecasting and the timely call off and delivery of materials. This provides greater assurance of delivery and efficiency in build. We are also trialling the procurement of some key materials directly from manufacturers, as opposed to a traditional supply and fix model, as part of this drive for assurance and efficiency.

This combination of disciplined cost control and investment, alongside ever-improving build efficiency underpins our next phase of the Group's industry-leading financial performance.

Quality and customer improvements

Alongside this drive for ever-greater efficiency our focus on enhancing quality continues. Our NHBC Construction Quality Review score improved by 9% in 2022 compared to 2021. We are stepping up further our Persimmon Way programme including trialling a new app to provide direct personal communication with our site-based workforce, providing induction, site-specific, quality and health and safety information amongst other areas. We were also pleased to become one of only 10 companies to be awarded a Certificate of Commitment and Progress – Building Safety Stage 1, as part of the Building a Safer Future Charter Champion application process.

As well as our enhancements to our sales and marketing set out above, we have been investing in new tools and training to strengthen our customer service. A training programme has been rolled out to support Sales Advisors selling in this more challenging market. This has been complemented by a mystery shopper exercise on every site, identifying areas for further improvement to help drive sales. This training builds on recent progress. We were pleased to become the first homebuilding company to achieve the Institute for Sales Professionals' Investor in Sales award for our commitment to develop strong customer relationships based on integrity, trust, and ethical selling.



We also welcomed the New Homes Quality Board's New Homes Quality Code and registered last year. The aims of the code and its supporting process are consistent with the Group's own focus on further improving build quality and customer service standards. We intend to activate in the coming months and have rolled out training programmes across the Group – not limited to customer service roles – to prepare. We are also putting extra assurance in place to align our build programme to meet its requirements, including effective earlier legal completion dates ahead of our year end.

We have procured a new CRM system (YourKeys, developed by the Zoopla Group), which will allow a comprehensive and integrated system from initial instruction through to completion. This platform will allow both customers and our colleagues to communicate more effectively and provide enhanced information such as on progression and layouts all in one place. We will be piloting it shortly, with a view to rolling out across the Group later this year.

We are continuing to invest in our staff and are further enhancing our training offer to colleagues, including through a new e-learning initiative. We are also pioneering new approaches, as the Persimmon Academy in Llanilid, South Wales demonstrates. In partnership with Bridgend College, we have established an innovative on-site education and training academy, which is producing the next generation of construction workers and site staff in South Wales. It has already been recognised for best-practice by key political stakeholders and shortlisted in the Welsh Government's Apprenticeships Awards Cymru and the National Federation of Builders' Construction Excellence Awards 2023. As part of building the next generation or tradespeople we are looking to develop similar academies elsewhere across the Group.

We continue to benefit from highly experienced management teams across the business. Our senior management teams bring decades of experience to managing the current market challenges and are driving our investment disciplines while leading programmes to enhance our capabilities. We will continue to invest in our colleagues' development and our systems and technology to support them in both their professional development and drive to deliver ever more consistent quality for our customers.

Capital allocation policy

A new capital allocation policy was announced in November to deliver sustainable returns to shareholders while investing in future growth through disciplined expansion of our industry-leading land portfolio and enhancing our quality and service capabilities. Alongside this the board considers our current assessment of prevailing market conditions, the sector's increased tax contribution and building safety remediation costs.



Outlook

The longer-term fundamentals of the UK housing market remain strong. Despite the current challenges and uncertainty, the historic lack of supply means demand for new housing will remain. The key current challenges are affordability and mortgage product availability. While there has been some recent easing in mortgage rates from their high at the end of last year, the majority of respected forecasters do not expect them to return quickly to the levels seen during the previous cycle.

Persimmon's 2022 performance demonstrates our capabilities to deliver both strong financial performance and consistent build quality and customer service for the first time in our history. We have an improved – and improving – product that is well positioned in the market, with a below average selling price at a time when affordability is key. The breadth of our nationwide network and near absence from London provides some protection from the most acute affordability challenges. Combined with our excellent land holdings with its industry-leading embedded margins, we have a strong platform for the future. A strong balance sheet also provides options and flexibility to pursue future growth.

Our proactive sales and marketing initiatives and improved market conditions have helped increase the sales rate in recent weeks but they still remain lower than last year. With our focus on continually enhancing our product, including through an ever-greater consistency of quality and service delivery, and investment in a new CRM and further training, we aim to improve the sales rate further.

Group Chief Executive's statement continued



By combining operational excellence and commercial excellence along with disciplined investment we will grow the business from 2024 onwards. We will expand our outlet network at the right time and enhance our capabilities to respond quickly and efficiently to any increase in market demand.



It is too early to assess sales rates for the year as a whole, but were our prevailing 0.52 sales rate to continue for the rest of the selling year, the current outlet network would imply 8,000–9,000 legal completions for 2023. This includes homes sold to housing associations, which we anticipate will deliver a higher proportion of this year's completions than is typical, with a higher weighting in the first half.

At these lower completion levels, there will be a margin impact. To provide an illustration, assuming cost inflation which is currently running at around 8% continues all year without a mitigating increase in average selling price, margins may reduce by around 500bps. As well as assuming this level of inflation, reduced volumes and increased sales incentives and marketing costs may further impact operating margins by around 800bps. Ultimately any margin impact will of course be a product of the interplay between each of these factors. Equally, as they improve, it will drive relative margin growth.

We are taking action to manage our already lean cost base through disciplined cost control and £40m of efficiencies were identified in the 2023 operating budget, meaning that our combined overhead costs on an underlying basis are holding broadly flat year on year. We have a hiring freeze in place, other than where the role is business critical. We believe 2023 will represent the floor in our volumes and we want to retain our experienced and skilled teams to respond quickly when the market turns back in our favour.

We have been rebuilding our outlet position following the pause in investment a few years ago. At the start of 2022 we had a relatively low number of selling outlets (234) and successfully grew this to 272 outlets by year end. This figure is itself still relatively low for the Group – we have been up in the high 300s in the past – and we have been looking to progressively grow our outlet network while maintaining our disciplined approach to investment.

In light of the market shift late in 2022, we exerted even greater control on land spend and were highly selective with any new investment. We expect to spend less on land in 2023 than in the previous year and forecast land creditor spend of £270m in 2023. We anticipate lower levels of cash balances in 2023, reflecting lower completion levels, careful investment in land and work in progress and building safety remediation costs. We will continue to exert disciplined cash control and ensure our infrastructure and build programme spend matches local demand. Some outlet openings have been delayed as a result of this action. We are likely to have a broadly similar number of average sales outlets in 2023 as 2022.

However, we are working now to grow our outlet network, at the right time, to provide the capacity to deliver ahead of pre-Covid volumes over the longer-term. We are focusing on securing consents on land we already own to pull through more outlets most efficiently. A more proactively engaged approach to local planning is already starting to unlock some blocked consents and we are also embedding it at an earlier stage in our applications process to seek consents quicker. We will remain very disciplined on new investment. Where we see excellent land investment opportunities meeting our strict financial disciplines, we will invest at the right time. We are also strengthening our strategic land teams to secure new opportunities in the years ahead.

Our 2022 performance demonstrates that we have combined our great financial strength with renewed capabilities of build quality and customer service. We will continue to invest in these capabilities, in a disciplined manner, so that we are even more efficient and ever more consistent in the quality homes we deliver to our customers. The investment in a new timber frame factory will provide the capacity to deliver an additional 7,000 timber frame units a year, as well as new innovations in wall systems and panelling. As timber frame homes are typically 7 weeks faster to construct, this investment will enhance our build efficiency further. Targeted investment will help deliver further enhancements to our BrickWorks and TileWorks factories. We will continue to improve our product and our service to meet customer demand with excellence and efficiency. Our existing land portfolio gives us a strong platform to build from and again we will invest in it further in a disciplined manner. While our margin will be impacted by the contraction in volumes this year, it will grow as we increase completions in the years ahead.

The hard work of recent years has enhanced our value proposition to customers and built a stronger and more sustainable business for the future. By combining operational excellence and commercial excellence along with disciplined investment we will grow the business from 2024 onwards. We will expand our outlet network at the right time and enhance our capabilities to respond quickly and efficiently to any increase in market demand. This growth will deliver the opportunity of a new home to more customers, create sustainable communities across the country and drive sustainable returns to our shareholders for the years to come that will include payment of an attractive and improving dividend.

Dean Finch
Group Chief Executive
28 February 2023

Our five key priorities



Build quality and safety



We are determined to continue to improve the quality of the homes we build. We have made great strides since the introduction of The Persimmon Way, with improvements across all measures, including achieving HBF five-star status. We are particularly pleased with the progress made in 2022 with Construction Quality Reviews undertaken by the NHBC, where we have seen year on year improvements of nearly 10%. We intend to keep building on this excellent progress for our customers.



Andy Fuller
Group Construction Director

Build quality score¹

86.6%



Our five key priorities

Build quality and safety continued



Our mission is to build homes with quality our customers can rely on at a price they can afford.

We aim to build high quality homes at attractive prices, enabling our customers to access the housing market when otherwise they may be unable to do so. Through The Persimmon Way, the Group's Construction Excellence programme, we deliver a comprehensive approach which covers all aspects of our build programmes, from colleague training to quality assurance and innovation.

Build quality – trusted to deliver five-star homes consistently

Reflecting the progress we have already made, our build quality ambition has grown from, 'build right, first time, every time' to 'trusted to deliver five-star homes consistently'. We are striving to deliver further quality improvements for our customers together with strong on-site operational efficiency.

We are pleased with our progress to date – our National House Building Council ('NHBC') Reportable Items (the number of items reported on by the NHBC on inspections of our homes) have improved by 25.8% since the introduction of The Persimmon Way in 2020.

The NHBC is also conducting Construction Quality Reviews ('CQR') which provide root cause analysis of quality issues. Our CQR score is currently running 9% ahead of last year's average (2022: 79.6%, 2021: 70.6%).

Our progress is also being recognised by our customers. We were delighted to be awarded the HBF five-star rating for the first time in the Group's history in March 2022. Our eight-week customer satisfaction score¹ for the survey year ended 30 September 2022 continues to exceed the threshold required to achieve the HBF five-star rating.

1. The Group participates in a National New Homes Survey run by the Home Builders Federation ('HBF'). The survey year covers the period from 1 October to 30 September. The build quality score is based on how satisfied customers are with the quality of their new home and the customer satisfaction score is based on the number of customers who would recommend their builder to a friend.

Our 9-month HBF customer satisfaction score has improved by c.10% since the implementation of The Persimmon Way; however, this has fallen slightly when compared year on year (2022: 73.4%, 2021: 75.9%). We are confident that we will drive further improvements through the initiatives outlined on pages 26 to 27.

We are also improving our operational efficiencies and capabilities. During 2022, the Group made good progress on build rates, which were around 8% ahead of the prior year. At 31 December 2022, the Group held c.3,900 equivalent units of new home construction. For 2023, the Group will be carefully monitoring its work in progress investment and aligning it to relevant demand levels.

The Persimmon Way

The Persimmon Way was initially rolled out during 2020 and became fully operational in summer 2021. Having seen the progress the programme delivered, the Group sought to go further and faster in its implementation of The Persimmon Way during 2022.



Improving quality, delivering value Training

- A complementary training programme is crucial to delivering The Persimmon Way and achieving high quality homes consistently across the business.
- The 'Persimmon Construction Pathway' provides a comprehensive internal training programme for our site and assistant site managers, driving up build quality and increasing on-site efficiency.
- All site managers undertake the 'Site Managers Essentials' programme covering the implementation of The Persimmon Way. In addition, site teams perform mandatory online modules and on-site Toolbox Talks targeting build quality.
- Persimmon is an accredited National Vocational Qualification ('NVQ') assessment centre, a first for a UK housebuilder.

c.90%

of site management colleagues
have received relevant NVQs

- c.90% of the Group's site management colleagues have received an NVQ qualification appropriate to their role.
- We were delighted to be recognised as a Top 100 Apprentice Employer during 2022. In partnership with Bridgend College, we have developed a Persimmon Academy, an on-site education and training facility for brickwork and joinery apprentices and trainee site managers. This is a model we will be replicating in other locations, starting with Castle Bromwich in the West Midlands (see page 38).

Build quality

- More exacting building tolerances than current industry standards have been introduced, driving improved quality and efficiency across the Group.
- A 'Good Practice Guide' has been developed which shares areas of best practice and assists in the further development of the Group's construction disciplines.

Our culture

- The Group launched internal 'Construction Excellence Awards' in 2021 which recognise and reward site teams that demonstrate innovations and outstanding management skill to achieve excellence on their development (see page 96 for further detail).
- Management incentive programmes have been revised to reward the successful achievement of improvement in build quality and customer care standards. This has included a new bonus scheme for site management to provide an increased focus on quality on each of our developments.
- Currently, a proportion of all colleagues' bonus schemes is dependent upon achieving high standards of build quality and customer care across the Group, aligning all employees with these key priorities for the business.

Quality assurance

- The Group has a large team of Independent Quality Inspectors, which we believe to be the largest of its type in the industry. The team, who report directly to the Group Construction Director, undertake quality assurance inspections on each of our developments, monitoring construction build quality across all elements of new home construction.
- We perform a seven-stage pre-completion inspection process on all our homes before we hand them over to our customers. During this quality assurance process, each of our homes is inspected by senior employees from the relevant regional company.
- All of our homes are sold with a 10-year warranty backed by either the NHBC, Premier Guarantee or LABC Warranty. Each warranty provider conducts its own independent checks at key build stages.

Innovation

- The Group is investing in its digital systems and applications, including the 'Site Manager Application', which is being rolled out across the business. The application allows site managers to record and monitor build progress and quality across the site.
- Development work has commenced on The Persimmon Way application to track and monitor site induction and attendance. Once fully developed, the application will host all communication for our wider workforce (including our subcontractors).

Building a safer future

In 2021, the Group signed the 'Building a Safer Future Charter' as an inaugural member, demonstrating our determination to drive safety improvements within our company and across the industry. Our 'Building a Safer Future Charter Champion' accreditation involves thorough reviews of our approach across each of our operating companies and is progressing well. Persimmon is one of only 10 UK Companies to have been awarded a Certificate of Commitment and Progress – Building Safety Stage One, demonstrating the Group's leadership and commitment to this building safety accreditation scheme.

NHBC Pride in the Job Awards

We are delighted that three of our site managers have won the prestigious NHBC Pride in the Job Awards in 2022.

The NHBC Pride in the Job Awards is considered the most highly regarded competition of its type in the housebuilding industry.

Judging for the Awards is rigorous, with each of the site managers across a field of more than 10,000 assessed across six key areas: consistency, attention to detail, leadership, interpretation of drawings and specifications, technical expertise and health and safety.



Our five key priorities

Build quality and safety continued

Our vertical integration

Off-site manufacturing

The Group operates three off-site manufacturing facilities: Space4, a timber frame manufacturing facility providing 'MMC' for the Group, and Brickworks and Tileworks. Each of our facilities provides a resiliency of supply together with enhanced quality and cost efficiencies.

We believe that this vertical integration is a key differentiator for the Group, and we are committed to continuing to invest in our off-site manufacturing facilities.

Space4

The Group operates one of the UK's largest off-site timber frame factories, known as 'Space4'. This business produces a 'fabric first' solution to the construction process to manufacture, using PEFC-certified timber, timber frames, highly insulated wall panels and roof cassettes based on our standard house types. This MMC, which utilises CAD/CAM ('Computer-Aided Design/Manufacturing') techniques from the automotive industry, supports increased site production and efficiencies by reducing the time to build the 'superstructure' of a new home by almost two thirds while also easing the requirements and reliance on-site for some traditional supply-constrained skills, such as bricklaying. Manufacturing these components within a factory setting also delivers improved quality and consistency.

In addition to on-site efficiencies and enhanced quality, the 'fabric first' solution delivers high levels of thermal efficiency for the new homes built. Our homes are c.30% more energy efficient than existing housing stock and are cheaper to run for our customers (see page 34).

The fabric first solution will support the Group in delivering the requirements of 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.

Given the significant advantages of this solution, we will be investing in a second, new Space4 facility at our site in Garendon. The new factory will provide updated technology and techniques that will further drive enhanced quality and efficiency gains using state of the art robotic automation. The existing Space4 factory has the capacity to supply up to c.9,500 units per year, consisting of c.7,000 timber frames and c.2,500 'room in the roof' systems. The new factory will have the potential to match this, almost doubling our capacity.

During 2022, Space4 delivered 4,448 timber frame house kits and insulated roof systems to the Group's housebuilding businesses, contributing to the delivery of c.30% of the new homes delivered in the year. As part of our ongoing commitment to MMC, we have committed to building 50% of our homes using Space4 by 2025.

Brickworks

The Group's Brickworks 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.53m bricks across 239 sites (2021: c.45m bricks to 203 sites across the Group), representing an 18% year on year increase in the supply of bricks.

Tileworks

The Group's roof tile manufacturing plant, also based at Harworth, has supplied approximately 12 million tiles to 264 sites across the Group (2021: c.9 million tiles to 227 sites across the Group) representing a 25% year on year increase in the supply of tiles.

Engaging with our supply chain

The Group recognises the importance of an effective and engaged supply chain, which it achieves through regular engagement with all our suppliers and subcontractors at both local and Group levels.

As members of the Group's wider workforce, the health, safety and mental wellbeing of our subcontractors is important to us, and as noted on page 51, they take part in regular 'Toolbox Talks' covering the health and safety aspects of our sites.

Each of our subcontractors must complete the Persimmon site induction course before commencing work on any of our developments.

As noted on page 41, the Group continues to take its role in combating modern slavery and human trafficking seriously, and has further developed its training provision, ensuring greater awareness of the risks in this area for staff in key functions that interact with the supply chain. The Group is a signatory to the Prompt Payment Code (PPC). The Code sets standards for payment practices and best practice and is administered by the Office of the Small Business Commissioner (OSBC) on behalf of the Department for Business, Energy and Industrial Strategy (BEIS).

SAP rating

84

Equivalent to a 'B' EPC rating

The Group's centralised procurement department is responsible for managing the strong, longstanding relationships we hold with our main suppliers. The department seeks to secure Group-wide deals covering all major elements of our construction process. These relationships and agreements will allow the Group to establish consistent standards of quality, security of cost and supply of materials, while providing our suppliers with certainty over volumes, revenues and cash flows. We have also been engaging with our suppliers to assess the embodied carbon of our house types in order to identify materials with the most impact (see page 48 for more details).

Our operating businesses work closely with a large number of regional suppliers to secure locally sourced materials. The Group works with c.4,500 suppliers and is proud to support c.52,000 jobs within its supply chain.

Our regional housebuilding operations 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 local subcontractors with continuity and consistency of work. The Group supports over 40,000* jobs across its sites.

In total, the Group supports c.92,000* jobs across its wider supply chain (2021: c.92,000*).

* Estimated using an economic toolkit.

Our five key priorities



Reinforcing trust: customers at the heart of our business



Our customers want attractively priced, high quality, sustainable and energy efficient homes, as well as good customer service. Putting customers at the heart of our business, we have, and will continue to, enhance both our service and product offerings in order to meet their expectations.



Sonia Da Costa
Chief Customer Experience Officer



Our five key priorities

Reinforcing trust: customers at the heart of our business continued

Our homes

We are proud to offer attractively priced homes for the benefit of our local communities.

As noted on page 4, the Group offers three brands across its UK-wide network of sales outlets, delivering a range of house types in well-serviced locations providing customers with high quality, sustainable and energy efficient homes at prices they can afford. Our average private selling price of £272,206 is over 20% below the UK's national average selling price¹, demonstrating the enduring strength of our value offer to customers.

We have strengthened our offering to customers both in the house types we provide and the developments we design, through to the improved quality of our homes (see page 22) and an enhanced customer experience.



Our customer service

Our aim is to build a compelling brand through placing customers at the heart of our business and being a trusted partner delivering the best value homes customers can be proud of. We understand that buying a home is one of the biggest investments our customers will make.

Our goal is to deliver an excellent experience throughout our customers' home-buying journey, from researching buying their home to the biennial anniversary of their moving in day. We aim to achieve this by providing a good blend of both digital and interpersonal service, engaging with our customers through a variety of channels, as well as investing in and empowering our sales and customer care representatives to deliver good customer experiences.

Training

Through the 'Persimmon Pathway' (see page 40 for more detail), the Group has developed structured professional qualification pathways for its sales teams in partnership with the Institute of Sales Professionals ('ISP'). This year, the Group has achieved its ISP Investor in Sales award. This is an industry-first programme that has resulted in 122 of our sales advisors being accredited by the ISP, with a further 33 engaged on the programme.

Through the Persimmon Sales Pathway, sales advisors undertake a structured curriculum that integrates Persimmon's Sales Excellence programme with the ISP's Continued Professional Development, culminating in an ethics examination prior to accreditation. In addition, the Group has enhanced the in-house customer care training-proposition by adding tailored pathways for a variety of roles, as well as registering with the Institute of Customer Service, which will also provide an accredited route to the training of our customer service teams.

The sales teams undergo internal and external review and assessment. Our Training department utilises the results of these assessments to establish bespoke training modules and courses that address key learnings identified.

Customer relationship management

Feedback and research tells us that customers today value a blend of digital and interpersonal customer experiences – they want to be able to communicate with our teams quickly and easily, at times and in ways convenient to them.

To enhance our customer engagement and empower our teams to deliver the type of customer experiences our customers expect, we are investing in a new customer relationship management system (YourKeys developed by the Zoopla Group). This system will not only enhance our existing Customer Portal by digitising more of our customer experience, providing customers with more real-time updates and greater transparency, it will also create better employee experiences through a robust and easy to use tool with which to do their job.

This significant enhancement will enable us to continue to develop better relationships with our customers throughout the totality of their home-buying journey.

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

New Homes Quality Code

The Group became one of the first housebuilders to formally commence the registration process for the New Homes Quality Code ('NHQC') on 14 January 2022. We welcome the introduction of the NHQC, which aims to drive up quality and customer service standards across the industry.

Persimmon complies with the Consumer Code.

Our customer care

The Persimmon Way aims to build right, first time, every time, improving customer satisfaction and 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.

We have continued to invest in our customer care resource, in digital technology and in training. The Group has strengthened its centralised customer care team, providing specialist skill sets that complement our local teams. This centralised resource also drives a consistent and structured approach across the business for our customers.

The Group Training department has developed structured training modules for our customer care teams to drive improvements in the service we provide and enhance customer satisfaction.





Our progress

We are delighted to be a five-star homebuilder for the first time in the Group's history. The progress that we have made on build quality and customer service is being recognised by our customers. As noted on page 22, our eight-week customer satisfaction score¹ continues to trend ahead of the five-star threshold. Our nine-month HBF customer satisfaction score has improved by c.10% since the implementation of The Persimmon Way; however, this has fallen slightly when compared year on year (2022: 73.4%, 2021: 75.9%). We are confident that we will drive further improvements through the initiatives outlined on pages 26 to 27.

The Group's Trustpilot score has improved by approximately 30% since the start of 2022, reflecting our improved customer service and brand reputation.

Trustpilot

30%

Trustpilot score has improved by approximately 30% since the start of 2022

Accredited sales advisors

122

sales advisors being accredited by the ISP

1. The Group participates 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.



FibreNest

FibreNest provides ultrafast full fibre to the home broadband from moving in day. 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. FibreNest currently serves over 30,000 customers across over 330 sites, with further roll outs continuing. In 2022, the FibreNest day one connection rate was 90% (2021: 85%).

It continues to be a key strength for the business and its customer ratings on Google and Trustpilot are currently ahead of the larger and established internet national market providers.

Customers

c.30,000
over 30,000 customers
across more than 330 sites

Day one connection rate

90%
2021: 85%

Our five key priorities



Disciplined growth: high quality land investment



The Group's high quality land holdings are a key strength for the business. During the year, we invested in some exciting land opportunities adding 14,670 plots across 66 sites into the Group's portfolio, a plot replacement rate of 99%.



Dean Finch

Group Chief Executive

» Read more on page 15.

Owned and controlled land holdings (plots)

87,190

2021: 88,043 plots





Our land investment opportunities

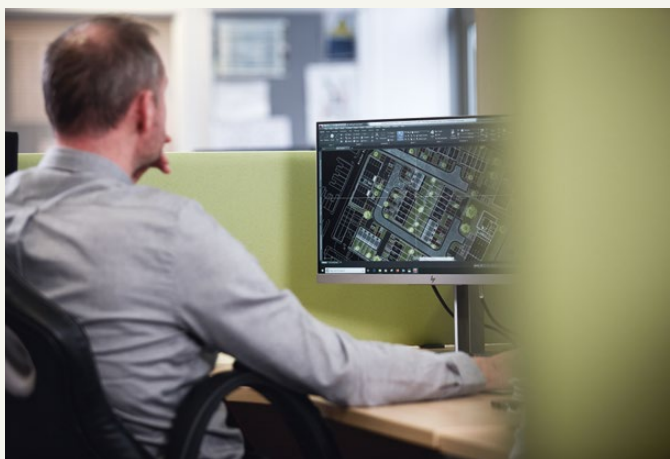
The Group has a well-established strategy of disciplined land replacement. This is a key driver of value for the business and one of its core strengths.

When reviewing each land investment opportunity, we consider the needs of local government and the local communities we serve. This is at the heart of our land investment and management strategy, ensuring that we develop sustainable locations in areas of greatest housing need where our customers love to live and work across the UK.

We aim to develop natural extensions to existing communities that have the lowest environmental impact. Our 30 operating businesses each have highly experienced in-house land, planning and design teams with excellent knowledge of the local areas that they serve. They are supported by our Group Planning department, combining the strength of local knowledge with shared best practice across the business.

Experienced teams

A consistent approach to our land buying is applied across the business. All of our experienced land, planning and design teams bring a wealth of knowledge to the delivery of the Group's land replacement strategy. Each team works closely with all relevant stakeholders, including land owners, local communities and local planning authorities, to deliver new housing in areas that have the greatest need. As well as delivering increased housing, we help provide greater access to local amenities and existing infrastructure.



Climate change and environmental risk management

As we work through the planning process, we continually assess the significant environmental risks for each of our potential sites. A detailed 'Planning and Environmental Risk Assessment' is performed that considers a number of risk factors, including local housing needs, flood risk, issues of existing land contamination, water pollution and biodiversity impacts.

This ensures that we respect the natural environment, mitigating adverse environmental impacts and enhancing biodiversity where possible.

See page 50 for more detail.

Governance

The Group's well-established strategy of minimising financial risk and investing 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.

The Group's Land Committee governs this process. It comprises members of the Group's senior executive team. The Committee meets regularly and reviews each significant land investment opportunity on a consistent basis. In approving each opportunity, the Committee takes into account the existing land portfolio, the needs of the local community, all environmental issues and the planned and projected levels of profitability and return. Only opportunities that meet relevant criteria will gain approval and proceed.

Our five key priorities

Disciplined growth: high quality land investment continued

Continuously driving value

Once land opportunities have been identified and Land Committee approval has been obtained, the Group focuses on creating sustainable, attractive communities for our customers and delivering optimal value for all stakeholders. This is achieved through the use of our core house types, which meet customers' needs, innovative design and MMC, which introduce simplicity and economies of scale.

We have stepped up our approach to working with local authorities and communities to secure planning consents as quickly as possible. Our new housing range and Placemaking Framework, which sets out planning and design techniques to develop attractive communities, provide local teams with enhanced tools to meet customer needs and local planning authority requirements. A new stakeholder engagement team is proactively engaging local authorities across the country to identify how we can help them deliver their key objectives. We are offering support on nutrient neutrality to help interested local authorities identify solutions, deal with the challenge and unlock permissions.

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 and drive value for the Group.

Our land holdings

At 31 December 2022, the Group owned 70,768 plots of land, with industry-leading embedded returns, broadly flat on the start of the year. The business has c.4.8 years of forward land supply at 2022 output levels.

Over 50% of the Group's owned plots of land are on sites with detailed planning consent. The Group has also entered into conditional contracts for a further 16,422 plots on land which we are actively promoting through the planning system.

The Group's land recovery rate (i.e. land cost relative to revenue generated) was 12.0% in 2022 (2021: 13.2%), reflecting our differentiated, well-balanced land holdings that will benefit our stakeholders for the longer-term.

During the first half of the year, the Group continued to pursue exciting land replacement opportunities, investing around £416m in land payments (of which around £137m were deferred land creditor payments), while bringing 8,829 new plots into the business. As the economy and housing market tightened in the latter months of the year, the Group became more cautious in its land investment activities, protecting liquidity and the inherent strength in its balance sheet. As a result, land payments of £248m were made during the second half of 2022, of which £70m related to the settlement of land creditors. 5,841 new plots were brought into the business during this period.

In all, the Group has made land payments of £664m in the year, adding 14,670 new plots to its owned and under control land holdings at a replacement rate of 99% based on current consumption levels. This strong pipeline of land will provide excellent momentum for the Group when we exit this current period of market uncertainty.

Over the last 10 years, the Group has invested £5.4bn in new land payments and has delivered 146,121 homes during this time, at excellent industry-leading levels of return.

Forward land supply

70,768

owned plots

Investment in land

£664m

gross land payments in 2022

Strategic land

13,100

acres of strategic land

Our brands' investment in land

Our strategic land

Investment in new strategic land and its conversion through the planning system as effectively and efficiently as possible continues to be a key feature of the Group's strategy and business model. The successful promotion of our strategic land portfolio through the planning system, in partnership with local planning authorities and the communities we serve, will deliver land with detailed residential consents that will allow the Group to provide the much needed new homes to our local communities.

Interests in a further c.450 acres of strategic land were acquired during the year, providing a total of c.13,100 acres at 31 December 2022 (2021: c.13,700). We are confident that this will, in due course, yield around 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.

During the year, the Group successfully converted 5,348 plots from its strategic land portfolio into its owned and under control land holdings, representing 36% of plots legally completed in the year.



Our five key priorities



Industry-leading financial performance



Persimmon's well-established strategy of well-judged capital deployment through the cycle and maintaining financial flexibility has provided a resilient balance sheet and high quality land holdings from which we have the expertise to deliver sustainable returns for all our stakeholders.



Dean Finch

Group Chief Executive

» Read more on pages 53 to 55.

Return on average capital employed¹

30.4%

Underlying new housing operating margin²

27.2%



Our five key priorities

Industry-leading financial performance continued

Minimising financial risk and making well-judged assessments 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 quality land holdings 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 replacement, 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 pages 29 to 30)
- Placing customers at the heart of our business by pursuing developments that deliver properly integrated neighbourhoods which provide access to good quality new housing for the benefit of all potential occupiers, including those families on lower incomes

- Exercising discipline and strong control over the Group's outlets and levels of work in progress across all of our developments, ensuring that our investment appropriately aligns with current market conditions
- Engaging with and managing our supply chain and entering into robust tendering processes to help manage our costs (see page 24)
- Vertical integration and the manufacture of some key material elements (see pages 6 and 24)
- 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
- Investing in technology and innovation to keep us at the forefront of industry standards, while maintaining operational efficiency

Land investment

The Group's high quality land holdings are a key driver that supports the delivery of superior sustainable returns to the benefit of all our stakeholders over the longer term. The Group's ability to exercise disciplined land replacement through the housing cycle is supported by its existing land holdings assembled over many years. Such a strong platform enables the Group to continue to deliver new homes to communities across the UK, helping to 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 pages 29 to 30.



Our build programmes

The Group has an established range of standard core house types that ensure consistency of construction across the Group. This enables us to build more cost effectively, without compromising on build quality or customer service.

The Group continues to invest in digital technology, improving the consistency, efficiency and productivity of our detailed build programme processes and aligning our technology with our build and quality assurance processes. Our build and direct costs are 170 basis points higher than last year, at 57.1% of housing revenue (2021: 55.4% of housing revenue).

Strong liquidity

The Group delivers strong cash generation by applying strict operational controls and the effective, disciplined management of its working capital levels.

Senior management carefully monitors and manages the levels of work in progress investment on our sites. Balancing investment needs against relevant market demand, the requirement to achieve high levels of quality and customer service, along with generating strong and sustainable returns through the cycle are key factors in helping management determine the level and timing of investment.

The Group will continue to deliver strong cash generation while minimising financial risk through the cycle by exercising this discipline over capital investment, in addition to maximising the cash efficiency of its operational activities.

Tax strategy

The Group operates an overarching principle of full compliance with current UK tax legislation. We adopt a low risk approach to our tax affairs, recognising our wider corporate social responsibilities, and are open and transparent in all our dealings with HMRC. The commercial activities of the Group are planned to ensure that statutory reliefs and allowances permitted by existing tax law are claimed and all taxes are paid in full and on time in accordance with tax law.

1. 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 charge (2022: £275.0m, 2021: £nil) and goodwill impairment (2022: £6.6m, 2021: £6.2m).
2. Stated before legacy buildings provision charge (2022: £275.0m, 2021: £nil) and goodwill impairment (2022: £6.6m, 2021: £6.2m).

Our five key priorities



Supporting sustainable communities

The Group introduced a new Placemaking Framework in the year to ensure that all our developments create a sense of place for our customers and put communities at the heart of our developments.

£506m

investment in local communities¹



1. The value of homes delivered to housing associations, the value of discounted open market value homes plus the value of planning contributions we have made.

Our five key priorities

Supporting sustainable communities continued

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

While we are a national business, operating across the UK, we are proud to contribute to widening opportunity for our local communities. Social impact is one of our values – we build homes for the future in sustainable communities.

We are proud to provide attractively priced sustainable and energy efficient homes to meet the demand of our customers – our average private selling price of £272,206 is over 20%¹ below the UK national average. Through our on-site development, we are also providing local people with local jobs – we are pleased to support approximately 40,000 construction jobs² across our sites.

Local engagement

In 2022, the Group developed a 'Placemaking Framework' providing our site design teams with the tools needed to design attractive developments which promote our customers' wellbeing through, for example, the provision of public open spaces. We engage with our local communities and local planning authorities throughout the development process of our sites to ensure that they will provide the right range of house types, from apartments to four bedroom homes, to meet local needs. Through the planning process we aim to enhance local facilities, providing investment in local infrastructure such as transport, education, retail and recreation facilities.

Our developments provide much needed homes to both private owner occupiers and our local housing association partners. In 2022, we provided 2,694 homes, or £383m of housing, to housing associations and a further 174 homes, or £23m of housing, to qualifying customers using affordable discounted open market value homes. This is housing that is sold at a discount of around 20–30% over 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 £406m of affordable housing for lower income families in 2022 (2021: £363m).

1. Based on the Group's private average selling price of £272,206 for the year to 31 December 2022 compared with the national average selling price for newly built homes sourced from the UK House Price Index, as calculated by the Office for National Statistics from data provided by HM Land Registry.

2. Estimated using an economic toolkit.



Living more sustainably

We recognise the role we play in transitioning to a net zero carbon economy. Our homes are becoming increasingly energy efficient – and as such are more cost effective for our customers to run.

Our homes are c.30% more energy efficient than existing housing stock. The average SAP rating of our homes is 84, which is equivalent to an EPC rating of a B. Almost all of the homes that we build have an EPC rating of A or B.

In 2022, we provided

2,694

homes, or £383m
of housing

Our homes are

c.30%

more energy efficient than
existing housing stock

We provided

£406m

of affordable housing for
lower income families in 2022
(2021: £363m)

Average SAP rating

84

which is equivalent to
an EPC rating of a B

Engaging with our communities

We are a national business with a local presence.

Each of our operating businesses have 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
- 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 2022, we contributed over c.£100m to local communities (2021: c.£127m) through planning contributions to local authorities.

The Persimmon Charitable Foundation

Persimmon established the Community Champions scheme in 2015. In the last two years, the scheme has donated over £1.35m to over 1,400 charities, sports clubs and local community groups across the country.

The scheme previously donated £2,000 per month per operating business to a range of local charities, sports clubs and community groups. As these organisations are increasingly asked to do even more and are also encountering rising costs, during 2022 the scheme increased this to £6,000. Each of our 30 local operating business now donates £6,000 every three months to local organisations – at least £24,000 over the year.

During 2022, Community Champions donated c.£676,000 to c.700 local groups.

In the last two years, the scheme has donated

+£1.35 million

to over 1,400 charities, sports clubs and local community groups across the country

During 2022, Community Champions donated

c.£676,000

to c.700 local groups

Supporting our communities

Through Persimmon's Community Champions scheme, our West Scotland office supported an all-girls' football club in North Ayrshire with a £1,000 donation.

Clark Drive Girls FC runs teams ranging from under-sevens to women. They play a key role in the community and provide a welcoming environment for girls of all ages to train, compete and develop their skills. The club is based in Irvine, where Persimmon has been building vibrant and successful communities.

Persimmon's donation relieved some of the funding pressure on the club's players, friends and families and was used to provide new equipment to help support more girls and women to get involved in the game.



Our people



Our people

The development of our people is the key to delivering our strategy and through our sustained investment in HR and training, we have continued to support our objective to attract and grow a talented and diverse workforce.



Attracting talent

Post-pandemic, the Group recognised that the employment market would become more challenging as people re-evaluated their careers and work-life balance against the backdrop of periods of lockdown and having to adapt to new working practices.

Maximising the quality of our new recruits is a key objective and we recognised that the full opportunities and benefits of working for Persimmon could be communicated to potential employees more effectively.

During the year, we formulated a Talent Acquisition Strategy that led to the introduction of a streamlined recruitment process, which includes a revised Employee Value Proposition (EVP) that is consistent across all recruitment media, and the launch of an Applicant Tracking System (ATS) to create a professional candidate experience simplifying recruitment activity. In addition, we now have a central talent acquisition team who optimise all our recruitment activity, including the use of social media, and provide support and training to hiring managers in all aspects of recruitment and selection.

This new approach to attracting talent will result in the recruitment of better quality people, reduced time to hire, lower recruitment spend, and above all, a greatly enhanced employer profile for anyone looking to join Persimmon, regardless of which stage they are at in their career.

Colleague engagement

The results of this year's YourSay employee engagement survey saw an increase in all engagement metrics compared to 2021. With an increased response rate, the overall engagement score rose to 83%, a 5% increase, whilst 92% (+2%) of people are committed to the Group and what we are trying to achieve, and 89% (+4%) of our employees are motivated to do their best at work.

The previous survey highlighted some areas where the Group still had work to do, which included improving our internal communication and wellbeing support to colleagues. In both of these areas, there were very positive results this year. Regarding communications, 69% of colleagues feel well informed and communicated to, which is an increase of 27%, and 62% (+17%) feel the Company communicates openly, both of which are a direct result of the appointment of an internal communications team.

In terms of wellbeing, the proportion of colleagues that feel the Company offers support to deal with mental health or psychological wellbeing increased by 17% over the prior year. However, at only 56% (2021: 39%) we recognised that there was still more work required in this area and, for example, in recognition of the current economic climate we have undertaken a communication exercise to promote the support available through our Employee Assistance Programme to help employees manage their wellbeing. We have also made over 45 e-learning modules available to all our employees through our Learning Management System (LMS) covering a wide range of wellbeing topics. Going forward, and to provide additional focus, the Group Health, Safety and Environment department will be developing a comprehensive wellbeing strategy during 2023, to ensure our colleagues are supported in this important area.

Our values



Customer focused

They are our priority and we aim to build consistently high quality homes in communities people love to live. We will earn customers' trust by treating them fairly and with integrity.



Value driven

We will deliver the best value, high quality homes to our customers by encouraging entrepreneurship, innovation and cost-efficiency to drive industry-leading performance and competitive and sustainable returns for shareholders.



Teamwork

We are one team, working in an open and collaborative manner to deliver for customers and communities. We embrace diversity and new ideas and will develop the careers and reward the talents of colleagues.



Social impact

We build homes for the future in sustainable communities. We uphold the highest safety standards and leave a legacy that delivers economic, social and environmental value to the communities we build.



Excellence always

We strive to be excellent in all that we do. We relentlessly focus on providing the dream of homeownership to thousands of families by building the best value, high quality homes in the most cost-efficient manner, delivering for customers, communities and stakeholders alike.

Our people continued



The Employee Engagement Panel meets on a quarterly basis and these meetings always include at least one member of the Board with both the Chairman and Group Chief Executive having attended previously. Some of the changes introduced in 2022 following issues raised by the Panel, include improvements to the quality of PPE together with a range of garments for female employees, enhancements to paternity pay that will become effective in early 2023, and the involvement of Panel members in the selection of suitable IT hardware for use on our developments.

Supporting colleagues with the cost of living

A key component of our HR Strategy is to ensure we offer competitive pay and conditions to our employees and the Group recognised that 2022 was a difficult year for many of our colleagues who were affected by the rising cost of living.

At the annual pay review in July, we introduced a tiered approach that awarded the lowest paid employees the highest increase, with a 7% uplift on their basic pay. All colleagues received an increase that was above that which has been awarded in previous years. This approach was competitive when benchmarked against other employers. The uplift for our lowest paid colleagues was in addition to the adjustments that some received in January as we ensured we met our obligations to minimum pay rates as a Living Wage Employer.

Additionally, various changes to bonus schemes were introduced that increased the potential awards available, including a new scheme specifically for site management that focused on service and quality on their sites (see page 23).

Pioneering development

In the light of the skills shortage facing the home building sector the Group has launched a number of initiatives to encourage people to join the industry, together with innovative programmes to ensure our employees are equipped with the necessary skills and knowledge. These are compelling reasons why people of all ages and regardless as to whether or not they are at the start of their career or have many years' experience, can enjoy rewarding careers with Persimmon.



The Persimmon Academy at Pontyclun

In partnership with Bridgend College, we have developed a Persimmon Academy, which is an on-site education and training facility in our West Wales region. Opened in January 2022, it allows us to train apprentices in an environment that closely replicates what they will experience on-site, using familiar materials and methods that will allow them to develop their skills and improve the quality of their work in a realistic setting. Currently used to train bricklayers, joiners and site managers and with over 50 apprentices on their programmes, the facility will be expanded this year to encompass training for ground workers and roofers.

The Group has received external recognition for the success of this venture. As well as receiving the Bridgend College Partnership Award, it was a finalist in the Apprenticeship Awards Cymru, as well as being shortlisted for the National Federation of Builders' Construction Excellence Awards, to be announced in 2023. City & Guilds are also promoting it as a best-practice example of an employer partnership. Following this success, the Group will be replicating this academy model elsewhere in the country, beginning in Castle Bromwich in the West Midlands during 2023.



Sales excellence

Through our partnership with the Institute of Sales Professionals (ISP), the Company has this year received their Investor in Sales award. This follows the success of our Sales Excellence programme, which is integrated with the ISP's Continued Professional Development, which sees our sales teams engaged on their fair ethics programme. Our individual sales advisors receive accreditation from the ISP at the end of their training and during the year, 66 people received this recognition, bringing our total of accredited sales advisors to 122, with a further 33 engaged on the programme.

This external accreditation is an important demonstration of the emphasis we are placing on providing excellent service to our customers, from the very start of their journey with us.



Build quality

Following the successful programme to ensure our site managers are qualified to the appropriate level of NVQ/SNVQ, we have introduced a Technical Assessment to help them to maximise their technical knowledge and understanding of the building regulations. This assessment, in the form of a technical test, is in itself a learning experience but the objective is to ensure managers engage with the relevant standards, which will help us to meet the requirements of the forthcoming Building a Safer Future scheme. We will identify any resulting knowledge gaps and support site managers' development plans through this year, as part of the Persimmon Construction Pathway, providing further confidence for customers in our build quality across the country.

Getting the best from our talent

Following the conclusion of a Group-wide talent review, during which c.3,000 colleagues were assessed and discussed by their relevant management teams, a range of actions have arisen that will support succession planning and the development and retention of our colleagues.

At a simple level, these actions have included revising job content to provide greater stretch or responsibility, supporting professional qualifications or arranging additional training and development. However, some key initiatives have emerged that support the overall HR Strategy and at the centre of this are Programmes to support colleagues to make their next moves. Twenty-five high performing Directors were selected for the 'Future Leader Programme' to equip them to progress to becoming an Operating Business Managing Director or a Group Director. At a lower level, a High Potential Programme will see upwards of 40 colleagues receive formal support and broaden their outlook and experience in preparation for more senior roles such as department heads or functional directors.

To support the formalisation of our talent management, revised Personal Development Reviews will be introduced across the Group in 2023, which will be mandatory and replace our existing and more informal performance reviews.

Training delivery

In addition to the various initiatives outlined above, our on-going training and development continues to expand, both in the volume of training delivered by our in-house training team and the range of courses available to all employees.

Key to this progress was the launch of our Learning Management System (LMS) during 2022. The LMS allows us to record and report on employees' training and qualifications and is the vehicle through which our e-learning courses will be developed. From an employee's perspective, they will be able to book formal training courses, complete e-learning modules at a time to suit their schedule, and have access to a host of additional learning materials.

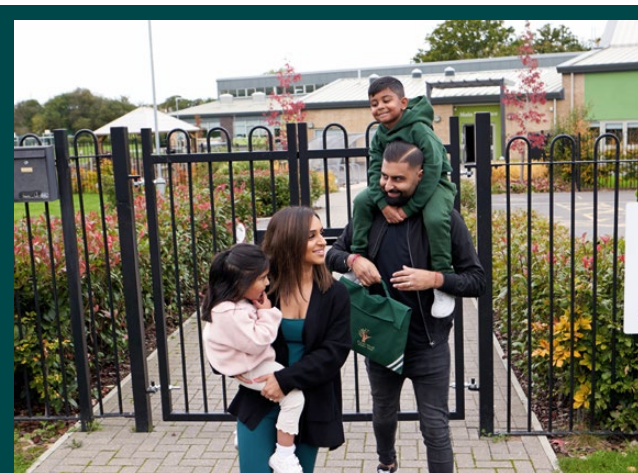
Our people continued

The Persimmon Pathways, a series of comprehensive functional development programmes, which allow colleagues to tailor their training to their individual needs, has expanded during the year. In addition to Sales, Construction and Customer Service, there are now Pathways in Sales Management, Marketing and Internal Quality, with more in development during 2023.

A portfolio of new courses was introduced during the year to support the requirements of the New Homes Quality Board ('NHQB'). Some of these courses are mandatory for employees in certain roles and form part of our compliance with the New Homes Quality Code. The delivery of additional NHQB training will remain a focus of the training team during 2023.

Whilst we have retained a high proportion of remote training, which was very popular and effective when people could not attend their normal work location, we have gradually increased face-to-face delivery, resulting in a blended training approach providing employees with a variety of different ways in which they can access learning. During the year the Group Training Department was responsible for c.13,800 training days (2021: c.13,200) with c.3,700 (2021: c.3,500) of those delivered remotely.

We have just over 700 trainees and apprentices (2021: c.650), of whom c.400 are engaged on formal apprenticeships (2021: c.350). Our commitment to introducing new talent to the industry has been recognised through our Gold Membership of the 5% Club, which is an employers' group committed to at least 5% of their members' workforce being engaged on an apprenticeship or formalised training scheme. In addition, the Department for Education named the Company in their list of the "Top 100 Apprenticeship Employers" in England.



Over the course of the project, City & Guilds accredited 10 of the volunteers with Entry Level 3 in Painting and Decorating, which would not have been possible without this project.

Social mobility and community engagement

We have a proud track-record of providing young people with new skills and experience to enable them to enjoy a rewarding career with the Group, which is particularly pleasing when they join us after facing challenges in their early years, be that difficulties at school or because they come from a disadvantaged area. This led us to sign the Social Mobility Pledge and we remain supporters of The Purpose Coalition and its aims.

During this year we continued our partnership with Volunteer it Yourself (VIY), which is an organisation dedicated to making a difference to young people disenfranchised from mainstream education. In Liverpool, where we have two active developments, we worked with VIY and Liverpool City Council's Legacy programme to support local sports facilities ahead of the World Gymnastics Championships that were held in the city. The first project was the refurbishment of the Liverpool Gymnastics Club, where Olympic medallist Beth Tweddle started her career. Twenty-five young people were involved in the renovation work and had the opportunity to work alongside some of Persimmon's apprentices, together with the Mayor of Liverpool City Region Steve Rotherham, a former bricklayer himself. Over the course of the project, City & Guilds accredited 10 of the volunteers with Entry Level 3 in Painting and Decorating, which would not have been possible without this project. A further project with VIY and Liverpool City Council in 2023 will see the refurbishment of the Tuebrook Hope Centre, which is a community centre in the heart of one of the communities in which we are building new homes.

Training days delivered

c.13,800

2021: c.13,200

Remote training days delivered

c.3,700

2021: c.3,500

Trainees and apprentices

over 700

2021: c.650





Human rights

The Group is committed to a fundamental respect for human rights in all aspects of its activities, and expects high standards of ethical behaviour and integrity from all employees and stakeholders involved within our operations. This commitment is reflected in our suite of policies and procedures, such as our Code of Ethics, Modern Slavery, Human Rights and Anti-Bribery and Corruption policies.

As a housebuilder operating solely within the UK, and with the vast majority of our first tier supply chain and subcontractors also being UK based, we do not consider that human rights abuses, modern slavery and bribery represent a significant risk to our business. Nonetheless, the Group has established robust controls and procedures to reduce the risks further and to provide assurance that our employees and suppliers continue to work to the high standards we demand.

Our assessment of the most significant potential human rights impact areas within our operations remains unchanged from prior years. These impact areas include the labour and employment rights of our employees, subcontractors and those working within our supply chain; the health and safety of our workforce; and rights of communities in which we operate. In particular, as part of the construction industry, the Group takes its role in addressing modern slavery and human trafficking risks seriously, and aims for continuous improvements in this key area. In 2022, the Group's membership with the Gangmaster and Labour Abuse Authority (GLAA) 'Construction Protocol' has been continued, ensuring ongoing access to industry good practice in combating modern slavery. The Group has also engaged proactively with the CCLA-led 'Find it, Fix it, Prevent it' initiative, to benchmark its processes and understand stakeholder concerns for our sector. Informed by these inputs, a comprehensive suite of controls has been established. This includes regular audits on supply chain controls and awareness, led by our Group Internal Audit department. Awareness posters are also in place at all sites, encouraging the reporting of potential concerns to our whistleblowing provision. Routine inspections and worker interviews are carried out by the Group Health, Safety and Environment department, and tailored

training is in place for employees in Commercial, Procurement and Construction functions, in addition to the annual delivery of a GLAA developed 'Toolbox Talk' for all site-based workers. Within 2022, one report of potential modern slavery and labour abuse was reported via whistleblowing, but following investigation and with input from the GLAA, this could not be substantiated. Further details on the Group's measures to combat modern slavery are set out within our most recent Modern Slavery Statement, which is available on our website at www.persimmonhomes.com/corporate.

The Group has comprehensive health and safety management systems to safeguard the workforce and all those present within the areas it operates in. These are subject to regular internal inspections, with further assurance through the Safety and Environment Concerns reporting telephone line and email address, details of which are displayed in all Group offices and at all Group construction sites.

All employees are bound by the Group's Anti-Bribery and Corruption policy, which is supported by anti-bribery and corruption training modules for key members of staff.

As a further safeguard on human rights and ethical behaviour, the Group maintains a comprehensive whistleblowing provision. This provides a range of mechanisms through which employees and others can raise concerns in confidence, and anonymously if needed. All whistleblowing reports are investigated independently by our Group Internal Audit department, with summary reporting provided to the Audit & Risk Committee. Within 2022, the Group entered into a partnership with the whistleblowing charity Protect. Through this partnership, the Group has further strengthened its whistleblowing provision through additional training and a benchmarking exercise against best practices.

Sustainability

Sustainability is integral to how we do business

Our sustainability pillars

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



Building for tomorrow



Transforming communities



Safe and inclusive

» Read more on pages 44 to 51.

» Read more about our approach to sustainability online at www.persimmonhomes/corporate/sustainability

Sustainability highlights

Charitable Foundation donations

c.£692k

2021: c.£1.8m

HBF customer satisfaction score



Tonnes of greenhouse gas emissions per home sold

1.68

2021: 1.82

Affordable homes

2,868¹

2021: 2,759

Public open spaces and gardens provided for families

674 acres²

2021: 662 acres

Trees planted on our developments

c.147,000

2021: c.143,000

Operational waste recycled

96%

2021: 94%

Average SAP rating of our homes

84

2021: 87

Investment in local communities

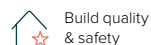
£506m

2021: £490m

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

2. Estimated using an economic tool kit.

Our sustainability approach

Build quality
& safetyReinforcing trust:
customers at the
heart of our businessDisciplined growth:
high quality land
investmentIndustry-leading
financial
performanceSupporting
sustainable
communities

Sustainability pillars and targets



Building for tomorrow

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

We have a key role to play in minimising our environmental impact through our operations, our supply chain and the homes and communities we build, ultimately helping our customers to live more sustainably. Reducing our impact makes sense not only from an environmental perspective, but it also ensures greater efficiencies throughout our supply chain and operations.

Link to priorities



SDG alignment



Key targets and achievements

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 44 for more detail).

Our targets have been accredited by the Science Based Target Initiative.

We aim to be net zero for our homes in use by 2030 and in our operations by 2040 (see page 44), and have established carbon reduction glide paths to achieve our targets.

We aim to have 50% of our homes built using timber frames from our off-site manufacturing facilities by 2025.



Transforming communities

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

Creating sustainable places for our customers is at the heart of what we do. Our Placemaking Framework guides all our developments and ensures we create lasting sustainable communities with great design, the right house types, and valued green open spaces. It is essential we make a positive impact when building new homes, meeting stakeholder expectations and engaging local residents.

Link to priorities



SDG alignment



Key targets and achievements

We were delighted to be awarded an HBF five-star rating for the first time in our history in 2022. We aim to maintain this rating going forward.

We will deliver at least 10% Biodiversity Net Gain on our developments from November 2023.

Our NHBC Reportable Items have improved by 25.8% since the introduction of The Persimmon Way in 2020.

In 2023 we are targeting to further improve our NHBC Reportable Items by 25%.



Safe and inclusive

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

Recruiting and retaining the right people means we deliver our five key priorities and provide excellent customer service. It is a priority that our processes meet stringent standards to ensure safety and wellbeing.

Link to priorities



SDG alignment



Key targets and achievements

We will report our Annual Injury Incidence Rate and will aim to improve it 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. (See page 52 for progress to date).

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

Sustainability



Building for tomorrow

Working responsibly

We recognise the important role that we play in the UK's ambition to achieve a net zero carbon economy, and we have in place ambitious carbon reduction targets, which have been fully accredited by the Science Based Target initiative.

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 pathways to net zero

We have ambitious targets to be net zero in our homes in use by 2030 and net zero carbon in our operations by 2040.

This commitment is supported by interim science based carbon reduction targets, aligned to the Paris Agreement, to reduce carbon 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 m² completed floor area by 2030 (2019 baseline). These are challenging targets requiring product innovation, supply chain engagement and changes to current operational processes.

We continue to evolve our understanding of the carbon within our supply chain, and report our Scope 3 emissions. (See table on page 47). As a home builder, the majority (c.99%) of the emissions that we generate come from our Scope 3 emissions.



Net zero homes in use by

2030

We aim to be net zero homes in use by 2030

Net zero in our operations by

2040

We aim to be net zero in our operations by 2040

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

Placing customers at the centre of our business

Our customers are becoming increasingly aware of climate change and sustainability and require high quality homes with efficient and low carbon heating systems. Our new homes are already around 30% more efficient than the existing national housing stock, which has an average SAP rating of c.66, or an EPC rating of C. The average Standard Assessment Procedure (SAP) rating of our new homes is 84, which equates to an average 'B' rating.

Transitioning to low carbon energy heating solutions, and leading with a 'fabric first' approach will ensure we deliver energy efficient homes for our customers, and homes fit for the future as an integral part of creating sustainable communities.

2030 Net Zero Homes in use

Transitioning to low carbon energy solutions for our developments

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

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

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

To achieve the recently introduced Part L building regulations for energy efficiency improvements, we will be taking the following design route:

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

The planned introduction of the Future Homes Standard ('FHS') (Scotland 2024, England from 2025) requires a significant step change in energy efficiency and carbon reduction, having to achieve a 75-80% carbon emissions reduction. The legislation is still going through consultation, and whilst some elements of the design will be core, such as increased thermal efficiency, there will be a number of options available, especially around heating systems, which will need to be considered as part of each site design to achieve the carbon reductions required, including;

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

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

At the forefront of technology

Our homes have been heated by gas central heating systems, and some electric systems for many years, and these are tried and tested methods. Our customers have become very familiar with the benefits of near instant heating and domestic hot water systems that come from a gas central heating system.

The future heating systems are different. We have been undertaking a number of new technology tests and detailed trials to best optimise energy efficiency solutions and understand what works for our customers; examples include:

1. Zero carbon house – Germany Beck, York

We built a zero carbon home at one of our new developments in York to evaluate how we could achieve the FHS when it comes into legislation, in a practical, repeatable and cost effective way.

The house is a traditional 3-bed home built in traditional methods of brick and block, to provide a true test of labour and supply capabilities, options and technologies. The following energy efficiency steps were taken:

- Increase the insulation in the walls, floors and loft;
- Provide a higher degree of air tightness to retain heat and avoid drafts;
- Solar PV panels fitted on the roof which provide electricity to a battery in the garage for storage;
- An ASHP for the heating system, plus a hot water cylinder;
- Two waste water heat recovery systems installed to gather heat from showers and baths;
- Installed a MVHR (mechanical, ventilation, heat recovery) system to provide fresh air and capture waste heat for re-use; and
- EV charging system, connected to the battery storage system, and PV.

We partnered with the University of Salford early in the project to provide guidance on the technologies and understand how the home functions under real life living conditions. In March 2022 a family moved in for 12 month period as a living trial and the University of Salford are monitoring the performance of the house in detail. This will significantly assist us with planning our future homes, and understanding our customer expectations.

Building the zero carbon home has been a hugely valuable experience, both in terms of trialling new technologies, advanced smart home control systems, integration of technologies and, equally importantly, the build process. It has also identified new skill sets which are required and these are being integrated into our Persimmon Way of working to ensure quality outputs for our customers.

2. Infra-red integrated heating system trial Whittlesey Cambridge

Two properties have been developed with the Project Better Energy Curv range of products. This method of infra-red heating is exceptionally efficient, heating objects and surfaces much like the sun, rather than volumes of air. These two homes are EPC A rated. We have installed an integrated system with infra-red panel heaters, complemented with zero carbon technologies comprising an air source cylinder to heat hot water, integrated solar PV tiles, battery storage and EV charging points. The properties have recently been sold and we will be tracking the building performance and our customers' experience, to provide valuable feedback on liveability.



The business has developed and will continue to undertake a number of trials to evaluate the most effective method of transitioning to the Future Homes Standard and beyond to zero carbon. The trials consider cost- both initial and lifecycle, the anticipated customer experience as well as the impact of introducing new methods of construction that will affect both our operational teams but also our supply chain partners. Our Space4 facility, and in particular the new technological efficient factory under development provides us with the unique ability to implement amongst other initiatives innovative 'fabric first' solutions to enhance the future efficiency of our homes.



Martyn Clark
Chief Commercial Officer

Sustainability

Building for tomorrow continued

3. Trial of ASHP – Lawrence Weston, Bristol

We have undertaken a large scale trial at our Lawrence Weston development in Bristol using ASHP and a higher grade of insulation within the Space4 panel system. This will provide us with valuable practical insights into the use of timber frame and ASHP against the FHS expected carbon emissions reduction. The use of ASHPs requires larger radiators and matching this with our customer expectations and needs for usable wall space will be an important design consideration. Alternatives such as ASHPs with underfloor heating systems are also under consideration and are typically a more effective system.

4. Zero Carbon Homes Trial Backbridge, Malmesbury

Following on from our Germany Beck trial we are constructing a highly thermally efficient timber frame zero carbon home utilising our new FHS standard wall cassettes from Space4, together with zero carbon heating from air source heat pumps, to achieve the FHS. Additional technologies such as PV and waste water heat recovery are also being evaluated as opportunities to deliver zero carbon homes in operation for our customers.

These trials will help inform our low carbon energy transition planning.



Changing our fleet and alternative fuel use

We have introduced electric vehicle options into our car fleet across all band levels, to provide more choice for colleagues, and are trialling the use of alternative low carbon fuels to replace diesel for our construction and plant equipment.

2040: net zero carbon operations

Reducing our operational impact

We continue to focus on reducing operational emissions across the Group. During the year, the Group's market based Scope 1 and 2 greenhouse gas emissions per home sold was 1.68 tonnes CO₂e (2021: 1.82 tonnes CO₂e). We have updated our Scope 1 and two modelling and created our carbon reduction glidepath with annual targets.

A number of energy efficiency actions have been undertaken during 2022. Greenhouse gas emissions from our diesel consumption on our sites make up 62% of our operational greenhouse gas emissions. A study has been performed to reduce on-site diesel usage, to include a forklift replacement cycle, trials of alternative low carbon fuels, and driver training to reduce machinery idling times. Site cabins are being trialled with solar panels, and more rigorous reporting requirements have been put in place.

The Group has introduced energy awareness training modules to improve on-site energy efficiency such as, 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 travelling around the development.

The Group continues to purchase 100% renewable energy for its offices and manufacturing facilities and has introduced electric vehicle options into its fleet. In addition, all purchased electricity for our newly built homes, while under our ownership, is now backed by Renewable Energy Guarantee of Origins certificates.

The Group participates in the CDP climate survey, receiving a score of B in this year's survey.



Greenhouse gas emissions per home sold

1.68 tonnes CO₂e

2021: 1.82 tonnes CO₂e

Greenhouse Gas Emissions and Energy Consumption Reporting (Scope 1, 2 and 3)

The Group has reported on greenhouse gas emissions in line with the UK Government's 'Environmental Reporting Guidelines: including streamlined energy and carbon reporting guidance' (dated March 2019). The GHG Protocol Corporate Accounting and Reporting Standard (Revised Edition) has been used as the methodology to quantify and report greenhouse gas emissions. The Group operates in England, Wales and Scotland, and emissions are reported in line with the financial control of the Group.

Greenhouse gas emissions		2022	2021	2020
Scope 1 emissions from gas, travel and construction site fuel use	tCO ₂ e	25,005*	25,298	25,887
Scope 2 emissions from electricity use	Location based tCO ₂ e	2,151*	2,380	3,480
	Market based tCO ₂ e	12*	1,149	1,656
Total Scope 1 & 2 greenhouse gas emissions	Location based tCO ₂ e	27,156	27,678	29,367
	Market based tCO ₂ e	25,017	26,447	27,543
Scope 1 energy consumption	MWh	99,980	96,508	95,110
Scope 2 energy consumption	MWh	11,140	11,208	14,925
Carbon intensity Scope 1 & 2 emissions (per home sold)	Location based tCO ₂ e/per home sold	1.82	1.90	2.16
	Market based tCO ₂ e/per home sold	1.68	1.82	2.02
Scope 3 emissions: Category 1: Purchased Services & Goods	tCO ₂ e	1,288,322*	1,254,243	N/A
Scope 3 emissions: Category 11: Use of Sold Products	tCO ₂ e	1,394,740*	1,193,835	N/A
Scope 3 emissions: Employee commuting	tCO ₂ e	11,067	14,537	N/A
Total Scope 3 emissions	tCO ₂ e	2,694,129	2,462,615	N/A

* The Scope 1, 2, 3 (category 1 & 11) greenhouse gas emissions data for 2022 has been externally verified to a limited level of assurance by Ernst & Young LLP (see www.persimmonhomes.com/corporate/sustainability). The Group's full GHG Reporting Methodology can be found at www.persimmonhomes.com/corporate/sustainability.

Continued improvements have been made to data capture and reporting methodologies during 2022; diesel fuel usage on sites has been recorded directly in litres, which has improved accuracy and a high proportion of our regional offices are now on smart meters. As part of the Group's sustainability commitments, from August 2021 all purchased electricity is now backed by Renewable Energy Guarantee of Origins (REGOs) certificates, which are provided to the Group.

This year the Group is again reporting its material Scope 3 emissions, these are the emissions from indirect activities; to include category 1 purchased goods and services (obtained from spend data and will be improved over time as carbon data becomes available from suppliers); category 11, homes in use (obtained from SAP information), and employee commuting (obtained from employee travel survey data).

Greenhouse gas emissions

The Group's GHG Scope 1 and 2 emissions (market based) decreased in 2022 whilst the number of homes built increased. Data capture and reporting have continued to improve, allowing the effects of efficiency measures to be more visible. Efficiency measures have taken place in a number of offices as part of refurbishments and actions will continue through 2023.

Scope 3 emissions make up the majority of our total GHG footprint. A slight increase has occurred in category 1 (Purchased goods and services), however as this is currently calculated on a spend basis, there could be a number of factors which have affected this, for example the cost inflation has caused an increase in the prices of a large proportion of the materials that we buy.

In 2022 we undertook a detailed embodied and whole life carbon study of a representative sample of our house types. This data will be used for the category 1 calculations going forwards and greatly improve the accuracy of reporting.

Scope 3 category 11 emissions (use of sold products) have increased reflecting the increased number of homes built. We have improved our methodology this year with using real SAP data for a larger proportion of the homes we delivered. The calculation methodology for this category requires a 60 year timeframe to be used.

Carbon intensity Scope 1 & 2 per home sold

1.68

2021: 1.82

Sustainability

Building for tomorrow continued

Our supply chain

Our Scope 3 emissions arise from indirect activities through our supply chain, and make up the vast majority of our overall carbon footprint. Throughout 2022 we have been evaluating the embodied carbon of a number of our house types including comparisons of timber frame build. This information enables us to understand the materials within our homes which have the most carbon impact, and in 2023 we will be engaging with those core suppliers to seek opportunities and options for lower carbon alternatives.

This is a whole industry challenge and we are part of the Future Homes Hub Embodied Carbon Task Force which has undertaken detailed analysis of available embodied carbon footprints to create an understanding of where interventions can best be made and create a delivery roadmap over the next 5 years.

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

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

The average Standard Assessment Procedure (SAP) rating of our new homes

84

equating to a 'B' EPC rating

Our new homes are already around

30%

more efficient than the existing national housing stock, which has an average SAP rating of c.66, or an EPC rating of C

Reducing our operational waste

Reducing waste generation is a key enabler for site efficiency and throughout 2022 we have focused on improving waste data capture and sharing best practice. In 2022, 96% of waste was recycled or reprocessed from our sites and off-site manufacturing facilities (2021: 94%), with 7.1 tonnes of waste generated per home sold (2021: 8.6 tonnes).

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. These materials are typically crushed for reuse in other areas on-site such as piling platforms and scaffold bases. This not only reduces the amount of waste we send to landfill, but also reduces our requirement for third party aggregates.

Clean site soil and sub-soil were identified as an opportunity where the Group could share information and manage any material deficits and surplus internally, thereby reducing waste costs and material import costs. An internal soil management platform has been established where excess and deficits soils needs can be registered. In addition, one of our regions has engaged with the National Farmers Union to promote the availability of clean soils and subsoils ensuring they are treated as a valuable resource and avoid landfill. In 2023 we will be establishing waste reduction targets to further reduce waste and promote innovation.

Responsible sourcing of timber

We are committed to responsible sourcing and look to use supply chain systems, which minimise the environmental impact associated with the production of key commodities such as timber. All buyers, surveyors, suppliers and subcontractors to Persimmon via group deals are required to purchase Forest Stewardship Council (FSC) or Programme for the Endorsement of Forest Certification (PEFC) certified timber and timber derived materials for use in all of our operations.

If FSC or PEFC certified timber and timber derived materials cannot be purchased, evidence must be provided that alternative materials are sourced from reputable and sustainable sources.

As a minimum, all buyers, surveyors, suppliers and subcontractors must ensure compliance to any applicable laws and regulation in relation to the sourcing of timber and timber derived materials.

The Group Procurement department actively track compliance with this policy.

Responsible sourcing of timber

All buyers, surveyors, suppliers and subcontractors to Persimmon via group deals are required to purchase Forest Stewardship Council (FSC) or Programme for the Endorsement of Forest Certification (PEFC) certified timber and timber derived materials for use in all of our operations.



Transforming communities

As noted on pages 33 to 35, supporting sustainable communities is a key priority for the business which is complemented by our 'transforming communities' sustainability pillar. Transforming our communities is at the very heart of what we aim to deliver – we are pleased to provide high quality homes for local people and support communities through providing local jobs and supporting local good causes.

This core sustainability pillar links our approach to:

- our customers;
- the quality of the homes we provide; and
- our communities.

We are determined to leave a positive legacy for the communities we develop and support the communities that we operate within.

We continue to make positive strides on both the quality of the homes that we deliver, through the implementation of The Persimmon Way (see page 22) and are proud to provide attractively priced and energy efficient homes for our customers (see page 26).

Our Placemaking Framework guides each of our developments ensuring that we design attractive communities providing infrastructure and housing that meet local needs, see page 34 for more details.



Our customers

We place customers at the heart of our business. We are pleased to provide attractively priced homes that allow customers to have access to the UK housing market where otherwise they may not have been able to afford to. Our private average selling price of £272,206 is over 20% below the UK national average.

We are delighted to be awarded an HBF five-star rating for the first time in our history in 2022.

» See pages 25 to 27 for more details.



Build quality

Our build quality ambition has grown from 'build right, first time, every time' to 'trusted to deliver five-star homes consistently'.

The Persimmon Way was initially rolled out during 2020 and since its implementation we have made improvements across all measures – including a 25.8% improvement in NHBC Reportable Items (the number of items reporting on by the NHBC on inspection of our homes) since its introduction.

» See pages 21 to 24 for more details.



Our communities

Supporting sustainable communities is one of the Group's key priorities and complements the 'Transforming communities' sustainability pillar.

We have introduced a new Placemaking Framework that ensures that all our developments create a sense of place for our customers and put communities at the heart of our developments. Whilst we are a national business, we have a local presence and are proud to support our local communities.

» See pages 33 to 35 for more details.

Sustainability

Transforming communities continued

Bio-diversity

We are committed to demonstrating Biodiversity Net Gain ("BNG") across our developments. Complementing our sustainability pillars, biodiversity plays an integral role in our sustainability strategy. The appointment of a dedicated Group Biodiversity Manager in 2022, as part of our Sustainability team, demonstrates our commitment and brings in-house expertise to support our teams, strengthening our habitat designs and contributing to our sustainability targets. The role will develop Group approaches to further enhance biodiversity within our developments and further embed biodiversity net gain principles into operations and decision making.

We continue to be proactive to ensure compliance with biodiversity net gain, supporting teams through continuation of comprehensive BNG training, issuing an internal guidance series and promoting inter-disciplinary collaboration, well in advance of the mandatory timeframe (November 2023). We are part way through reviewing our land assets, identifying areas to improve biodiversity and developing Group landscape design guides further embedding BNG into our design processes. We run sustainability and biodiversity award schemes for our teams which recognises and promotes well-designed schemes, in line with our placemaking and sustainability principles. We will be engaging more with our customers, promoting connectivity with nature and developing guides on wildlife friendly gardening and positively promoting the importance of biodiversity.



Case Study – Pond Hall Farm, Harwich, Essex

Site Character

Harwich has a rich maritime history, reflected in the character of the port and local buildings. A number of local architectural characteristics have been drawn on for our housing designs.

The site lies alongside an existing urban area, known locally as Dovercourt. As well as residential use, Dovercourt boasts employment areas and community facilities. The development site has been in agricultural use for some time and working with the community, one objective of the development was to provide accessible green space.

Biodiverse Habitats and Accessible Green Space

A spacious green corridor will run through the site, along the northern aspect and remaining site parameters. These greenspaces will be full of wildflower meadows, over 420 trees and winding, interconnecting pathways for the community to enjoy and enhance wellbeing. In addition to creating new habitat, retention of existing features were equally as important. Our design teams integrated existing trees and hedgerows into the design which will be enhanced and strengthened to create optimal habitats for local wildlife and form landscape character.

Hedgehog friendly fencing, bat and bird boxes and areas for insects, reptiles and amphibians also form part of the residential design, linking gardens to the biodiverse open spaces and creating significant opportunity and space for local wildlife. This forms part of Persimmon's wider plans to enhance biodiversity on our sites.

Sustainability

Renewable energy was another development objective and working with our sustainability pillars, the development will deliver 20% of the energy requirements through renewable energy and EV charging points will be provided to each of the 256 homes. This forms part of Persimmon's broader plans to achieve net zero for new homes by 2030.

In addition to EV charging points, alternative modes of sustainable transport will be encouraged with the provision of cycle and pathways, enabling access to wider commercial and retail areas. Two new bus stops, within walking distance, are also being provided, enabling safe access to the wider district.

Another focus was biodiverse, sustainable drainage, utilising a combination of permeable paving, swales and filter areas. Ponds and reed beds aid on-site water treatment and creates valuable places for wildlife. To strengthen their attractiveness for biodiversity, thoughtful management techniques will be adopted which are sensitive to wildlife life-cycles and allowing seed to be fed back into the soil.

In a changing climate, as well as providing habitat for local wildlife, the level of tree planting within the greenspaces and intertwined with dwellings across the entire development, will work towards capturing carbon and help cool the community during heatwaves, contributing towards our five key priorities.

Community Focus

Delivering local needs is a fundamental aspect of designing our developments. By engaging early with ecologists, landscapers and Council officers, we have worked in partnership delivering sustainable local needs and biodiversity benefits.

Cllr Jeff Bray, Cabinet Member for Planning at Tendring District Council said "This is a hugely exciting new development that will deliver much needed homes for local people in Tendring. The site reflects our commitment to creating sustainable and biodiverse new communities while also supporting local wildlife. We're very excited to see over 400 trees being planted on-site and look forward to working with Persimmon and other organisations to deliver on these priorities across Tendring."

Safe and inclusive

Working safely

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

Covid-19

In the first half of 2022 we continued to respond to the restrictions imposed as a result of the pandemic, keeping our own Covid-19 policies and procedures in place until July. From July we introduced new standards for all our workplaces on preventing respiratory infections which included providing guidance to everyone on what they can do in their daily life to help reduce the spread of Covid-19 and respiratory infections to help protect those at highest risk.



The health and safety of our customers, workforce and all those visiting our sites is paramount. We have performed a comprehensive review of our HS&E strategy and are rolling out a set of fully digitalised standards.



Abigail Bainbridge

Group Health, Safety and Environment Director

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

- Following a comprehensive review of its health, safety and environment strategy the HS&E department are continuing to roll out a set of fully digitalised HS&E standards, making them more accessible and interactive for our workforce.
- We have launched our improved Environmental Management System (EMS), which provides a comprehensive set of environmental standards. The EMS has been supplemented by a full programme of training for all relevant roles in the business. All sites going forward will receive an enhanced specific periodic environmental inspection.
- Once all our new systems have been fully embedded across the business, our processes will be externally verified in line with the relevant International Organisation for Standardisations (ISO).
- In 2022 we have recognised good HS&E performance through our internal 'HS&E Excellence Awards' by rewarding site teams that had demonstrated a passion and commitment to HS&E initiatives above and beyond policy requirements.
- The Group will be implementing a digitalised site induction and sign process via a new internally developed and bespoke App to ensure site personnel and our supply chain workforce are given a consistent induction in relation to HS&E risks. The App will also enable us to keep enhanced records of personnel on-site and to communicate with our site workforce more effectively.
- We are partnering with the British Safety Council and leading UK charity 'Mates in Mind' to develop and implement a wellbeing strategy to ensure that all our workforce feel supported in the challenging times ahead for everyone in the UK.

Pro-active site inspections undertaken

6,231

» Read more on our Chief Executive's review on pages 14 to 20.

Training

Investment in training is a key element of mitigating the Group's health and safety risk. All members of our workforce, including our subcontractors, undergo extensive training to safeguard the wellbeing of everyone that comes onto our sites, into our manufacturing facilities or into our offices.

Training modules comprising 'Toolbox Talks' are regularly delivered to our site personnel and our supply chain workforce. These training modules are delivered at a regional level using Group-wide training material developed by our HS&E department. The results of ongoing performance monitoring undertaken by the department determines which topics are covered.

Inspections

Under the direction of our senior management team, the HS&E Department perform regular inspections of the Group's operating activities. The results of these inspections are provided to relevant management and have been used to identify both areas for improvement and areas of best practice that can be shared across the business.

In 2022, the HS&E department undertook 6,231 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.

Work related injuries

During 2022, the number of construction work related injuries in our housebuilding operations we reported to the Health and Safety Executive (HSE) under the Reporting of Incidents, Diseases and Dangerous Occurrences Regulations (RIDDOR) was 29 (2021: 32). Injuries per one thousand workers, which includes injuries sustained by our contract workforce, has decreased to 3.6 per one thousand workers (2021: 4.0). The level of build per injury, including contractor injuries, was 265 legal completions per injury which was broadly in line with 2021 (2021: 296).

Sustainability

Safe and inclusive continued

Our Group Annual Incidence Injury Rate (AIIR) for 2022 was 1.8 per 1,000 workers (2021: 2.5), lower than the 'Home Builder' average AIIR (2.3). In our manufacturing operations, we reported 3 RIDDORs in 2022 (2021: 2).

Building Safety

We are one of only ten companies to have been awarded a Certificate of Commitment and Progress as the first stage to achieving Building a Safer Future Champion status. Dame Judith Hackitt has publicly applauded those who have achieved this award as an example to drive cultural change for the right reasons rather than waiting for regulators to drive the change.

The foundation for a diverse workforce

Early 2022 saw the conclusion of an external Diversity & Inclusion Review across the Group, leading to the establishment of our D&I strategy. To support the implementation of this strategy we have commenced a programme of diversity training that, following presentation to the Board and the Senior Executive Team, is being delivered throughout the Group. This includes 'Inclusive Leadership' for managers as well as 'Positive Workplace' aimed primarily at site-based colleagues, covering bullying, banter and harassment as well as mental health and inclusion. To further support the introduction of the strategy, we have established a Diversity & Inclusion Working Group, consisting of colleagues with diverse backgrounds from across the organisation. Rather than just a 'talking shop', the Group has received training on their role and each member has responsibility for a work-stream aligned to the strategy. They are working actively with their wider colleagues in the Company, in conjunction with the Director of Talent and Diversity and the Diversity & Inclusion Council, which comprises senior leaders and is responsible for ensuring implementation of the strategy.

The Company also recognises a selection of events in the D&I calendar and amongst others during the year, marked International Women's Day, Pride and the International Day of Persons with Disabilities.

In March 2021, the Group set some stretching diversity targets with the specific objective of increasing the representation of women across the Group by the end of 2025. After two years, our progress against these targets is as follows:

- The percentage of females in the senior management team is currently 34%, against a target of 35%.
- Of all our management roles in the Company, the female percentage is 32%, against a target of 45%.
- The percentage of female employees in the Group is 27%, against a target of 40%.

The Group has made good progress in increasing diversity at senior levels and the overall proportion of women in management roles is increasing. The proportion of females employed in the Group as a whole, has only moved very slowly and reflects the fact that site-based roles for skilled tradespeople, operatives and labourers, are still favoured by men, despite Company and national initiatives to promote site skill-based roles and apprenticeships to women.

An additional measure of progress is the percentage of salaried employees who are women, which includes site management and currently stands at 39%, comparing favourably to our proposal that by the end of 2025 this will be 45%. To help with further progress against these targets, the Group will be establishing a Women's Network during 2023, which will be launched by the Group Chief Executive at a conference, with the objective of determining the appropriate strategies to promote positive experiences for women who are, or are considering, working for Persimmon at any level across the Group.



Our Gender Data		2022	2021
Board	Male	6 (66%)	6 (66%)
	Female	3 (33%)	3 (33%)
Senior Executive Committee and direct reports	Male	35 (66%)	51 (72%)
	Female	18 (34%)	20 (28%)
All Colleagues	Male	4,045 (73%)	3,793 (73%)
	Female	1,509 (27%)	1,403 (27%)
Median gender pay gap		13.5%	18.1%

Financial review

How we performed in 2022



The strong forward sales position at the start of the 2022 financial year supported the excellent financial performance for the year. As a result of the lower sales rate and elevated cancellations in the second half of the year, the Group's forward sales position reduced significantly year on year to £1.0bn (2021: £1.6bn) at 31 December 2022.



Jason Windsor
Chief Financial Officer



Trading through the first half of the year was strong with good levels of customer demand and average private weekly sales rate in line with the prior year at 0.91.

The summer months showed the “normal seasonal” expected slow-down, with sales rates in Q3 decreasing to 0.63 (Q3 2021: 0.63). In the second half, pricing remained firm whilst cancellation rates stepped upwards as the ongoing war in Ukraine, along with the UK Government changes and the increased cost of living, created significant uncertainty in the UK economy. The change in market conditions gathered pace in Q4 with weaker consumer confidence impacting on customer behaviour across the housing market. This weakening was reflected in the Group's private weekly sales rate that fell to 0.30 in Q4 (Q4 2021: 0.77) and to 0.19 for last seven weeks of the year (2021: 0.61).

The strong forward sales position at the start of the 2022 financial year supported the excellent financial performance for the year. As a result of the lower sales rate and elevated cancellations in the second half of the year, the Group's forward sales position reduced significantly year on year to £1.0bn (2021: £1.6bn) at 31 December 2022.

For 2022, the Group generated total revenues of £3.82bn (2021: £3.61bn), with new housing revenue 7% higher than 2021 at £3.70bn (2021: £3.45bn). The Group delivered 2% more new homes in 2022 when compared to the prior year (2022: 14,868; 2021: 14,551) at an average selling price of £248,616 (2021: £237,078), 5% higher.

The Group delivered 12,174, new homes to private customers, an increase of 1% on 2021 (2021: 12,018). The private average selling price of £272,206 (2021: £259,231) was up 5% year on year largely reflecting improvements in achieved selling prices and the mix of new homes sold. The Group delivered a further 2,694 new homes to its housing association partners (2021: 2,533) at an average selling price up 8% at £142,017 (2021: £131,976).

The Group's underlying gross profit¹ for the year was £1,142.5m (2021: £1,083.8m) with a new housing gross margin of 30.9%² (2021: 31.4%). The Group's well established land replacement strategy, the improved selling prices achieved and agile management of the high cost inflation environment we experienced during the year continued to deliver industry-leading margins.

Underlying operating profit³ for the Group was £1,006.5m (2021: £966.7m), generating an underlying new housing operating margin⁴ of 27.2% (2021: 28.0%).

Underlying operating profit³

£1,006.5m

2021: £966.7m

Underlying return on average capital employed⁵

30.4%

2021: 35.8%

Land creditors

£472.8m

2021: £407.6m

1. Stated before legacy buildings provision charge of £275.0m (2021: £nil).
2. Stated before legacy buildings provision charge (2022: £275.0m, 2021: £nil) and based on new housing revenue (2022: £3,696.4m, 2021: £3,449.7m).
3. Stated before legacy buildings provision charge of £275.0m (2021: £nil) and goodwill impairment (2022: £6.6m, 2021: £6.2m).
4. Stated before legacy buildings provision charge (2022: £275.0m, 2021: £nil) and goodwill impairment (2022: £6.6m, 2021: £6.2m) and based on new housing revenue (2022: £3,696.4m, 2021: £3,449.7m).

Financial review continued

On 8 November 2022 we announced that we expected to increase our legacy buildings safety provision to approximately £350.0m from £75.0m. This increase has been finalised and has resulted in a £275.0m exceptional charge to the Income Statement in 2022.

After the exceptional charge the Group's reported gross profit was £867.5m (2021: £1,083.8m) and its reported operating profit was £724.9m (2021: £960.5m).

The Group generated a profit before tax of £730.7m in the year (2021: £966.8m).

Taxation

The Finance Act 2022 received Royal Assent on 24 February 2022 introducing a new residential property developer tax (RPDT) which was effective from 1 April 2022 and is chargeable at 4% of profits generated from residential property development in excess of an annual threshold. RPDT was introduced by HM Treasury to obtain further contributions from the UK's largest residential property developers towards the cost of remediating defective cladding and fire safety in the UK's "orphaned" high-rise housing stock developed by third-parties.

As a result the Group has an overall tax charge of £169.7m for the year (2021: £179.6m) and an effective tax rate of 23.2% (2021: 18.6%), marginally higher than the mainstream rate of 22.0% (2021: 19.0%). Factors that may affect the Group's taxation charge include changes in tax legislation and the closure of certain open matters in the ordinary course of business in relation to prior year's tax computations.

Underlying return on average capital employed ('ROACE') including land creditors remained strong at 30.4%⁵, albeit lower than the prior year (2021: 35.8%). The reduction on the prior year reflects the increased investment in land and work in progress during the year leading to a 22% increase in average capital employed, partially offset by the 4% increase in underlying operating profit³. ROACE excluding land creditors was 35.6%⁵ compared with 40.9% at 31 December 2021. On a statutory basis ROACE including land creditors was 21.9% (2021: 35.6%).

Return on Equity based on underlying profit after tax⁶ was in line with the prior year at 22.0% (2021: 20.1%).

Balance sheet

The Group has maintained its robust balance sheet with net assets of £3,439.3m at 31 December 2022 (2021: £3,625.2m), equivalent to 1,077p net assets per share (2021: 1,136p). This was after returning £750.1m of surplus capital to shareholders under the previous capital allocation plan. Retained earnings were £2,868.5m (2021: £3,055.1m). Underlying basic earnings per share³ for the year was 247.3p, 0.6% lower than the prior year (2021: 248.7p).

The Group's defined benefit pension asset has increased to £155.9m at 31 December 2022 (2021: £148.8m). The increase being due to an increase in discount rates and a decrease in inflation assumptions which have reduced the value placed on the liabilities offset by falling asset values resulting from weak asset performance.

As noted above we have increased the legacy buildings safety provision by £275.0m in the year.

At 31 December 2021, the provision stood at £72.7m and during the year works have continued across a number of affected developments resulting in spend of £14.4m. At 31 December 2022, the provision stands at £333.3m and is management's best estimate of the costs of completing works to ensure fire safety on the remaining affected buildings that we are responsible for.

The Group's land holdings

At 31 December 2022, the carrying value of the Group's land assets increased by c.16% to £2,091.7m (2021: £1,798.2m), reflecting the continuation of the Group's disciplined land replacement strategy and its investment in its future. During 2022, the Group made investments totalling £735.8m in new land (2021: £531.2m). The Group's land cost recoveries for the year of 12.0%⁷ of new housing revenue (2021: 13.2%) reflect the attractive margin embedded in the Group's land holdings.

During the year the Group brought 14,670 plots into its owned and under control land holdings across 66 locations, of which 5,348 (36%) of the plots added were converted from our strategic land portfolio.

The owned and under control land holdings of 87,190 at 31 December 2022 (2021: 88,043) represents 5.9 years of forward supply at 2022 volumes. 70,768 plots are owned of which 35,860 have a detailed implementable planning consent, providing excellent visibility of the near to medium term. The Group's owned land holdings represents 4.8 years of forward supply at 2022 volumes, with an overall pro-forma gross margin⁸ of c.32% and a cost to revenue ratio of 11.4%⁹ (2021: 11.4%).

A further 16,422 plots are under the Group's control (2021: 20,954), being plots where the Group has exchanged contracts to acquire the site but has yet to complete the contract due to outstanding planning conditions remaining unfulfilled. Cash outflows with regard to these under control plots will be limited to deposits paid on the exchange of contracts and fees associated with progressing the sites through the planning system. During the year the Group's progressed c.18,500 under control plots through the planning system, transferring them into the Group's owned land holdings.

The Group incurred £663.8m of cash land spend during 2022, including £206.7m relating to the satisfaction of deferred land commitments as well as the associated cash spend on the acquisition of sites previously held as under control sites and their movement into the Group's owned land holdings.

In 2022, the Group acquired interests in a further 450 acres of strategic land, securing a total of c.13,100 acres at 31 December 2022 (2021: c.13,700 acres). This will provide a long-term supply of forward plots for future development by the Group.

Work in progress

We entered 2022 with c.4,100 equivalent units of new homes under construction. Execution of our build programmes was strong throughout 2022. Overall build rates tracked c.8% ahead of 2021, with an average of 276 equivalent units of build per week, compared to 255 per week in 2021. When allowing for the strong delivery of new homes in 2022, we start 2023 with a significant level of work in progress, with c.3,900 equivalent units of build on the balance sheet.

5. 12 month rolling average calculated on operating profit before legacy buildings provision charge (2022: £275.0m, 2021: £nil) and goodwill impairment (2022: £6.6m, 2021: £6.2m) and total capital employed. Capital employed being the Group's net assets less cash and cash equivalents plus land creditors. ROACE excluding land creditors is calculated on capital employed being the Group's net assets less cash and cash equivalents excluding land creditors.

6. 12 month rolling profit after tax pre legacy buildings provision charge generated from the average of the opening and closing total equity for the 12 month period.

7. Land cost value for the plot divided by the anticipated future revenue of the new home sold.

8. Estimated weighted average gross margin based on assumed revenues and costs at 31 December 2022 and normalised output levels.

9. Land cost value for the plot divided by the anticipated future revenue of the new home sold.

The Group increased its outlet position by 16% in the year and continued to support investment in a number of large sites which require high levels of infrastructure and enabling works. In addition, we have seen higher rates of cost inflation. This has resulted in our work in progress investment at 31 December 2022 of £1,263.9m being 20% higher than the level of investment with which we entered 2022 (2021: £1,054.1m).

We remain focused on build levels throughout 2023, managing appropriate levels of build against customer demand, facing into the continuing operational challenges within the industry and whilst securing the availability of key build components through our in-house manufactured bricks, roof tiles, closed panel timber frame kits and pre-manufactured roof cassettes. All of this whilst delivering high levels of customer satisfaction and build quality.

Cash generation and liquidity

At 31 December 2022 the Group had a cash balance of £861.6m (2021: £1,246.6m) with the Group having generated £1,002.7m (2021: £1,209.8m) of cash before returning £750.1m of surplus capital to shareholders in relation to the 2021 financial year under the previous capital return programme and net land spend of £637.6m. Resulting from the Group's increased activity in the land market during 2022 the Group's deferred land commitments have increased by £65.2m to £472.8m from £407.6m at 31 December 2021. Cash generated from operations was £566.3m (2021: £972.8m).

Operational cash generated, being cash generated before returns to shareholders and after land investment, was £266.9m (2021: £678.6m).

The Group has an undrawn £300m Revolving Credit Facility which extends out to 31 March 2026.

As at 31 December 2022, we had 286 part exchange properties (2021: 130) on the balance sheet at a value of £62.5m (2021: £25.9m).

The Group's shared equity loans have generated £13.3m of cash in the year (2021: £18.9m). The carrying value of these outstanding shared equity loans, reported as "Shared equity loan receivables", is £36.0m at 31 December 2022 (2021: £45.6m).

Net finance income for the year was £5.8m (2021: £6.3m) and includes £3.9m of gains generated on the Group's shared equity loan receivables (2021: £7.9m) and £1.8m of imputed interest payable on land creditors (2021: £1.8m).

Capital allocation policy, treasury and related risks

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

In November 2022, we announced the conclusion of the capital return programme that was first introduced in 2012, and the move to a new capital allocation policy that takes into account political and economic uncertainty and the sector's increased taxation rates.

The Group has a long track record of delivering returns for shareholders and the Board will continue to prioritise value creation from a strong and sustainable return on capital by investing in land and other opportunities as they arise.

For 2022, the Board proposes a final dividend of 60p per share to be paid on 5 May 2023 to shareholders on the register on 14 April 2023, following shareholder approval at the AGM. This dividend is the final and only dividend in respect of financial year 2022.

For 2023, the Board's intention is to at least maintain the 2022 dividend per share with a view to growing this over time whilst maintaining an average payout that is well covered by earnings over the housing cycle. This approach will balance shareholder payouts with the company's objective to retain capital to invest sustainably and profitably for growth.

Any dividend proposal in future years is subject to the company's financial performance and position at that time.

In periods of higher profitability, any excess capital will be returned to shareholders through a share buyback or special dividends.

As previously announced, capital allocation payments will be paid semi-annually and the Board intends to pay an interim dividend in relation to 2023, in the second half of this year.

The business maintains a robust balance sheet with an efficient capital structure and controls around its working capital management. The Group's £300m Revolving Credit Facility provides further flexibility to the Group's working capital resource. These facilities are available to support the working capital needs of the business.

The Group will continue to effectively manage its liquidity and working capital investment needs, whilst ensuring they are aligned with the Group's focus on outlet growth, high levels of build quality and excellent 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 mitigate the financial risks the Group faces and maintain the Group's robust balance sheet and strong liquidity levels, securing a resilient position for the future.

Jason Windsor
Chief Financial Officer
28 February 2023

Cash

£861.6m

2021: £1,246.6m

Cash generation pre land spend¹

£1,002.7m

2021: £1,209.8m

Net asset value per share

1,077p

2021: 1,136p

How we manage risk

Protecting long-term value creation

In common with all businesses, Persimmon is exposed to various risks and uncertainties in the course of delivering its strategy. In particular, the UK housing market is sensitive to both changes in economic conditions and the political, regulatory and legislative environment. To manage these challenges, the Group has a well-established and robust framework in place for the management of risk, designed to ensure the effective and timely identification and evaluation of risks and their ongoing mitigation. This risk management framework is critical to the Group's ability to create value over the long-term.

The Board has overall responsibility for the assessment and effective management of the Group's risks. The Group's risk management framework supports the Board in performing these duties and ensuring an appropriate focus on principal, strategic and emerging risk areas. Comprehensive supporting processes are in place to identify, monitor, mitigate and control risks, through the work of the Audit & Risk Committee, Group Internal Audit department and operational management teams. This includes a wide-ranging annual survey of Board and senior management in order to assess key risk issues and emerging risks. Collectively, these processes provide the Board with visibility of the Group's full risk landscape, while remaining focused on the most significant threats and trends. While these processes assist in the effective identification, evaluation and management of risk, the Board recognises that they can provide only reasonable and not absolute assurance, and cannot eliminate risk altogether.

Risk identification and evaluation

The Group's risk management framework includes detailed risk registers at various levels, from our principal risks at Group level through to detailed operational and functional risks. The risk registers are subject to continual update in order to reflect changes in the environment in which the Group operates, the results of internal audit work, and other factors such as the Group's previous assessment of the material issues of our stakeholders. In addition, a formal review of the risk registers is conducted on an annual basis, facilitated by the Group Internal Audit department. Standardised guidance is in place to support risk owners in their assessment of risks, in respect of both probability and impact. The resulting rating of risks considers both the inherent, untreated risk and the residual risk, taking into consideration the effectiveness of our mitigating controls. On an annual basis, an analysis of the overall risk environment is presented to the Board through the Audit & Risk Committee, including an assessment of new and removed risks, and any material changes in risk assessments to aid the Board in their review.

The process for the formal identification of our principal and emerging risks, is informed by a comprehensive annual survey of Board and senior management, carried out with the support of the Group Internal Audit department. This reappraises the Group's previously reported principal risks, as well as key risk areas identified from the review of the Group's wider risk environment. Commentary on emerging risks is analysed, with key themes consolidated for review. The Board, through the Audit & Risk Committee, reviews the detailed reporting on the results of the survey and determines the overall assessment.

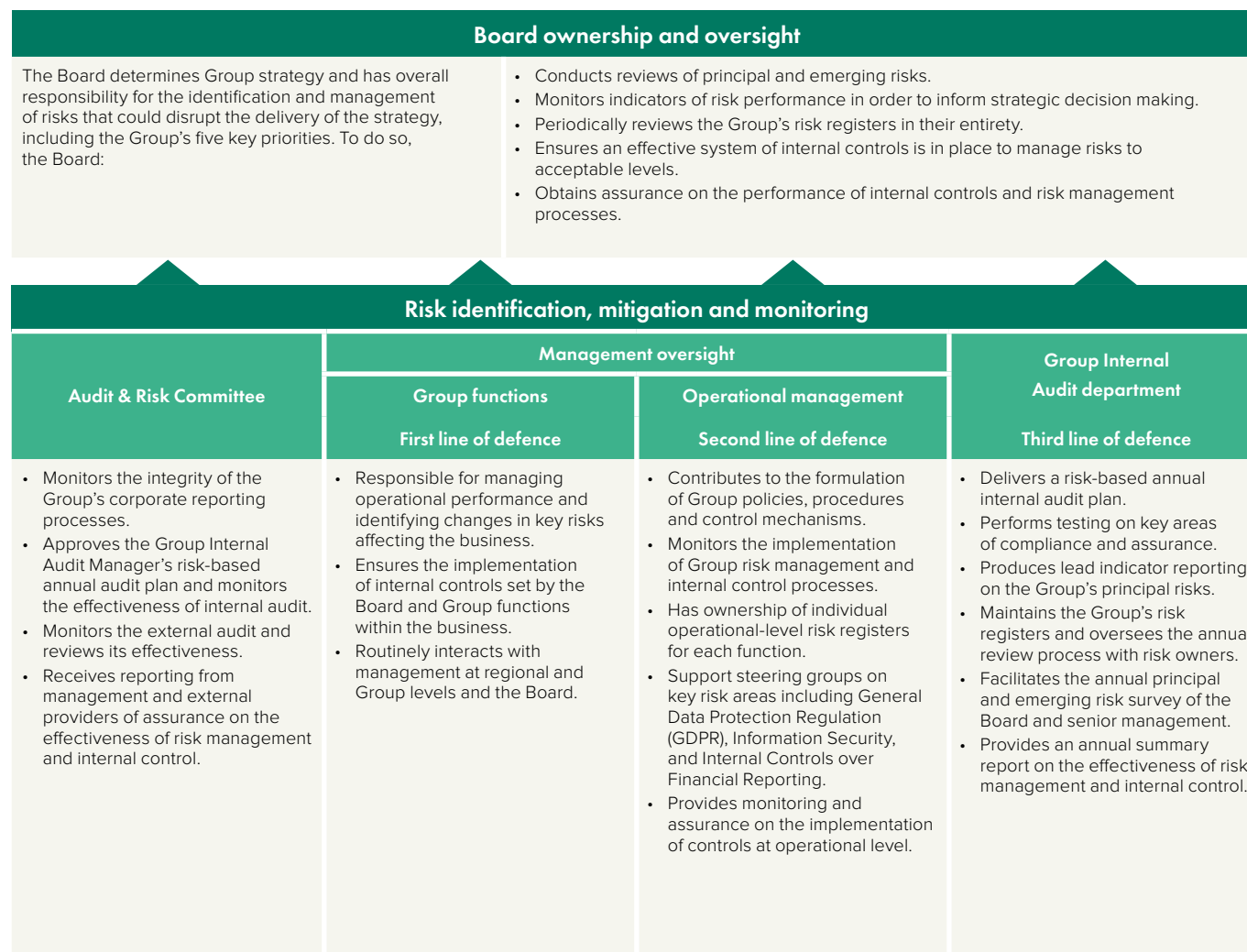
Managing risks

Each of the Group's risk registers has a defined owner, generally at the level of the Executive Committee. Risk owners are responsible for reviewing the effectiveness of the internal controls to mitigate risks within their area, and developing appropriate action plans where necessary. Risk owners are challenged on the design and effectiveness of mitigating controls as part of the annual review of the risk registers.

Monitoring of the Group's principal risks takes place through the routine work of the Executive Committee and the Board. The Board receives reporting on lead indicators for each principal risk, considering both internal and external data sources and detailed management commentary on the performance of mitigating controls.

Principal risks and material issues

Risk management framework



Principal and emerging risks overview

In line with the UK Corporate Governance Code 2018, the Group defines its principal risks as those considered to have a potentially material impact on its strategy and business model, including its future performance, solvency, liquidity and reputation. The Group has defined emerging risks as risks that are evolving in ways that are not yet clear, and where the impact and potential timing of risk realisation remain uncertain. The results of the Board's assessment of the Group's principal and emerging risks are outlined below.

Principal risks

The Group has identified 11 risk areas that meet its criteria for consideration as principal risks. These risks are detailed further on pages 59-63. The 2022 assessment has identified a new principal risk concerning legacy buildings. This reflects the potential for further legacy properties to be brought into the scope of cladding and life-critical fire safety remediation works, for costs to be greater than anticipated, or other regulatory changes to occur in this area.

The assessment has also noted movements in our rating of the risks in respect of UK economic conditions, mortgage availability and cyber and data risk. These movements are illustrated on the heat map on page 58.

The Group no longer considers the previously reported pandemic and strategy risks as meeting the criteria of principal risks. This reflects the Group's comprehensive suite of controls deployed during the Covid-19 pandemic, which could be swiftly adapted and redeployed as necessary, and that the likely effects of a future pandemic are included within the Group's other principal risks, such as those concerning UK economic conditions and Government policy.

Emerging risk areas

Following the Board's review of the comprehensive risk survey exercise, planning uncertainty has been recognised as an emerging risk area. This reflects uncertainty as to how various aspects of planning legislation and regulation may develop over the medium-term, and how this could affect land purchase decisions and the ability of the Group to bring sites through to development. The Board considers that this uncertainty could evolve over time to meet the criteria of a principal risk.

How we manage risk

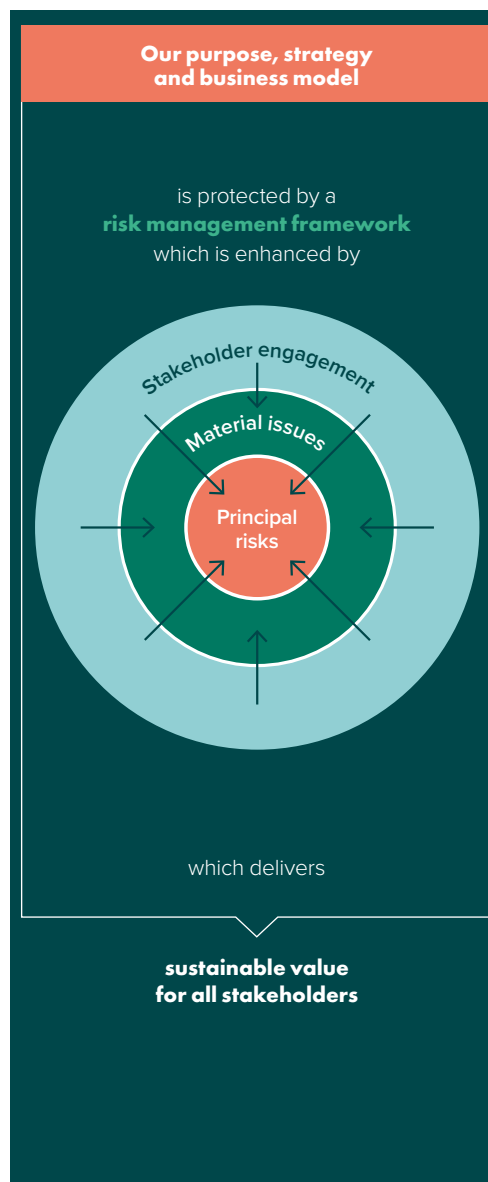
Principal risks and material issues continued

Material issues

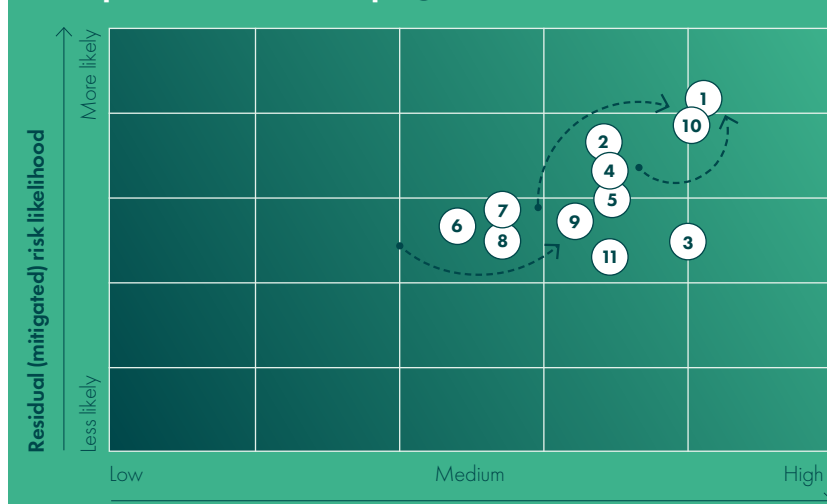
The Board continues to recognise the value of stakeholder engagement in ensuring the Group's ability to create and protect value over the long-term. A materiality assessment has previously been performed to identify the most important issues for our stakeholders. The results of this assessment are closely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

Overall assessment

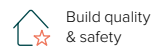
The Board has completed its assessment of the Group's principal and emerging risks. This assessment, along with a range of sensitivity analyses against various risk scenarios materialising together, and the likely responses of the Board, have contributed to the broader assessment of the resilience of the Group's business model. The results of this assessment are detailed further within the Viability Statement (see pages 75-77).



Principal risks – heat map



Material issues	Principal risk
1 Strategy	1 UK economic conditions
2 Social value/enhancing communities	2 Government policy and political risk
3 Health and safety	3 Health, safety and environment
4 Talent attraction, development, diversity and engagement	4 Skilled workforce, retention and succession
5 Helping customers live sustainably	5 Materials and land purchasing
6 Climate change action and resilience	6 Climate change
7 Build quality and safety	7 Reputation
8 Governance	8 Regulatory compliance
9 Customer satisfaction	9 Cyber and data risk
10 Cyber security and protection	10 Mortgage availability
	11 Legacy buildings

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1 UK economic conditions

Residual risk rating: Very High

Risk trend assessment

Overall: Increase

Impact: No change

Likelihood: Increase

Link to priorities:



2 Government policy and political risk

Residual risk rating: High

Risk trend assessment

Overall: No change

Impact: No change

Likelihood: No change

Link to priorities:



3 Health, safety and environment

Residual risk rating: High

Risk trend assessment

Overall: No change

Impact: No change

Likelihood: No change

Link to priorities:



Risk description

The housebuilding industry is sensitive to changes in the economic environment, including unemployment levels, interest rates and consumer confidence. A deterioration in economic conditions could adversely affect demand and pricing for new homes, which could in turn impact upon our revenues, margins, profits and cash flows and potential 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.

Approach to risk mitigation

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

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

How we monitor the risk

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

Risk description

Changes to Government policy have the potential to impact on several aspects of our strategy and operational performance. Recent examples include the impacts of the withdrawal of the Help to Buy scheme, the introduction of the Residential Property Developer Tax (RPDT), and proposed changes in planning regulations. Further policy changes may arise in response to the anticipated CMA market study into the housebuilding sector. Such changes have the potential to adversely affect revenues, margins, tax charges and asset values, and potentially impact on the viability of land investments.

Approach to risk mitigation

Our mission and our five key priorities (see pages 21-35), are aligned with the Government's stated ambition to increase housing stock.

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

The Group has experienced teams with expertise in managing and responding to relevant areas subject to Government involvement, including our Group Planning, Technical and External Affairs departments.

How we monitor the risk

- Likely evolutions in Government policy in relation to the housing market are monitored closely by our External Affairs, Technical and Land and Planning departments, with regular feedback to the Executive Committee and Board.
- We routinely engage with industry bodies to review the impact of any anticipated legislative or regulatory changes.

Risk description

In addition to the human impacts of any health, safety or environmental breach or incident, there is the potential for reputational damage, construction delays and financial penalties.

Approach to risk mitigation

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

- Comprehensive policies and procedures to manage construction activities safely.
- Training programmes to embed the Group's policies effectively.
- Inspection regime led by our Group Health, Safety and Environment department.
- Engagement with industry forums and best practice groups.

How we monitor the risk

- Data from inspections by the Group Health, Safety and Environment department feed into management reports at all levels of the Group.
- The Principal Risk Lead Indicator reports issued to each meeting of the Board includes analysis of inspection metrics provided by the Group Health, Safety and Environment department.
- The Group Health, Safety and Environment Director is a member of the Group Executive Committee, and provides additional periodic reports and updates to both the Board and the Audit & Risk Committee.

How we manage risk

Principal risks and material issues continued

4 Skilled workforce, retention and succession

Residual risk rating: High

Risk trend assessment

Overall: No change

Impact: No change

Likelihood: No change

Link to priorities:



Risk description

Recruiting and retaining a highly skilled workforce and supporting management teams is essential to the delivery of the Group's strategy. Heightened competition for skilled labour creates risks of increased costs, operational disruption and potential delays to build programmes.

Approach to risk mitigation

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

- Comprehensive range of training programmes managed by the Group Training department, including apprenticeships, graduate scheme and the Persimmon Pathways in core disciplines.
- Talent management and succession planning programmes.
- Remuneration benchmarking to ensure reward is appropriate to attract and retain talent at all levels.
- Utilisation of our Space4 products, which improve build efficiency and require less on-site labour than traditional construction.
- Increased focus on employee engagement measures (see pages 36-41).
- Deployment of hybrid working practices, where appropriate.

How we monitor the risk

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

5 Materials and land purchasing

Residual risk rating: High

Risk trend assessment

Overall: No change

Impact: No change

Likelihood: Decrease

Link to priorities:



Risk description

Availability of materials

Ensuring access to materials of the requisite quantity and specifications is critical in delivering high quality homes. Heightened levels of demand for materials may cause availability constraints and increase cost pressures. Build quality may be compromised if unsuitable materials are procured leading to damage to the Group's reputation and overall customer experience.

Land purchasing

Maintaining an appropriate supply of suitable land is crucial to the Group's strategy. Failure to maintain a sufficient supply of land at the appropriate levels of return could adversely affect sales, margins and return on capital employed.

Approach to risk mitigation

Availability of materials

Various mitigations are in place to ensure consistent sourcing of materials and cost efficiency:

- Vertical integration through the Brickworks, Tileworks and Space4.
- Strategic approach to procurement, led by our Group Procurement team.
- Supply chain engagement, including robust processes for appointing suppliers and reviewing their performance thereafter.
- Detailed forecasting and planning of materials requirements to inform supplier negotiations.
- Support for our supply chain through adherence to the Prompt Payment Code (PPC).

Land purchasing

The Group maintains strong land holdings. All land purchases undergo comprehensive viability assessments and must meet specific levels of projected returns, taking into account anticipated market conditions and sales rates.

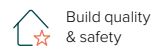
How we monitor the risk

Availability of materials

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

Land purchasing

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

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6 Climate change

Residual risk rating: Medium

Risk trend assessment

Overall: No change

Impact: No change

Likelihood: No change

Link to priorities:



Approach to risk mitigation

The potential impacts of climate change are considered systematically in key business decisions, from land acquisition through to planning and build processes. In response, the Group has established a range of measures to improve its operational efficiency and direct environmental impact, including:

- Maintaining a detailed climate change risk register.
- Setting science based carbon reduction targets, accredited by the Science Based Targets initiative ('SBTi').
- Targets to deliver 'net zero' homes in use to our customers by 2030 and become 'net zero' in our operations by 2040.
- Regular meetings of the low carbon homes working group, comprising senior employees from various disciplines, including preparation for the implementation of the FHS.
- Introduction of EV options into the Group's fleet.
- Procurement of 100% renewable energy for our offices and manufacturing facilities.

For more detail please see pages 64-74.

How we monitor the risk

- The Sustainability Committee meets regularly to review progress on the Group's climate-related initiatives.
- Key indicators including CO₂ emissions and waste generation are monitored and reported on.
- We undertake an external review of our Scope 1, Scope 2, Scope 3 Category 1 (Purchased goods and services) and Scope 3 Category 11 (Use of sold products) emissions.

For more details see pages 64-74.

Risk description

The effects of climate change and the UK's transition to a lower carbon economy could lead to increasing levels of regulation and legislation, as seen with the FHS. These may in turn result in planning delays, increased costs and competition for some materials.

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 of climate change.

7 Reputation

Residual risk rating: Medium

Risk trend assessment

Overall: No change

Impact: No change

Likelihood: No change

Link to priorities:



Risk description

Failure to live up to our expected high standards in governance, build quality (including remediation of legacy issues), customer experiences, operational performance, management of health and safety or local planning concerns could damage stakeholder relationships and have a detrimental impact on financial performance.

Approach to risk mitigation

The Group is committed to ensuring an appropriate culture and maintaining high quality in all aspects of its operations. This is subject to oversight from the Board. We have made significant investments in build quality, through The Persimmon Way and the supporting Independent Quality Controller (IQC) regime, and in addressing legacy issues (see page 98).

We formally commenced the registration process for the New Homes Quality Code (NHQC) within 2022. The Group supports the NHQC's focus on driving quality and customer service improvement across the industry.

The Group also proactively works to build positive relationships with all of our stakeholders. This includes supporting communities in addressing housing needs, creating attractive neighbourhoods and employing local people, both on our sites and in the supply chain. We make significant contributions to local infrastructure and good causes within the communities in which the Group operates.

How we monitor the risk

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

How we manage risk

Principal risks and material issues continued

8 Regulatory compliance

Residual risk rating: Medium

Risk trend assessment

Overall: No change

Impact: No change

Likelihood: No change

Link to priorities:



Risk description

The housebuilding industry is subject to increasingly complex regulations, particularly in areas such as land acquisition, planning, Building Regulations and the environment. Further regulatory evolutions are expected in the short-term, such as the introduction of the NHQC, and measures on audit and corporate governance reform, which will affect many of our processes. Failure to comply with regulations could result in imposition of financial penalties and potential damage to the Group's reputation.

Approach to risk mitigation

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

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

How we monitor the risk

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

9 Cyber and data risk

Residual risk rating: High

Risk trend assessment

Overall: Increase

Impact: Increase

Likelihood: No change

Link to priorities:



Risk description

In common with most modern businesses, the Group is reliant on the consistent availability and security of its IT systems. Failure or significant disruption to the Group's core IT systems, particularly those in relation to customer information and customer service, could result in significant financial costs, reputational damage and business disruption.

As the Group's use of technology to support operational processes continues to develop, cyber and data risks have become an area of increased focus for the Group. This is reflected in the elevation of this risk from 'medium' to 'high'.

Approach to risk mitigation

The Group has dedicated cyber security resource, led by the Chief Information Security Officer, in order to manage and oversee security controls. This includes use of third party expertise to ensure implementation of good practice controls.

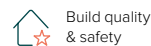
External partners are used to support the Group, both through cyber security assessments and periodic penetration testing.

In the event of an incident, the Group has a defined Cyber Incident Response Plan.

Training and regular communications are delivered to all users to increase awareness of cyber risks, with particular focus on risks associated with remote and hybrid working.

How we monitor the risk

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

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10 Mortgage availability

Residual risk rating: Very High

Risk trend assessment

Overall: Increase

Impact: Increase

Likelihood: Increase

Link to priorities:



11 Legacy buildings

Residual risk rating: High

Risk trend assessment

Overall: NEW

Impact: NEW

Likelihood: NEW

Link to priorities:



Risk description

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

Approach to risk mitigation

The Group closely monitors the economic outlook for the UK, including indicators on mortgage availability and affordability. Investments in land and work in progress are moderated to align with our level of sales and expectations of the current market conditions.

Incentive schemes to support sales are kept under review by management, and can be flexed according to underlying market conditions.

How we monitor the risk

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

Risk description

In line with our commitments under the Developer Pledge, the Group remains committed to undertaking any cladding or life-critical fire safety remediation works for buildings it has constructed, and to protecting leaseholders. Provisions have been made to cover the anticipated costs of these works; however, the works are complex and could be protracted in nature. As such, the value may be subject to revision if legislation or regulation evolve, further properties are identified, or costs prove to be greater than anticipated.

Approach to risk mitigation

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

Detailed investigations are undertaken on all identified buildings and independent fire risk assessments completed.

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

How we monitor the risk

- A report on the progress of the works is provided to every Board meeting.
- All identified buildings are assessed and, where necessary, interim measures carried out to ensure resident safety until remedial works are carried out.
- The Finance team monitors costs incurred and provides assurance on the utilisation and appropriateness of the Group's provision.

Task force on climate related financial disclosures (TCFD)

The Board recognises the global climate emergency and the risks and opportunities posed by climate change to the Group's business model and strategy.

Climate change was introduced as a principal risk for the Group in its 2018 Annual Report and Accounts and, as in prior years, the Group has reported climate-related disclosures consistent with the TCFD Recommendations and Supporting Recommended Disclosures, and will continue to mature its level of reporting in accordance with the requirements.

This year we have further evolved our TCFD reporting to include detailed analysis of identified transition risks and potential financial impacts, and physical risk modelling at a regional level with identification of potential financial impacts.

The Group has set ambitious climate reduction targets to achieve net zero carbon homes in use for 2030 and net zero carbon in our operations by 2040. These are supported by science based targets for carbon emissions reductions which were validated by the Science-Based Target initiative (SBTi) in August 2021.



1. Governance

Climate change is considered a principal risk for the Group and as such, it is governed and managed in line with the Group's risk management framework. (See page 57 for further details).

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

The Sustainability Committee (SC) supports the Board's climate responsibility, and oversees the Group's climate change strategy, to ensure climate issues are being effectively considered and managed, and reports its findings and recommendations to the Board. During 2022, for example, the Committee reviewed the progress of the development of the carbon transition plans to ensure the Group is on track to deliver its net zero and science based target carbon emissions reduction commitments, and climate risk and resilience aligned with TCFD reporting requirements.

The Group Sustainability Director and Group Strategy and Regulatory Director are responsible for updating the climate risks within the Group risk register, and consult with key Group functions to ensure comprehensive coverage of potential impacts and mitigation plans. The findings are taken to the Sustainability Committee and communicated to the Steering Groups for action.

When considering our land investment opportunities, the Regional Managing Directors are responsible for ensuring all environmental surveys including flood risk assessments are undertaken prior to acquisition, with final approval going to the Land Committee who oversee all acquisitions.

2. Strategy

Our strategy sets out our pathway to net zero carbon for our homes in use by 2030, and for operations to be net zero carbon, including our manufacturing facilities, by 2040. In supporting delivery of these targets we have established science based carbon emissions reduction targets of 46% for our Scope 1 & 2 absolute emissions and a target of 22% reduction per m² completed floor area of Scope 3 emissions by 2030, which have been approved by the Science Based Target initiative (SBTi). These targets are an ambitious step forwards in our approach to climate action and have been calculated to ensure that we play our part in limiting global warming to 1.5 degrees above pre-industrial levels.

We have defined four strategic focus areas to achieve our ambitions:

Create low carbon homes

- Reduce energy demand: design homes to be more energy efficient.
- Readiness plans are in place for Part L of the Buildings Regulations and Future Home Standard.
- Understand performance and customer experience: gather real life in-use data from our low carbon home trials.
- Innovation: continue to instigate technology trials to be at the forefront of innovation, build strategic relationships with supply chain and continue to invest in our off-site manufacturing facilities.

Deliver low carbon site operations

- Reduce our use of diesel across our sites through, for example driver training or use of low carbon fuels.
- Trial new technologies such as electric and hybrid plant when available and appropriate.
- Set standards and benchmarks for energy reduction and management on-site.

Reduce embodied carbon

- Assess embodied carbon to identify high impact materials and services.
- Evaluate the benefits from our vertical supply chain and maximise opportunities through design.
- Supply chain: communicate our strategy to our suppliers, and work with our supply chain to reduce embodied carbon in materials.

Ensure climate change resilience

- Climate risk management: scenario plan our strategic land holdings, and any major business change for climate resilience and mitigation.
- Design: design in climate risk measures to mitigate risks, such as window sizing, orientations, modern methods of construction.
- Nature based solutions: utilise blue and green infrastructure to mitigate against extreme weather events such as flooding, droughts.

Climate scenario analysis

We have identified high level climate change related risks and opportunities over the short, medium and long-term that are considered to have a potentially material financial impact on the Group strategy and business model.

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

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

These timescales have been chosen as the most relevant to the business, reflecting major future legislative change in 2025 with the introduction of the Future Homes Standard, and aligning with the Group's net zero carbon and science based target commitments.

Net zero carbon world 1.5°C

- Assumes climate policies and controls are introduced early and become more stringent over a relatively short timeframe (2030). High transition risk in the short-term, and very aggressive mitigation measures, but as a result physical risks are less severe compared to the 2°C scenario.

Paris consistent scenario ~2°C

- Relatively high transition risk in the short-term, associated with aggressive mitigation actions to reduce emissions. As a result physical risks are less severe compared to the 4°C scenario.

Hot house world ~4°C

- Low transition risk in the short and long-term as the world fails to transition to a low carbon economy. Consequently, physical risks become increasingly frequent and severe in the long-term, resulting in serious impact on the global economy, the environment and human wellbeing.

Output from the climate scenario analysis and quantification

The Group already has a good understanding of its climate related risks and opportunities, and the tables on pages 66 to 69 provide a high level summary of the types of risks, their potential impact, the time horizons which have been considered, and the Group's response.

In 2022 the Group has further evolved its climate scenario understanding through undertaking a detailed evaluation and financial analysis of potential material climate risks and opportunities, with the support of an external specialist risk consultancy.

Task force on climate related financial disclosures (TCFD) continued

3. Transition risk analysis

The transition risks are anticipated to occur in a relatively short timeframe compared to physical risks, and this is already being seen with increasing legislation on energy efficiency in homes coming into force, with the changes to Part L of the Building Regulations and the Future Homes Standard for example. This will drive changes in technology, customer expectations and the Group is already evaluating alternatives, trialling innovative technologies and engaging with suppliers.

	Summary description of transition risks	Potential impact ranking	Time-frame of impact	Business readiness
Policy & legal drivers				
Pricing of GHG emissions	Carbon pricing could manifest as a range of environmental, planning or sector wide taxes. Under the 1.5°C scenario, pricing of GHG emissions could be \$155-\$454 per tonne by 2030, and \$54-\$97 per tonne under the 2°C. Carbon pricing could be felt through the supply chain and material costs.	High	Short	Evaluated as part of 2022 in depth risk analysis
Increasing national regulation relating to more stringent environmental standards	Increasing stringency of building, planning regulations and design requirements to enable the UK Government to meet its 2050 Net Zero Carbon Target; inc Part L of the Building Regulations; Future Homes Standard, National Policy Planning Framework, and National Model Design Code. Many local authorities have declared their own climate emergencies, and the planning system will be a key vehicle for delivery. This could impact our development and growth plans, and increase build costs.	High	Short	In plan. Further informed by 2022 in depth climate risk analysis
Climate change litigation	Climate related litigation claims may be bought by investors, insurers, shareholders and public interest organisations. Reasons could include failure to adapt to climate change causing harm, greenwashing.	Low	Medium	Include in future plan
Enhanced reporting obligations	Additional emissions related reporting requirements likely in the UK by 2030. This could include needing a materials passport in order to increase the circularity of building supply chains, and updates to the Streamlined Energy and Carbon Reporting (SECR) regulations. Scope 3 emissions reporting could also become mandatory.	Low	Short – Medium	Include in future plan
Technology shifts				
EV use	To achieve the UK Government's Net Zero Carbon Commitment by 2050, there will be an increasing number of electric vehicles. Sufficient charging points and grid capacity will be required, which will have an impact on build costs.	High	Short	In plan
Substitution of technology	Risk of installing technologies at the beginning of a planning process that then become obsolete or outdated. Could affect customer satisfaction and sales. This is especially at the point of the implementation of the Future Homes Standard.	Medium	Short	Under evaluation
Market				
Change in customer demands	There is a risk, if energy prices increase, property buyers will want lower carbon homes, and expect greater energy operational efficiency. Inefficient properties could also fall in value which could impact the market.	High	Short	Further informed by 2022 in-depth climate risk analysis

	Summary description of transition risks	Potential impact ranking	Time-frame of impact	Business readiness
Supply chain resilience and increasing cost of raw materials	Sourcing and availability of materials could be impacted by both transition and physical risks. There is a risk of increasing development costs, due to supply and demand, and likely carbon pricing on key materials such as glass, cement and insulation.	High	Short – Medium	Evaluated as part of 2022 in depth climate risk analysis.
Cost of capital	As credit ratings begin to incorporate climate change considerations, there is a risk of downgrading and the cost of capital increasing.	Low	Medium	In plan
Low carbon technology availability	Rapid uptake of low carbon technologies such as air source heat pumps could cause market shortages and delay delivery of homes.	High	Short	Under evaluation
Skill shortage impacting ability to install low carbon technology	In order to reduce emissions to comply with planning requirements, access to different skills such as renewable specialists and heat pump installers, will be required. A shortage could lead to delayed delivery and an increase in build costs.	High	Short	Under evaluation
Reputation				
Investment risk	Risk to revenue and investment streams as clients and investors increasingly expect high levels of sustainability performance.	Medium	Medium	In plan
Stakeholder risk	Over the next decade social pressure regarding sustainability and increased public awareness could create a reputational risk if there is failure to reduce both operational and embodied carbon. The impact of this could be seen through delays in the planning process as Local Authorities enact their own climate action requirements.	Medium – High	Short – Medium	In plan
Employee risk	As employees are becoming increasingly concerned with climate change issues, negative publicity around failure to deliver targets could make it difficult to attract and retain talent.	Low – Medium	Short – Medium	Included in employee survey

Quantification of transition risk

For the purposes of transition risk quantification the Group, with the assistance of an external consultancy, selected four risks and opportunities which presented the most likely material impact. The three transition risks and one opportunity were assessed on short (2025) and medium (2030) time horizons. The assessment focused on a Low Carbon World (1.5°C) scenario, associated with the most significant level of transition risk. The financial impact quantification relied on assumptions sourced from climate scenarios published by sources including IEA and NGFS, as well as public domain research.

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

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

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

Task force on climate related financial disclosures (TCFD) continued

Gross risk score (Impact x Likelihood)					Residual Risk/Opp	S – Short-term (2025) M – Medium-term (2030) L – Long-term (2050+)
Risk	1	2	3	4		
Opp	1	2	3	4		
	Lower			Higher	Not assessed	

Transition risk	Risk name	Low carbon world scenario (1.5°C)		
1	Increasing cost of raw materials	S	M	L
Description: There is a risk of increasing cost of raw materials used in construction driven by the transition to a Low Carbon Economy. Persimmon's suppliers could pass on the impact of carbon pricing for high carbon building materials such as steel and cement onto Persimmon, consequently impacting on development costs.	Impact assumptions: Carbon Prices based on IEA and NGFS forecasts; volume of homes and build-type based on internal Persimmon projections; embodied carbon estimated based on current levels and assumptions on future carbon intensity of input materials.	2	2	
	Controls/mitigation: Costs ultimately recovered through land valuation; risk internally monitored by the Group's Procurement department; Scope 3/embodied carbon reduction targets; Supplier initiatives; Increasing timber frame construction offers opportunity to reduce embodied carbon.	Max financial impact: <£2 million (Very low impact)		
2	Pricing of greenhouse gas emissions	S	M	L
Description: Under a Low Carbon World scenario, pricing of GHG emissions in the UK is expected to increase. This could impact Persimmon's operating costs. Uncertainty around UK pricing and regulations (e.g. cap and trade schemes) could make planning of future Persimmon operations difficult.	Impact assumptions: Carbon Prices based on IEA and NGFS forecasts; emissions based on current Scope 1 and 2 (location-based), factoring in the achievement of emission reduction target of 46.2% by 2030.	1	2	
	Controls/mitigation: Persimmon's sustainability strategy which includes a core focus on climate action and resilience; on-site energy efficiency initiatives to reduce emissions from construction; more efficient build methods; staff education around energy use.	Max financial impact: <£2 million (Very low impact)		
3	Climate-related regulations impacting products and services	S	M	L
Description: The UK may need to increase the stringency of building regulatory requirements as part of its efforts to meet its Net Zero 2050 target. This could affect Persimmon's developments in the form of increasing development costs to ensure all new buildings are zero carbon-ready by 2030.	Impact assumptions: Volume of homes and build-type based on internal Persimmon projections; uplift costs to meet Future Homes Standard based on internal Persimmon calculations; assumptions on cost of air source heat pumps are linked to the UK's Low Carbon Heat Scheme.	2	2	
	Controls/mitigation: Costs ultimately recovered through land valuation; Persimmon's sustainability strategy includes the strategic focus area of 'Create Low Carbon Homes'; innovation e.g. technology trials, investment in manufacturing facilities and building strategic relationships; active role taken by the Board in managing regulatory risk.	Max financial impact: <£2 million (Very low impact)		
4	Changing consumer preferences	S	M	L
Description: There is a risk that by 2030 property buyers will want lower carbon homes as they try to harness the opportunity of green mortgages and greater operational energy efficiency. If Persimmon is able to deliver low carbon homes by 2030, this could create opportunity for increased revenue by taking advantage of 'green premiums' on new build properties.	Impact assumptions: Consumer research is indicating a premium for more energy efficient homes, and a willingness to pay more for cost effective energy efficient homes. Green mortgages also have an opportunity to support the transition to sustainable homes. However the market is still evolving and financial valuation for green products is maturing.	1	2	
	Controls/mitigation: Persimmon has clear plans in place to deliver low carbon homes, ensuring they are affordable and cost effective to run for customers. Monitoring of consumer trends will continue to ensure opportunities are maximized.	Max financial impact: Under review		

Physical risk analysis

Whilst physical risks under the scenario modelling manifest over a longer time period, there is already an increasing occurrence being observed of more extreme weather events that are attributed to current climate change. These are typically observed as such as more excessive snow falls, rainfall, unusually high temperatures, and unseasonal weather patterns.

The table below ranks the potential impacts, timescale and readiness based on those that will manifest more significantly in the future. Whilst physical risk is seen as a long-term risk, a number have been included as part of the detailed climate analysis undertaken in 2022.

	Summary description of physical risks	Potential impact ranking	Time-frame of impact	Business readiness
Heat stress	Hot summers are expected to become more common with more extreme temperatures. Under the Hot House scenario, heatwaves could last 20 days. This will affect comfort for customers and therefore design criteria will need to be applied to avoid overheating. Construction site conditions and working practices will need to ensure worker health, safety and wellbeing. Heat island effects will also become more prevalent in urban and built up areas.	High	Medium – Long	Included in detailed 2022 climate risk analysis
Drought stress	Summers will become drier, with the south of the UK predicted to experience 2.5 – 3.5 months of drought under the Hot House Scenario. Locally this will impact water suppliers, and will become part of planning considerations.	High	Medium – Long	Included in detailed 2022 climate risk analysis
Precipitation	Greater chance of more rainfall in the winter and less in the summer. Seasonal and regional differences. Impact on site construction activities, customer gardens and supply chain.	High	Medium – Long	Included in detailed 2022 climate risk analysis
Flood	High underlying flood risk in the present day. Under the Hot House scenario there is a 21%-56% increase in river peak flow rates, and the probability of flooding in a year could increase 3 to 10 times. Already a key requirement in the planning process. Increased number of flood plains in the future may impact build costs and/or land availability.	High	Medium	In plan, and further informed by detailed 2022 climate risk analysis
Windstorms	Classed as medium to high risk in all scenarios, but with greater severity under the Hot House scenario. Predicted to decrease in the south but increase in the Midlands, North, Wales and Scotland.	Medium	Medium	In plan, and further informed by detailed 2022 climate risk analysis
Sea level rise	Expected between 0.2m – 0.6m under the Net Zero scenario and up to 1.1m in the Hot House scenario. This will have an impact on coastal locations.	Low	Long	Include in future plan
Subsidence	Medium level risk of possible ground instability and building foundation issues. Regions around London most exposed. In the Hot House scenario there is a higher risk and greater area of impact in the south of England.	Medium	Long	Include in future plan
Infrastructure	The stress on water and energy utilities together with road transportation will increase. In the Hot House scenario there is the expectation of disruptions to critical services. This could impact supply chains, and result in production down times.	Medium	Long	Include in future plan



Task force on climate related financial disclosures (TCFD) continued

Quantification of physical risk

For the purposes of physical risk quantification, the Group, with the assistance of a specialist consultancy, undertook detailed climatic modelling. For physical risk, the risk to the Group's portfolio of owned assets was explored in relation to eight physical climate perils: chronic heat stress, chronic drought stress, sea level rise, extratropical cyclone, fire weather, river flood, precipitation/flash floods and subsidence.

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

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

By 2030 assuming 1.5°C – 2°C global warming			
	Hazard exposure	Residual risk	Chronic risks
Heat stress 	Very low	Very low	Currently the UK is exposed to very low heat stress meaning on average, there are less than 5 heatwave days in a year. Changes in regulations and design with regards to overheating and energy efficiency are likely for the short-term (2025-2030), but the additional costs to the business to implement them would not be significant, as those could be factored in the land valuation process. No other impacts or vulnerabilities are foreseen and therefore Persimmon's residual risk is very low.
Drought 	Low	Very low	Around 50% of the volume delivery in the regions where Persimmon operate have some level of drought stress potential, meaning on average ranging from less than a month to over two months of drought duration per year, in particular Midlands and the south of the UK, whilst the remaining 50% have a lower drought stress potential. Persimmon takes measures for their current homes with regards to keeping water usage lower than average. Any additional development costs are typically recovered through land valuation. There has been no significant financial impact to the business so far, and the residual risk is therefore considered very low.

By 2050 assuming 4°C global warming			
	Hazard exposure	Residual risk	Chronic risks
	High	Low	Under this scenario, some regions of the UK, mainly London and the south, will be exposed to a higher heat stress, seeing an average of 5-20 heatwave days in a year. Those conditions could be relevant to ~40% of the average homes built by Persimmon, primarily in the south east of England. However Persimmon currently factors in conservative temperature and heat stress forecasts in its design to address overheating. Heat minimising solutions could be factored into building design and planning. Future regulation could require further adaption/ design measures that are typically considered in any land valuation exercise. More frequent interruptions to construction operations and supply chain are likely in the summer periods.
	High	Low	The risk increases. A third of Persimmon's typical operating regions/homes could face 3-4 months of drought duration per year, in particular in the south of the UK. There could be further regulations with regards to water (re)usage that could put additional costs on developments in the south east. Persimmon would consider this issue on a site by site basis and currently undertakes water usage calculations for its developments. Any additional costs would be considered in the land valuation process. Operationally, water scarcity could cause delays in construction or supply and cost issues for water-based construction materials.

Risk scale

Very high



High

Moderate

Low


Very low

By 2030 assuming 1.5°C – 2°C global warming

	Hazard exposure	Residual risk	Chronic risks
Sea level rise 	Very low	Very low	Some regions of the UK where Persimmon operates are exposed to coastal flooding and storm surges. Typically only a small fraction of plots and volumes could be exposed, however the robust land investment appraisal process today considers such localised high risk areas, and minimises the possible business impacts.
Subsidence 	Low	Very low	No significant changes in subsidence conditions today and in the short-term. Typically Persimmon operates outside London where higher concentration of susceptible clay soils is found. Current design regulations mitigate the risk.

By 2050 assuming 4°C global warming

Hazard exposure	Residual risk	Chronic risks
Low	Low	Although the sea level is projected to rise and increase the frequency and severity of storm surges to those coastal regions already exposed, the fraction of land and possible future developments in the regions Persimmon operates in is likely not to increase significantly. The risk is minimised through the Group's robust land investment valuation process.
High	Low	Possible increased risk for future development and some exposure in the south east. More conservative regulations could be introduced for foundation design and ground works. Any additional costs would typically be mitigated via land procurement.

	Hazard exposure	Residual risk	Acute risks
Windstorm 	High	Low	<p>All of the UK is in stormy regions, with 1% annual chance of having severe wind gusts of over 121km/h, and approximately half of the typical regions and homes Persimmon delivers, could see higher wind gusts of 161-200km/h. Persimmon currently complies with all up to date regulations with regards to wind design for their developments which mitigates the risk.</p> <p>Operational disruptions in construction, supply chain and utilities are however possible. Direct and indirect physical damage from extreme storms could create financial impacts and delays to construction programmes.</p>

Hazard exposure	Residual risk	Acute risks
High	Low	There is no scientific evidence that extratropical cyclone intensities and frequencies will increase significantly, therefore the risk profile could be broadly similar to current conditions. Although the risk is not changing significantly and adaptation is likely not required, we will consider a strict level of wind protection in design and risk management for operations on site.

Task force on climate related financial disclosures (TCFD) continued

Risk scale




Very high

High

Moderate

Low

Very low

By 2030 assuming 1.5°C – 2°C global warming			
	Hazard exposure	Residual risk	Acute risks
Fire 	Very low	Very low	Currently 25% of the typical volumes and regions are exposed to low fire weather stress, with 5-20 days of fire weather conditions per year. Other regions have a very low exposure to fire weather conditions, equal to less than 5 days annually. As a consequence fire weather is not considered a material risk. There is potential for indirect risks with regards to supply chain and sourcing of timber material from overseas. No financial impacts have been reported at present.
Flooding 	Low	Very low	Some regions of the UK where Persimmon operates are exposed to river flooding. However this is a very localised risk. Typically only a small fraction (~5%) of plots is in zones with 1% probability of significant flooding in a year. The robust land selection process in place today, together with extra flood design considerations and loading factors for future changes minimise key impacts to current and future homes.
Precipitation 	Very low	Very low	A small proportion of regions (3%) is exposed to moderate or higher risk of precipitation, meaning 2-7 days with more than 30mm of rainfall. Persimmon considers rainfall parameters in drainage design which minimises this risk.

By 2050 assuming 4°C global warming			
	Hazard exposure	Residual risk	Acute risks
	Low	Low	Under the high emissions scenario by 2050, the fire weather conditions increase for some regions Persimmon operates in, but is still considered relatively low and as a consequence fire weather is not considered a direct material risk to the business. There is a potential that timber raw materials could be disrupted due to wildfires elsewhere however that risk is not projected to increase for key regions like Scandinavia that Persimmon relies on.
	High	Low	Although the percentage of plots in flood zones does not increase significantly, projected changes indicate that the frequency of flood events could increase in the UK. Persimmon could be impacted by additional flood regulations and higher adaption/mitigation costs for developments, as well as potentially more frequent interruptions to operations. Restrictions on land supply are also possible. Persimmon carry out due diligence prior to land investment, and factors in increased river flows in flood design and planning, minimising impacts. Any additional costs are normally considered in the land investment appraisal process.
	Very low	Very low	There is a small projected increase in heavy rainfall compared to the present day. Current design considerations could be sufficient for future changes but additional regulation could emerge creating additional costs.

Resilience of the Group's business strategy and business model

The Group has in place a number of climate change mitigation strategies and identified opportunities as part of its business model. These have been further informed by the detailed 2022 climate risk analysis which has considered the potential risks and opportunities at a more granular level and assessed potential financial implications.

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

Transition risk mitigations and opportunities

- The Group has core house types used across its national network of development sites which helps ensure that any new regulatory requirements can be effectively and consistently applied across the Group.
- The Group delivers more energy efficient homes than the second hand property market with homes that are increasingly energy efficient, thereby attracting a strong customer base.
- The Group has developed its strategy for delivering to the new Part L of the Building Regulations which come into in June 2023 requiring new build homes to produce c.30% less carbon emissions compared to current standards. Homes have improved insulation, improved ventilation, more efficient boilers and some may have solar panels to achieve this improved efficiency. The Future Homes Standard (FHS), expected in 2025, will require homes to produce 75%-80% less carbon emissions and will remove gas fired systems. This will require a switch to alternative heating systems such as air source heat pumps, higher levels of insulation and air tightness, and additional energy recovery or generation technologies. The Group is already well placed to deliver this.

- The Group has a number of pilot projects to assess the most effective method of achieving the Future Homes Standard. The pilot projects are being used to: trial new technologies such as infra-red heating; to assess the most effective build methods of achieving the improved efficiency required using a 'fabric first' approach; and, to gain feedback from customers on the 'liveability' of the homes.
- The improved efficiency of new homes is also a significant opportunity for the Group as we develop homes which will have a lower impact on the environment, are currently cheaper to run and provide a competitive advantage to the second hand housing market.
- In designing our developments particular attention is paid to all issues that surround the policy transition necessary to achieve new, more stringent climate and environmental policy requirements. In order to deal proactively with local and site specific interpretation/application the Group has developed Design and Access Statement templates aligned with the National Model Design Code.
- The Group's business model includes vertical integration – The Group owns its own timber frame, wall panel and roof cassette manufacturing facilities. These modern methods of construction will assist in building low carbon homes, with a reduced build time.
- The Group has gained a more detailed understanding of the embodied carbon risk of its house types, and the detailed climate risk analysis performed this year, has highlighted the potential carbon pricing and subsequent raw material cost increase risks. The Group Procurement team are increasing supply chain engagement on high carbon materials.
- The Group's UK-wide and diverse high quality land holdings support its strong network of outlets and ensures the business is wellpositioned to invest in land at the right time in the cycle. The strong gross margins embedded in the Group's existing landholdings help to absorb potential volatility caused by increasing building costs.
- The Group's significant ongoing investment in training ensures that it maintains an appropriate skills base to manage changes to operations and processes required by climate change mitigation requirements.

Physical risk mitigations and opportunities

The Group already manages a number of potential physical risks such as flooding as part of its planning activities. These have been further informed by the detailed 2022 climate risk analysis which has considered the potential risks and opportunities at a more granular level and identified potential financial implications.

- The Group undertakes comprehensive environmental and flood risk assessment for each potential land acquisition that it makes, and for strategic land considerations.
- Planning requirements principally influence the requirements for any flood mitigation, drainage requirements, and there is increasing consideration for use of blue and green infrastructure.
- The detailed climate risk analysis undertaken this year has further informed potential physical climate risks, and the impact they could have on the business over the medium to long-term horizons. This information has informed the Group Land and Planning team when considering future site locations and land viability costs.
- The Group has a UK-wide network of sites and therefore has significantly reduced exposure to potential regional climatic risks, and is able to strategically consider potential development locations.

Risk management

As a principal risk for the Group, climate risk is governed and managed in line with the Group's risk management framework see page 57. The framework requires identification of the risk, evaluation of the potential impact, the consequences, allocation of the risk owner, probability assessment, description of controls and controls owner, and finally an evaluation of any residual risks. The Group's identification and assessment of risks is managed by the Risk Committee, with the Board taking ultimate responsibility for risk management.

The climate risks, their potential consequences and their current impact on the Group's business model, are identified and reviewed by the Group's executive team, senior members of the Group Finance team, Group Sustainability Director and Group Internal Audit Manager. A wide range of insights and resources are used to ensure climate related impacts are effectively tracked and considered to include; climate insights & trends, emerging legislation and government policies, consultations, local authorities positions, and industry body resources.

Task force on climate related financial disclosures (TCFD) continued

The climate risk register is reviewed and updated, as required, on at least an annual basis. It is arranged into transitional risks and physical risks. As risks are identified, the Group considers whether the business's strategy and business model already manages/ mitigates the relevant risk.

If any gaps are identified, then in accordance with the Risk Framework, the Group establishes the appropriate response.

The climate scenario analysis and detailed climate risk analysis and modelling has provided detailed assessment of transition and physical risks against three time horizons. This has provided greater depth of understanding, and enabled prioritisation of climate related risks, and the Group will continue to embed the findings into its climate risk and opportunities management.

4. Metrics

The Group monitors emissions from its own operations, which have been measured in accordance with the GHG Protocol Corporate Accounting and Reporting Standard (Revised Edition). Detailed GHG emissions information is located on page 47 in accordance with the requirements of the Streamlined Energy and Carbon Reporting requirements, and disclosures are for Scope 1, 2 and an emerging level of information for Scope 3 (supply chain products & services, and homes in use).

The Group is committed to playing its part in the international effort to reduce greenhouse gas emissions by reducing its own emissions across the business's operations, and also the supply chain and from the homes we sell.

As such, the Group has set an ambitious target to be:

- Net zero carbon in our homes in use by 2030; and
- Net zero carbon in our own operations by 2040.

This commitment is supported by interim science based carbon reduction targets to reduce our operational emissions (Scope 1 & 2) by an absolute of 46.2% (vs 2019 baseline) and our indirect emissions (Scope 3) from our supply chain and homes in use, by 22% per m² completed floor area by 2030. These reductions will be achieved through wider supply chain engagement, product innovation as well as changes to current operational processes.

In 2022, an environmental target makes up 5% of the Executive annual bonus focused on steps taken to support achievement of our Scope 1 and 2 science based targets (see page 65). The Board believes in the importance of ESG and cultural metrics and this is reflected in the use of customer care and quality in both the annual bonus and PSP, and the Remuneration Committee will incorporate specific environmental targets in the 2023 PSP award (see page 129).

Time period	Target	Metrics
Short-term (2022 – 2025)	Continue to embed climate risk and opportunity analysis into the business strategy and operations	Qualitative
	Reduce our operational footprint (Scope 1 & 2)	% reduction in diesel fuel use % energy efficiency
	Maintain 100% carbon neutral electricity purchased – green/REGO backed	Zero CO ₂ from Scope 2 sources
	Undertake embodied carbon assessments, set reduction targets	Tonne CO ₂ /m ² completed floor area
	Supply chain engagement on embodied carbon	Action plans in place to reduce carbon content of top CO ₂ contributors
Medium-term (to 2030)	Homes to be net zero carbon in use by 2030	SAP calculation
	Reduce absolute Scope 1 & 2 GHG emissions by 46% by 2030 (2019 baseline)	Transition pathway – tonnes/CO ₂ against a 2019 baseline
	Reduce Scope 3 Purchased goods and services, and use of sold products by 22% per m ² completed floor area	Tonnes/CO ₂ /m ² completed floor area against a 2019 baseline over their lifetime
Longer-term (to 2040)	Net zero carbon emissions in our own operations (Scope 1 & 2) by 2040	% zero carbon % carbon offsets

Priorities for 2023

The detailed climate risk analysis undertaken this year has provided the Group with further insights into potential climate related risks and financial implications.

Key areas of focus for 2023 are:

- Climate risk health check: whilst the level of risk is overall quantified as very low to low, this is based on mitigation measures remaining in place, and the Group will ensure there is no loss of focus and rigour in its approach. An annual "climate risk health check" will be undertaken as part of the Group's risk management strategy.
- Water efficiency & scarcity: the climate analysis has highlighted the risk of drought stress occurring in the southern areas of the UK. It is likely that planning requirements will increasingly consider water efficiency and scarcity in identified drought stress areas. The Group will evaluate water efficiency and integration of blue and green infrastructure into developments.
- New energy efficiency opportunities: the Group undertook detailed customer research in 2022 on energy efficiency and low carbon energy transition. This research will be further considered and support maximising the transition opportunity.

Viability statement

Persimmon's prospects and viability

Persimmon's prospects and viability

The long-term prospects and viability of the business are a consistent focus of the Board when determining and monitoring the Group's strategy. The identification and mitigation of the principal risks facing the business, which have been updated to reflect current UK economic conditions and uncertainties (including the ongoing cost of living crisis and war in Ukraine), 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 inherently cyclical nature of the UK housing market. The Group has therefore been able to maintain a position of strength with good liquidity, high quality land holdings and a strong balance sheet throughout the disruption caused by the ongoing cost of living crisis and war in Ukraine. The future impacts of the cost of living crisis and other factors creating uncertainty within the UK economy on the Group's sales and construction programmes remain uncertain. The Board has considered these potential impacts in depth when assessing the long-term prospects of the Group.

Whilst this uncertainty remains, Persimmon possesses the sound fundamentals required to realise the Group's purpose and ambitions and deliver sustainable success:

- Talented teams focused on consistently delivering good quality homes for our customers;
- High quality land holdings that allow us to create attractive places in areas where people wish to live and work;
- Strong customer and local community relationships;
- Continued investment in the training and development of our teams;
- Market knowledge, expertise and industry know-how;
- Long-term healthy supplier engagement; and
- Vertical integration ensuring internalised supply of key materials.

By continuing to build on these solid foundations through, for example, The Persimmon Way and our ongoing investments in the customer experience, its land, development sites and in its supply chain, the Group aims to create enduring value for the communities we serve and our wider stakeholders. This is reflected within the Group's materiality assessment (see page 58), which ensures a thorough review of stakeholder interests is incorporated within the assessment of the Group's long-term prospects.

The Group adopts a disciplined annual business planning regime, which is consistently applied and involves the management teams of the Group's 30 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 12 month budgets are established for each business annually.

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

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

1. The Group's current market positioning

- 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 initiatives such as The Persimmon Way.
- Strong financial position with considerable cash reserves and with additional substantial working capital credit facilities maturing March 2026.

* 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 minimising financial risk and maintaining financial flexibility.
- Focusing on constructing new homes for our customers to the high quality standards that they expect and helping to create attractive neighbourhoods.
- Strategy recognises the Group's ability to generate surplus capital beyond the reinvestment needs of the business.
- Substantial investment in staff engagement, training and support to sustain operations over the long-term.
- Approach to land investment and development activity provides the opportunity to successfully deliver much needed new housing supply and create value over the long-term.
- Differentiation through vertical integration, achieving security of supply of key materials and complementary modern methods of construction to support sustainable growth.
- Simple capital structure maintained with no structural gearing.

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

- Disruption to the UK economy adversely affecting demand for and pricing of new homes, or contributing to inflationary pressures.
- Changes in government policy affecting the housebuilding sector, such as those relating to taxation, planning conditions or market support.
- Changes in market conditions affecting the availability and pricing of land and/or construction materials.
- Reduction in mortgage availability and/or affordability arising from, for example, reduced risk appetite of lenders or significant regulatory change.
- Climate change risk, comprising both transition (legal and regulatory changes affecting the housebuilding sector) and physical (operational disruption through more frequent and prolonged adverse weather) elements.

- Adverse market competition and construction workforce trends, resulting in an inability to attract and retain high quality workers and an appropriately experienced management team.
- Cyber and data risk, including potential for significant or prolonged operational disruption arising from cyber-attack or failure of critical IT systems.

See pages 57 to 63 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, strategic and on market land holdings and investments required to support their objectives. Special attention is paid to construction programmes and capital management through the period to ensure the appropriate level of investment is made at the appropriate time to support delivery of the plan. Emerging risks and opportunities in their markets are also assessed at this local level.

Senior Group management review these plans and balance the competing requirements of each of the Group's businesses, allocating capital with the aim of achieving the long-term objectives of the Group including our five key priorities (see page 95). The five-year plans provide the context for setting the annual budgets for each business for the start of the new financial year in January, which are consolidated to provide the Group's detailed budgets. The Board 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, funding projections, reviews of the Group's liquidity and capital structure, and for the identification of surplus capital available for return to shareholders via the Group's Capital Allocation Policy, 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 period for the purpose of assessing the viability of the Group is considered the most appropriate time horizon, as it reflects the business model of the Group, with new land investments generally taking at least five years to build and sell through, and for the development infrastructure to be adopted by local authorities. This is already in alignment with anticipated evolutions in corporate reporting, such as the resilience statement criteria referenced within the government's response to the BEIS consultation 'restoring trust in audit and corporate governance'.

A key feature of the Group's strategy, as documented in the Strategic Report, is the Group's commitment to maintain capital discipline over the long-term through the housing cycle. This commitment is reinforced by the introduction of the Group's Capital Allocation Policy ("CAP"). Following a comprehensive review and reflecting the increased uncertainty in the political and macro-economic environment, alongside increased corporation tax and the residential property tax, the Board decided to conclude the previous Capital Return Programme, which was introduced in 2012.

On 8 November 2022, the Directors announced the implementation of the new CAP with the following key principles:

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

On 1 March 2023, the Directors announced the scheduled CAP payment in respect of the financial year ended 31 December 2022, to be paid in May 2023. Further details can be found in the Chief Executive's statement on page 19.

On an annual basis, the Directors review financial forecasts used for this Viability Statement as explained in the disciplined strategic planning processes outlined earlier. These forecasts incorporate assumptions on issues such as the timing of legal completions of new homes sold, average selling prices achieved, profitability, working capital requirements and cash flows. They also include the CAP. The Directors have made the assumption that the Group's revolving credit facility is renewed during the period, having extended the maturity of the facility out to 31 March 2026 during 2021.

The Directors have also carried out a robust assessment of the principal and emerging risks facing the Group (as set out on pages 57 to 63), and how the Group manages those risks, including those risks that would threaten its strategy, business model, future operational and financial performance, solvency and liquidity. This risk assessment was also informed by the performance of the Group's materiality assessment, incorporating views from the Group's key stakeholders (see further details on page 58), and through a comprehensive survey to incorporate input from the Board and senior management from across the Group. The Directors have considered the impact of these risks on the viability of the business by performing a range of sensitivity analyses 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 including, for example, the ongoing effect of economic disruption from the cost of living crisis and the war in Ukraine on the short to medium-term demand for new homes. The scenarios' emphasis on the impact on the cash inflows of the Group through reduced new home sales is designed to allow the examination of the extreme cash flow consequences of such circumstances occurring. The Group's cash flows are less sensitive to supply side disruption given the Group's sustainable business model, flexible operations, agile management team and off-site manufacturing facilities.

In the first scenario modelled, the combined impact is assumed to cause, when compared to the 2022 outturn, a c.59% reduction in volumes and a c.15% reduction in average selling price in 2023. As a result of these factors, the Group's housing revenues were assumed to fall by c.65% during this period. The scenario assumes a subsequent recovery to current volume levels within a seven year time period.

A second, even more extreme, scenario assumes a significant and enduring depression of the UK economy and housing market in 2023, consistent with the above scenario, causing a reduction of c.59% in new home sales volumes, a c.15% reduction in average selling price and a c.65% fall in the Group's housing revenue in 2023. The scenario then assumes that neither volumes nor average selling prices recover from this point through to 2027.

In each of these scenarios, cash flows were assumed to be managed consistently, ensuring all relevant land, work in progress and operational investments were made in the business at the appropriate time to deliver the projected new home legal completions. Each scenario fully reflects the current estimate of cash outflows, value and timing associated with the legacy buildings provision. The Directors assumed they would continue to make well-judged decisions in respect of capital allocation 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 2027.

Section 172 statement

Culture and engaging with our stakeholders

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

The Board receives regular updates on stakeholder engagement at Board meetings. There are standing agenda items in order that the Board can review progress against our five priorities and their impact on our key stakeholders. The Board also engages directly with key stakeholders, particularly shareholders and employees.

Our key stakeholders, how we engaged with them and the results of that engagement are set out on the following pages. The following disclosure forms the Directors' statement required under Section 414CZA of the Companies Act 2006.



Customers

Relevant material issues

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

Why do we engage?

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

Engaging with our 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 for the Group and will help to increase long-term demand for our homes.

How do we engage?

We communicate with our customers in a number of ways:

- Through our sales teams, who are in regular contact with our customers from the point of reserving their new home to moving in day, through our site staff who attend key release meetings with our customers and through our customer care teams, who support our customers once they have moved into their new home.
- We have a comprehensive communication approach for each customer including: both before and after their moving in date.
- We participate in a national new homes survey run by the Home Builders Federation to obtain independent feedback from our customers.
- We engage with our housing association partners through regular contact and meetings.

» Further details can be found on page 25 to 27.

What did they tell us?

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

How do we measure the effectiveness of our engagement?

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

- HBF 8 week and 9 month customer satisfaction survey scores.
- Trust Pilot scores.
- Speed of resolution of any customer issues.
- Number of visitors to sites and levels of website traffic.
- Volume of sales.
- FibreNest's achievement of timely connections.

Outcomes and effects on Board decisions

- Our build quality ambition has grown from 'build right, first time, every time' to 'trusted to deliver five-star homes consistently'.
- We have continued to invest in and progress The Persimmon Way, our Group-wide consolidated approach to new home construction which is considered to be a key driver to deliver consistent quality across our business.
- Increased investment in our customer experience function, in digital technology and in training.



Employees

Relevant material issues

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

Why do we engage?

We aim to attract and grow a talented and diverse workforce, believing this to be fundamental to the long-term success of the business.

We recognised that post-pandemic, the employment market would become more challenging as people re-evaluated their careers and work-life balance.

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

How do we engage?

- Through our Employee Engagement Panel, which meets regularly throughout the year. Each meeting is attended by the Group's designated Workforce Non-Executive Director and is chaired by the Group's HR Director. In addition the Group Chief Executive and Remuneration Committee Chair attended meetings in 2022.
- Through annual employee engagement surveys.
- Through our Health, Safety and Environment department and increased online training procedures.
- Through improved internal communications to all employees on matters such as our business activities and priorities, the achievements of our business and our employees and our work in local communities.

» Further details can be found on page 36 to 41 and pages 51 to 52.

What did they tell us?

- Our 2022 engagement survey had an 83% employee engagement score, with 92% committed to the Group and what we are trying to achieve.
- Recognition is important and employees want to feel valued and appreciated.
- 2022 was a difficult year for many of our colleagues who were affected by the rising cost of living.
- Our employees are supportive of the improvements to customer care and quality.
- They would like continued focus on training and development.

How do we measure the effectiveness of our engagement?

- Feedback from the Employee Engagement Panel.
- Through the results of our annual employee engagement survey.
- Changes to our employee turnover.

Outcomes and effects on Board decisions

- Feedback from the Panel led to improvements to the quality of PPE and a range of garments for female employees, enhancements to paternity pay and the involvement of Panel members in the selection of IT hardware for use on our developments.
- We formulated a Talent Acquisition Strategy and introduced a streamlined recruitment process.
- We implemented a tiered salary increase, that awarded the lowest paid employees the highest increase, with a 7% increase on their basic pay.
- Continued to be an accredited Real Living Wage Employer.
- Launched our Learning Management System to better record employees training and enable further development of our e-learning courses.
- Continued to improve our internal communications strategy.
- Undertook a communication exercise to promote the support available through our Employee Assistance Programme.

Section 172 statement

Culture and engaging with our stakeholders continued



Communities

Relevant material issues

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

Why do we engage?

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

During this collaboration, we aim to address and minimise the impact of our activities during the construction phase of our developments through planning and environmental risk assessments.

How do we engage?

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

» Further details can be found on pages 33 to 35 and pages 49 to 50.

What did they tell us?

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

How do we measure the effectiveness of our engagement?

- Speed of achieving planning consents and ability to unlock blocked consents.
- Through the impact of our Community Champions initiative.
- Reports from the Group Director of Policy and External Affairs.

Outcomes and effects on Board decisions

- Developed a Placemaking Framework, to improve the tools our site design teams need to create attractive developments, which promote well-being, through for example, the provision of public open spaces.
- The Group signed the Developer Pledge to protect leaseholders from having to pay towards cladding removal or fire related safety issues on buildings the Group constructed. We have signalled our intent to sign the UK government's developer remediation contract. We continue to work positively with the Welsh and Scottish governments on similar agreements.
- Increased our legacy buildings safety provision by £275.0m for the year ended 31 December 2022.
- Contributed c.£100m to local communities through planning contributions to local authorities.
- Continued to support Community Champions and the Persimmon Charitable Foundation.



Suppliers and subcontractors

Relevant material issues

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

Why do we engage?

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

We engage with suppliers and subcontractors to ensure adherence to our stringent health and safety standards and required standards of ethical behaviour and integrity, supported by the introduction of Framework Agreements inclusive of Group Policies.

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

How do we engage?

- Quarterly business reviews, regular, informal discussions with our key suppliers through our Group Procurement team, who are responsible for arranging and negotiating Group Framework Agreements and Service Level Agreements to ensure our suppliers are compliant to standard terms.
- Our local operating businesses' buying and technical teams regularly engage with local suppliers and subcontractors.
- Our 'Toolbox Talks' ensure our subcontractors understand and adhere to the health and safety standards required on our sites.
- All Group suppliers sign up to the Group's supplier principles, equivalent Group Policies and key performance indicators, which describe our requirements and expectations.
- We are partners to the Supply Chain Sustainability School which encourages engagement across the supply chain.
- We are part of the Future Homes Hub Embodied Carbon Task Force.

» Further details can be found on page 24.

What did they tell us?

- The Group works in partnership with its suppliers, to provide material requirement forecasts. This ensures continuity of supply, providing continuity and visibility of future work flows.
- Timely payment of invoices is important.
- They continue to monitor the impact of global supply chain and price sensitive impacts to enable continued service delivery.

How do we measure the effectiveness of our engagement?

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

Outcomes and effects on Board decisions

- Our tendering processes have been strengthened through greater central oversight and an expanded use of framework agreements.
- We remain a signatory to The Prompt Payment Code (PPC).
- The department seeks to secure Group wide deals covering all major elements of our construction process. These relationships and agreements will allow the Group to establish consistent standards of quality, security of cost and supply of materials whilst providing our suppliers with certainty over volumes, revenues and cash flows.
- Developed trials to evaluate the most effective method of transitioning to the Future Homes Standard and beyond to net zero carbon.
- We have also been engaging with our suppliers to assess the embodied carbon of our house types in order to identify materials with the most impact (see page 48 for more details).

Section 172 statement

Culture and engaging with our stakeholders continued



Shareholders

Relevant material issues

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

Why do we engage?

Access to capital is important 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.

How do we engage?

- The Chief Financial Officer, Chief Executive and IR Director hold regular meetings with analysts and investors as part of the Group's reporting cycle.
- We hold shareholder roadshows.
- We obtain feedback from the Company's brokers, market analysts and shareholder groups.
- There is a regular report from the IR Director to the Board.
- All Board members attend the Company's Annual General Meeting and we conduct the vote on resolutions by poll.
- The Chairman and the Non-Executive Directors are also available to attend meetings with major shareholders to gain an understanding of any issues and concerns.
- During the year the Remuneration Committee Chair engaged with major shareholders on the proposed remuneration policy and implementation of the policy for 2023.

What did they tell us?

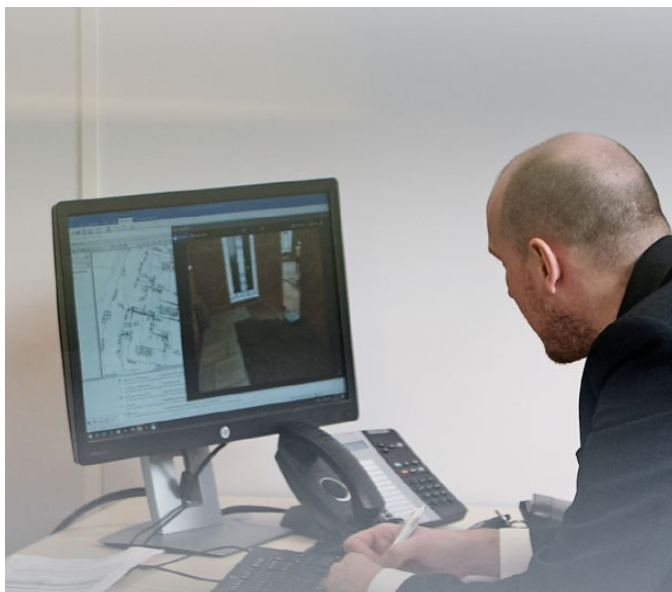
- Fair pay for the whole workforce.
- They would like an environmental metric for incentive awards.
- Requirement of a diverse Board and pipeline of talent for succession to executive positions.
- Preference for a sustainable dividend.

How do we measure the effectiveness of our engagement?

- Reports from the Group's IR Director.
- Feedback from analysts and investors.
- Movements on the share register.

Outcomes and effects on Board decisions

- The Group continued to be an accredited Living Wage Foundation employer.
- Maintained a rigorous process for each Board appointment, led by the Nomination Committee.
- Inclusion of an environmental metric in the performance condition for 2023 share awards.
- New capital allocation policy announced in November 2022.



Government, regulators and industry bodies

Relevant material issues

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

Why do we engage?

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

We meet with local authority planning departments to ensure we are able to create sustainable communities with high amenity value in places where people wish to live and work.

We engage with the Health and Safety Executive in relation to industry-wide initiatives to reduce health and safety risks to both our workforce and local communities.

How do we engage?

- We are a member of the Home Builders Federation.
- We engage with government departments directly, and working with the Home Builders Federation and Homes for Scotland, to explain industry opportunities and challenges.
- By participating in industry meetings with Ministers.
- Regular dialogue with the Health and Safety Executive.
- Engaging with local planning authorities.
- Engaged with Home Building Skills Partnership.
- Dean Finch, Group Chief Executive, is a member of the government's Net Zero Buildings Council, a partnership between the government, industry and third sector which focuses on the delivery and implementation of key objectives within the Heat and Buildings and Net Zero Strategies.

What did they tell us?

- As part of the UK achieving its target of net zero by 2050, the government is consulting on the Future Homes Standard which aims to significantly reduce the carbon emissions of a home built to current regulations.
- It is essential to maintain a skilled and well resourced Health and Safety Department.
- In December 2022, the government launched a consultation into the Levelling Up and Regeneration Bill which seeks views on the proposed approach to updating to the National Planning Policy Framework.

How do we measure the effectiveness of our engagement?

- The Board receives updates from the Group Chief Executive regarding direct engagement with government, Homes England and the Home Builders Federation.

Outcomes and effects on Board decisions

- To protect leaseholders, we signed the Developer Pledge and have worked positively with the Department for Levelling Up, Housing and Communities to agree a final developer remediation contract.
- Introduced a Placemaking Framework which considers social value and the well-being of our communities within our site design, for example providing public open spaces, walkways, play areas and enhancing bio-diversity.
- We become one of only 10 companies to be awarded a Certificate of Commitment and Progress – Building Safety Stage 1, as part of the Building a Safer Future Charter Champion application process.

Section 172 statement continued

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 outcomes from its stakeholder engagement (pages 78 to 83), as well as the need to maintain a reputation for high standards of business conduct and the need to act fairly between members of the Company.

A description of the Principal Decisions made by the Board during 2022 is provided below. The main activities of the Board is set out on page 91.

Capital Allocation Policy

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.

The Board recognises the importance of sustainable dividends for shareholders and will continue to prioritise value creation from a strong return on capital. Following a review and reflecting the increased uncertainty in the political and macro-economic environment, alongside increased corporation tax and the residential property developer tax, the Board decided to conclude the previous capital return programme, which was introduced in 2012.

The Board decided to implement a new Capital Allocation Policy with the following key principles:

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

As detailed on page 3, the Board has recommended the payment of a final dividend of 60p per ordinary share for the year ended 31 December 2022.

Building safety Developer Pledge and Developer Contract with UK Government

Following constructive discussions with the Department for Levelling Up, Housing and Communities ("DLUHC"), in April 2022, and after taking legal advice, the Board concluded that it would be in the best interests of the Company to sign DLUHC's Developer Pledge, which sets out the industry's commitments to removing cladding and remediating fire safety issues in buildings in England over 11 metres.

Since signing the Developer Pledge, we have worked constructively with the Government to agree the developer remediation contract that turns the pledge into a legal agreement. The Board has concluded that it would be in the best interests of the Company to sign the contract. We continue to work positively with the Welsh and Scottish governments on similar agreements.

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

Building Safety Provision

As set out on pages 3 and 16, we continue to make good progress on our commitment to protect leaseholders from the cost of cladding removal and life-critical fire-safety work on any multi-storey developments built by Persimmon. As the Group worked through this process and accommodated the expanded scope, the number of eligible multi-storey developments we are responsible for has increased and currently stands at 73. This work led to a more detailed understanding of costs, which now include non-cladding fire related build defects. Combined with the broader scope required by Government, which has resulted both in an increase in the amount of work required and in the number of eligible buildings, and against a background of significant build cost inflation, we announced in November 2022 that we expected to increase our provision for this multi-year programme. This increase has been finalised and resulted in a £275m exceptional charge to the income statement.

The Directors believe that maintaining a reputation for good build quality and high safety standards, and to be a business with a long-term, responsible and sustainable future is beneficial for all of our stakeholders but particularly, local communities, previous customers, new customers, employees and shareholders.

Non-financial information statement

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 43 to 50 and 64.	Climate Change Position Statement Environment Policy Sustainability Policy
Employees	» See pages 36 and 51 to 52.	Health & Safety Policy Equality, Diversity and Inclusion Policy
Social Matters	» See pages 33, 43 and 49.	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 pages 24 and 48.	Supplier Principles
Business Model	» See page 10.	
Principal Risks	» See page 57.	
Non-financial KPIs	» See page 13.	

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

This Strategic Report has been approved by the Board:

Tracy Davison
Company Secretary
28 February 2023

Chairman's introduction to Corporate Governance



Customers remain at the heart of our business with our continued focus on quality and affordability.



Roger Devlin
Chairman



The Group delivered a strong performance in 2022, despite headwinds from material and labour shortages, significant build cost inflation and a more challenging sales environment in the fourth quarter of the year.

We delivered 14,868 new homes to customers in the year and achieved underlying pre-tax profits in excess of £1 billion¹, while maintaining five-star quality. Customers remain at the heart of our business with our continued focus on quality and affordability.

Good corporate governance is an essential ingredient to the long-term success of the Group and the generation of sustainable value for all our stakeholders. Guided by our Mission, Vision and Values, the Board continues to set the strategic direction and standards of the Group and exercises diligent oversight of the Group's activities.

Building safety

Safety is a top priority for the Board and we continued to make good progress during the year on our commitment to protect leaseholders from the cost of cladding removal and life-critical fire safety work on any multi-storey developments built by the Group. On 8 November 2022 the Board announced that the Group's building safety provision was expected to be increased, reflecting the broader scope demanded by Government, additional developments becoming eligible and clearer costings from the Group's proactive engagement. This increase has been finalised and resulted in a £275m exceptional charge to the income statement.

In April 2022 the Group signed the Developer Pledge and during the year the Group worked constructively with the Department for Levelling Up, Housing & Communities ("DLUHC") to agree the contract that turns the Pledge into a legal agreement. We have signalled our intention to sign the contract ahead of the 13 March 2023 deadline set by DLUHC.

Board changes

On 13 January 2022 the Group announced that Jason Windsor would be appointed as the Group's new Chief Financial Officer following the retirement of Mike Killoran. Jason joined the Group on 11 July 2022 and we warmly welcome him to the business.

Capital Allocation Policy

The Board recognises the importance of sustainable dividends for shareholders and will continue to prioritise value creation from a strong return on capital. Following a review, and reflecting the increased uncertainty in the political and macroeconomic environment, alongside increased corporation tax and the residential property developer tax, during the year the Board agreed to conclude the previous capital return programme, which was introduced in 2012, and replace it with a new, forward looking Capital Allocation Policy which balances sustainable returns for shareholders with the need to invest in the Group's future success.

Employees

The inflationary environment, and the challenge it posed to the Group and its stakeholders, was an important consideration for the Board during the year. To support our employees through the cost of living crisis, the Group's annual pay review in July 2022 was tiered, with the lowest paid employees receiving the highest increase (a 7% uplift on their base pay). The tiered approach also allowed many of our colleagues to receive a pay rise that was above the usual inflationary increase awarded in previous years.

We are proud to remain a Living Wage Foundation accredited employer. This year's increase was implemented in January 2023, ahead of the required May 2023 timeframe.

1. Stated before legacy buildings provision charge (2022: £275.0m, 2021: £nil) and goodwill impairment (2022: £6.6m, 2021: £6.2m).

Executive remuneration

As disclosed in our 2021 Annual Report, Dean Finch, Group Chief Executive, received a 3% salary increase in January 2022, in line with the increase given to salaried employees in July 2021. Jason Windsor, Chief Financial Officer, joined the Group on the same salary he received at his previous employer. The Executive Directors' salaries will next be reviewed in July 2023 and any increase they receive will be in line with or below the wider workforce. When finalising our approach, the Remuneration Committee will have regard to all of the circumstances, including the impact of any salary increases on the total remuneration opportunities of the Executive Directors.

At the AGM to be held in 2023 shareholders will be asked to vote on the Group's proposed new Remuneration Policy. In preparation for this, during the year the Remuneration Committee reviewed the current Remuneration Policy and engaged with stakeholders as appropriate. The Committee concluded that the current policy functions well and appropriately supports the Group's strategy. Therefore, the proposed new policy will retain the framework of the current policy, along with changes to the annual bonus opportunity of the Chief Financial Officer (as previously notified to shareholders) and minor changes to introduce flexibility to aid the operation of the policy and to further align with best practice.

To support the achievement of our long-term sustainability targets and reflect the importance of sustainability to the Group, during the year the Remuneration Committee agreed to incorporate a robust and meaningful long-term environmental measure into Performance Share Plan awards to be granted in 2023. Further details regarding executive remuneration can be found on pages 126 to 153.

Sustainability

Sustainability is integral to how the Group operates and, having previously set ambitious targets to be net zero in our homes in use by 2030 and net zero carbon in our operations by 2040, the Board has continued to exercise oversight of the Group's sustainability activities. During the year the Group has focused on developing low carbon energy transition plans to ensure Future Homes Standard readiness, developing carbon reduction glidepaths for Scope 1 and 2 emissions aligned to the Group's Science Based Targets, continued to build knowledge regarding embodied carbon in materials and engaged with the Group's supply chain. See pages 42 to 50 for further details.

Diversity and inclusion

Diversity and inclusion has been an important area of focus for the Board, the Nomination Committee and the Group during the year. In line with the Parker Review and the Hampton Alexander Review (which was succeeded by the FTSE Women Leaders Review during the year), as at 31 December 2022 the Board had one Director from a minority ethnic group and was 33.3% female.

During the year the Nomination Committee considered the new diversity targets of the FTSE Women Leaders Review, and the updated FCA Listing Rules, which the Group has decided to report against early (see page 111). In light of the new diversity requirements, and the relatively recent appointments of the Group Chief Executive and Chief Financial Officer, during the year the Nomination Committee agreed its firm intent that a woman be appointed as the Group's next Senior Independent Director.

Building a diverse pipeline of talent for succession to senior management positions is also an important matter for the Board and the Group, and considerable efforts were made during the year to drive forward the Group's diversity and talent agendas, such as the comprehensive Talent Review. Progress was made during the year, for example the proportion of women in the Group's senior management team increased from 28% to 34%, however we know there is more to do. For further details, please see the Nomination Committee report on pages 106 to 115.

Engaging with stakeholders

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

The Group's Employee Engagement Panel continued to hold its quarterly meetings in 2022, helping to facilitate valuable two-way communication between employees and the Board. All Panel meetings were attended by the Group's designated Workforce Independent Non-Executive Director, and additional attendees during the year included the Group Chief Executive and the Chair of the Remuneration Committee. Matters raised by Panel members were carefully considered and appropriately escalated to the Group's senior managers. The Panel's constructive discussions and feedback continue to provide the Board with valuable insights, and contribute towards the Board's oversight of the Group's practices, behaviours and culture as we further embed our Mission, Vision and Values. Further details regarding the Panel can be found on pages 38 and 96, and details of the Group's engagement with its various stakeholders can be found in the Section 172 Statement on pages 78 to 83.

Assurance

As in previous years, the Audit & Risk Committee has maintained its focus on the integrity and quality of financial reporting, ensuring an effective external audit, reviewing the work of the Group Internal Audit department, and ensuring the effectiveness of the Group's risk management processes and internal control environment. Given the significant uncertainties in the Group's external environment, a particular focus of the Committee has been the Group's estimates and areas of accounting judgement. The Committee's work during the year also included oversight of the Group's cyber security activities and the Group's preparations for audit and corporate governance reforms.

The UK Corporate Governance Code 2018 was applicable to the financial year ending 31 December 2022. I am pleased to report that the Company has complied with the UK Corporate Governance Code 2018.

Roger Devlin
Chairman

28 February 2023

Board leadership

Board of Directors

The Board consists of our Chairman, Roger Devlin; two Executive Directors, Dean Finch and Jason Windsor; and six independent Non-Executive Directors: Nigel Mills, who is the Senior Independent Director, Simon Litherland, Joanna Place, Annemarie Durbin, Andrew Wyllie and Shirine Khoury-Haq.

Board meeting attendance 2022

Member	Scheduled Meetings attended	Percentage of meetings attended
Roger Devlin	7/7	100%
Dean Finch	7/7	100%
Jason Windsor*	3/3	100%
Nigel Mills	7/7	100%
Simon Litherland	7/7	100%
Joanna Place	7/7	100%
Annemarie Durbin	7/7	100%
Andrew Wyllie	7/7	100%
Shirine Khoury-Haq	7/7	100%
Mike Killoran**	N/A	N/A

* Jason Windsor joined the Board on 11 July 2022.

** Mike Killoran retired from the Board 14 January 2022.



Roger Devlin Chairman (age 65)

N CF

Date of appointment: 1 June 2018

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

Roger is an experienced Chairman and was, until April 2021, the Chairman of William Hill PLC. Roger's other previous appointments include Chairman of Marston's PLC and Senior Independent Director at the Football Association.

In May 2022 Roger was appointed to the Board of The Sutton Trust.

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.



Jason Windsor Chief Financial Officer (age 50)

Date of appointment: 11 July 2022

Experience and external appointments: Jason is an experienced finance executive who has established a strong track record in a variety of senior financial roles over the last 27 years. He was Group Chief Financial Officer of Aviva PLC from 2019 to 2022, having previously been Chief Financial Officer of both its UK Insurance and UK Life businesses, after originally joining the business in 2010. Prior to Aviva, Jason spent 15 years at Morgan Stanley, in London and Singapore, latterly as a Managing Director within its Investment Banking division.

Skills and contribution: Jason is a well-respected and proven FTSE 100 CFO and we are delighted to have recruited someone of his calibre and experience as Chief Financial Officer to complement our strong management team. In his previous role Jason demonstrated an ability to deliver sustained financial and strategic progress while working in a large consumer-facing business. These skills are highly relevant and transferable to Persimmon as we continue our drive to become the leading homebuilder of the best value, quality homes in the UK.



Dean Finch Group Chief Executive (age 56)

CF S

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.

In May 2021 Dean was appointed as a Non-Executive Director of Diploma Plc.

Skills and contribution: Dean is a seasoned, well-respected and proven Chief Executive with an exceptional record. While 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 leading homebuilder; delivering for all stakeholders in the business while continuing to deliver strong financial returns to investors.



Nigel Mills Senior Independent Director (age 67)

N R

Date of appointment: 4 April 2016

Experience and external appointments: Nigel 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 strong 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.



Simon Litherland

Independent Non-Executive Director (age 58)

AR N

Date of appointment: 3 April 2017

Experience and external appointments: Simon is the Chief Executive of Britvic plc. He qualified as a chartered accountant with Deloitte and has over 30 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.



Joanna Place

Independent Non-Executive Director (age 60)

AR N R CF W

Date of appointment: 1 April 2020

Experience and external appointments: From 2017 to January 2022 Joanna was 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. In November 2022 Jo was appointed as a Director of Cash Access UK Limited.

Skills and contribution: Jo had a 35-year career with the Bank of England, which included leading teams in banking, statistics and regulation. Jo's broad management experience and external perspective are 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.

Jo is the Board's designated Workforce Non-Executive Director. Jo attends the Group's Employee Engagement Panel, which meets a minimum of four times per year, and facilitates effective two-way communication and engagement between the Board, the Panel and the Group's employees.



Annemarie Durbin

Independent Non-Executive Director (age 59)

R N

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 executive coach and mentor. Annemarie is currently Chair of Cater Allen Limited, Remuneration Committee Chair of Petershill Partners plc and Senior Ringfence Director and Remuneration Chair of Santander UK plc. She spent the bulk of her executive career at Standard Chartered, a 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 was board Chair of Merryck & Co. Ltd, a leading mentoring group until July 2021, and was Remuneration Committee Chair of WH Smith PLC until January 2022.

Skills and contribution: Annemarie is a highly experienced international business executive, with a strong background in banking, diversity & inclusion, transformation, corporate governance and human resources. Annemarie is a qualified lawyer, coach and conflict mediator. Annemarie's experience and knowledge are valuable additions to the Board as the Group continues to implement its programme of business improvement.



Andrew Wyllie CBE

Independent Non-Executive Director (age 60)

AR N

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 UK.

Andrew currently serves as a Senior Independent Director of Yorkshire Water and Non-Executive Director of 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 are valuable to the Board as the Group continues to build a sustainable business.



Shirine Khoury-Haq

Independent Non-Executive Director (age 51)

AR N

Date of appointment: 1 July 2021

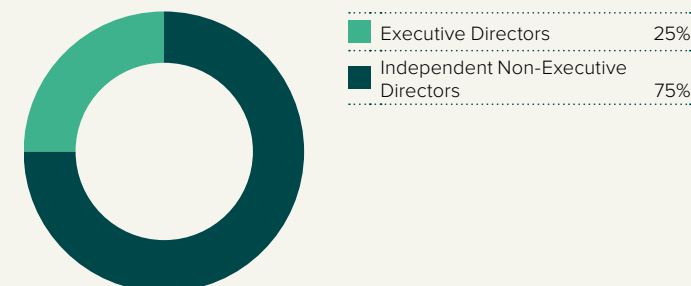
Experience and external appointments: Shirine is the Chief Executive Officer of The Co-operative Group, having been appointed in August 2022. Prior to this, Shirine was the Chief Financial Officer of The Co-operative Group, where she was responsible for finance, technology, transformation and corporate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

Before joining The Co-operative Group, Shirine was Chief Operating Officer of Lloyd's of London, the insurance market, and had previously held senior positions at Catlin, IBM and McDonald's. Shirine is a qualified accountant and was previously a Non-Executive Director of the Post Office.

Skills and contribution: Shirine has a wealth of experience in finance, technology and real estate in businesses operating across a range of sectors. Shirine's appointment adds to the balance of skills and expertise on the Board, which is a great benefit as the Group continues to build a sustainable business in every sense.

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

Board independence (excluding Chairman) as at 31 December 2022



Board leadership continued

Director duties

Role	Responsibilities
Chairman Roger Devlin	<ul style="list-style-type: none"> Leading the Board and responsible for its overall effectiveness in directing the Company; Upholding high standards of integrity and probity and supporting the Directors in instilling the appropriate culture, values and behaviours in the boardroom and throughout the Group; Setting the agenda for Board meetings and setting the style and tone of all discussions to promote effective decision making, constructive debate and participation by all Directors; Promoting an effective Board and having a prime role, with the Nomination Committee in succession planning; Promoting effective relationships and open communication, both inside and outside the boardroom between Non-Executive Directors and the Executive team; Promoting high standards of corporate governance; Constructively challenging the Executive Directors and helping to develop proposals on strategy; Scrutinising the performance of management in meeting agreed goals and objectives and monitoring the reporting of performance; Satisfying himself on the integrity of financial information and that financial controls and systems of risk management are robust and defensible; Devoting time to developing and refreshing knowledge and skills; Ensuring that all Directors receive high-quality information sufficiently in advance of Board meetings; and Leading the annual evaluation of the Board.
Group Chief Executive Dean Finch	<ul style="list-style-type: none"> Leading the Executive team in running of the Group's business; Leading the development of the Group's strategy and implementing the strategy as agreed by the Board; Working closely with the Chairman to support the effectiveness of the Board; Leading by example, ensuring effective communication of the agreed strategy and culture to the Group's management and workforce; Supporting the Chairman to ensure that appropriate standards of governance permeate throughout the Group; Communicating the views of senior management to the Board so as to aid effective decision making; Ensuring that the Board receives accurate high-quality information from management in a timely manner; and Listening to the constructive challenge of the Non-Executive Directors, and encouraging Non-Executive Directors to test proposals in light of their external experience and knowledge. The Group Chief Executive's report can be located on pages 14 to 20.

Role	Responsibilities
Chief Financial Officer Jason Windsor	<ul style="list-style-type: none"> Supporting the Group Chief Executive in developing and implementing strategy and alignment to financial objectives; Leading the Group's relationship with the auditors, banks and shareholders; Stewardship of the Group's financial resources and risk management; and Ensuring that financial information and that financial controls and systems of risk management are robust and defensible, and reporting this to the Board. The Financial Review can be located on pages 53 to 55.
Senior Independent Director Nigel Mills	<ul style="list-style-type: none"> In addition to his role as a Non-Executive Director, acting as a sounding board for the Chairman and an intermediary for other Directors; Leading the annual performance appraisal of the Chairman; Being available to shareholders for them to raise any concerns they may have outside of the usual channels of communication; and Being available to play a key role in resolving issues which may arise during periods of Board or Company stress.
Non-Executive Directors Simon Litherland Annemarie Durbin Andrew Wyllie Shirine Khoury-Haq	<ul style="list-style-type: none"> Supporting and constructively challenging the Executive Directors in determining and implementing strategy; Bringing independent judgement and scrutiny to decisions recommended by the Executive Directors and monitoring the reporting of performance; Approving decisions reserved for the Board as a whole; Contributing a broad range of views, skills and experience. Devoting time to developing and refreshing knowledge and skills; Monitoring delivery of agreed strategy within the risk and control framework set by the Board; and Reviewing the integrity of financial information and risk management systems are robust and defensible.
Designated Workforce NED Joanna Place	<ul style="list-style-type: none"> In addition to her role as a Non-Executive Director, facilitating effective two-way communication, and meaningful dialogue and engagement between the Board and the Group's workforce; and Acting as a direct link between the Employee Engagement Panel and the Board.
Company Secretary Tracy Davison	<ul style="list-style-type: none"> Advising the Board and supporting the Chair on corporate governance matters; Ensuring a good flow of information to the Board, its Committees and senior management; Promoting compliance with statutory and regulatory requirements and Board procedures, and ensuring that regular updates are provided to the Board when necessary; With the assistance of the Chair, organising the Board's annual Evaluation; Providing guidance and support to Directors, individually and collectively; and Ensuring that all new Directors receive thorough inductions which are adapted to meet their needs and requirements.

Board activities

During 2022 the Board held seven scheduled meetings. Additional Board meetings and calls were held to consider the appointment of Jason Windsor as Chief Financial Officer, consider the Group's commitment to the Fire Safety Developer Pledge, the legacy building safety provision and the Group's Capital Allocation Policy. Board meetings may be preceded by informal dinners, which involve the presence of invitees such as senior executives or external representatives to give presentations. In addition, there are at least two meetings a year attended solely by the Non-Executive Directors.

All Directors attended the scheduled Board and Committee meetings in 2022. During the year 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 following table.



Customer care and build quality

The Group continued to drive standards to ensure high levels of build quality and customer satisfaction. The Board measured progress by reviewing customer satisfaction scores and internal IQC build quality scores and external warranty provider scores. They received presentations from the Chief Customer Experience Officer, noting the changes in processes, additional resources invested in this function and the additional training. This additional training assists our teams to understand the required cultural changes and equips them with the skills required to place customers at the heart of our business with a compelling brand.

» See pages 21 to 27.



Building safety provision

In November 2022, the Board announced a management update in respect of the Group's building safety provision. The provision has been increased by £275m reflecting the broader scope required by government, additional developments becoming eligible and clearer costings from proactive engagement.

» See pages 3, 16 and 84.



Developer pledge and contract with UK Government

In April 2022, the Group signed the Developer Pledge, committing to address life-critical fire safety issues on all buildings of 11 metres and above in England, developed by the Group in the 30 years prior to 5 April 2022, and not to claim any funds from the Government's Building Safety Fund.

We have worked constructively with the government to agree the developer remediation contract that turns the Pledge into a legal agreement. We have signalled our intent to sign this contract ahead of the 13 March 2023.

» See pages 16 and 84.



Culture

The Group made important headway in instilling its Mission, Vision and Values. The Board monitored progress against our five key priorities, reviewed the results of the Group's employee engagement survey. They noted feedback from the 2021 external board evaluation on the Group's evolving culture and how this can be collectively supported.

The Group welcomed the introduction of the New Homes Quality Code and registered during the year.

The Board received updates on the application for Champion status in the Building a Safer Future Charter.

» See pages 23, 92 to 94 and 96 to 98.



Diversity & Inclusion

The Board received a presentation on the results of the Group's Diversity & Inclusion Review in February 2022. The three main focus areas following the review are communication, education and a resource programme. Actions taken in 2022 included creating a Diversity and Inclusion Working Group and the roll-out of mandatory Diversity and Inclusion training for senior managers and site based employees.

» See pages 52 and 109 to 112.



Capital allocation policy

The Board announced a new capital allocation policy in November 2022 to deliver sustainable returns to shareholders while investing in future growth through disciplined expansion of our industry-leading land portfolio and enhancing our quality and service capabilities. Alongside this the board considers our current assessment of prevailing market conditions, and the sector's increased tax contribution and building safety remediation costs.

» See pages 3, 19, 55 and 84.



Board composition

The Nomination Committee considers it would be beneficial to appoint a Non-Executive Director with industry experience and has initiated a search for a suitable candidate. The FCA Listing Rules diversity targets were considered and it is the intention of the Nomination Committee to have 40% women on the Board within a reasonable timeframe. It is the firm intent that the next Senior Independent Director will be female.

» See pages 106 to 115.



Governance and Strategy

The Board received regular updates from Executive Committee members covering matters including Health, Safety & Environment, Sustainability, HR, IT, FibreNest and Customer Care.

The Board held its annual Strategy Day to assess progress and performance to date, as well as future plans and priorities.

» See page 95.

Corporate governance statement

The Group's purpose and mission is to build homes with quality our customers can rely on at a price they can afford.

Mission, Vision and Values

During the year, the Group launched a new Mission, Vision and Values to guide the next stage of its development. These enhanced ambitions and renewed priorities recognise that the Group has an important role to play in society, including as a responsible business and employer. It is by strengthening its ability to consistently deliver high quality homes and good customer service that Persimmon will sustain industry-leading financial performance. The newly implemented Mission, Vision and Values are a step towards cultural change and will be central to the Group's evolution.

The Mission is to build homes customers can rely on at a price they can afford. To achieve this, the Vision is to be Britain's leading homebuilder, with quality and customer service at its heart, building the best value homes on the market in sustainable and inclusive communities. The Group will invest in innovation and technology to extend our low cost strengths and enhance our five-star capabilities to enable as many people as possible to buy the homes Persimmon build. The Values set out the behaviours that will help achieve the Mission and Vision: customer focused, value driven, team work, social impact, and excellence always. For further details see pages 7 and 37 of the Strategic Report.

The Persimmon Way supports the Group's Mission to build homes customers can rely on at a price they can afford. Since its introduction and implementation during 2020, The Persimmon Way has set the build quality standards to ensure the Group can consistently deliver good quality homes for customers. In pursuing The Persimmon Way, the Group has invested further resource in build quality and customer care, including digital technology and training. Structured training modules, such as the Persimmon Pathways, have also been devised and rolled out to our employees.

These changes have allowed the Group to work towards improvements in build quality and customer care service levels and created an improved customer experience. Progress is regularly monitored by the Board.

In March 2022 the Group became a five-star homebuilder for the first time in its history. Our current eight-week customer satisfaction score continues to exceed the threshold required to achieve the HBF five-star rating. During the year the Group continued its work with warranty providers, with NHBC Reportable Items having improved since the introduction of The Persimmon Way in 2020. Progress to date, as a result of The Persimmon Way, has been encouraging, although there remains work to do. We were pleased to be commended for The Persimmon Way in the Best Customer Satisfaction Initiative at the Housebuilder Awards in 2022. The Group's Trustpilot score has improved significantly during the year. We will build upon the results to date to deliver our Vision to be Britain's leading homebuilder. Further details on The Persimmon Way can be found on page 22.

THE
Persimmon Way



UK Corporate Governance Code 2018 statement of compliance

This Corporate Governance Statement, together with the Audit & Risk Committee Report on pages 116 to 122, the Nomination Committee Report on pages 106 to 115 and the Directors' Remuneration Report on pages 126 to 153, provides a description of how the Principles of the UK Corporate Governance Code 2018 have been applied. During the year, the Board has fully complied with the UK Corporate Governance Code 2018. The Board continues to review its governance procedures to maintain proper control and accountability. The UK Corporate Governance Code 2018 is available from the Financial Reporting Council, at www.frc.org.uk.

Our diverse and balanced Board consists of our Chairman, Roger Devlin, two Executive Directors and six Independent Non-Executive Directors. In line with the UK Corporate Governance Code 2018, the Board leads and directs the Group. It sets and defines the Group's purpose/mission, vision and 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, having last been reviewed in December 2022. The schedule includes the approval of the Group's strategy; structure and capital; financial reporting and controls, which includes annual and half year results, trading updates and the dividend and Capital Allocation Policy; internal controls, which includes monitoring the Group's principal risks and material issues; major capital projects; resolutions and corresponding documentation to shareholders at general meetings; Board membership; remuneration of the Board; delegation of authority; corporate governance matters and policies.

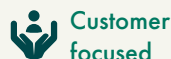


In 2022 the Group became a five-star homebuilder for the first time in its history.



Our Values

Our Values act as our cultural behaviours to ensure that our Mission and Vision succeed. During the year we have continued to ensure that our Values are further embedded across the business.



Customer focused

Customers are our priority and we aim to build consistently high quality homes in communities people love to live. We will earn customers' trust by treating them fairly and with integrity. One of the measures the Board uses to monitor customer service and build quality is the HBF National New Homes Customer Satisfaction Survey. The HBF 8-week 'Would you recommend your builder to a friend' score and the HBF build quality score are two non-financial KPIs. The Group Training department has developed structured training modules for customer care teams, to drive improvements in the service that the Group provides and enhance customer satisfaction to meet the aim of being trusted to deliver five-star homes consistently. We have made great strides since the introduction of The Persimmon Way. Further details on the KPIs can be found on page 13.



Value driven

We are Value driven. We aim to deliver the best value, high quality homes to customers by encouraging entrepreneurship, innovation and cost efficiency to drive industry-leading performance, and competitive and sustainable returns for shareholders. The Group's financial KPIs include revenue measures, profit measures, cash and cash flow measures, and return measure (see page 12).

The Group's strategy of minimising financial risk and investing 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. During the year the Board reviewed the existing Capital Return Programme and agreed that this should be replaced with a new Capital Allocation Policy that takes into account political and economic uncertainty and the sector's increased taxation rates.



Team work

Team work means working in an open and collaborative manner to deliver for customers and communities. The Board recognises the importance of a diverse and inclusive workforce and the value to employees of a rewarding career. We commissioned an independent Inclusion Review and in early 2022 the Board received a presentation on the results of that Review (see pages 52 and 112). The Board and Executive Committee subsequently received D&I training during 2022. During the year, we formulated a new Talent Acquisition Strategy (see page 37) and a Group-wide Talent Review was conducted (see page 39).

The fair treatment of all of the Group's workforce is fundamental. This is demonstrated by the Group's continued accreditation as a Living Wage Foundation employer. This voluntary commitment goes further than Government mandated minimum wage levels benefiting both directly employed and sub-contracted labour. During the year consideration was given to the pay of the Group's employees, and how inflationary increases were impacting them. As a result, a tiered pay review was implemented which awarded increases of up to 7% of basic pay, with the highest increase for our lowest paid employees. The remuneration framework of the workforce is considered when determining executive pay. To align our employees with our desired culture, we have an awards scheme and bonus structure aligned to build quality and customer care (see page 23).



Corporate governance statement continued



Social impact

We build homes for the future in sustainable communities. We uphold the highest safety standards and leave a legacy that delivers economic, social and environmental value to the communities we build.

Throughout the year a number of energy awareness training modules have been rolled out to improve site energy efficiency. The Group has continued to purchase 100% renewable energy for its offices and manufacturing facilities, and all electricity for Persimmon's newly built homes, while under Group ownership, is backed by The Renewable Energy Guarantee. This focus not only applies to Group homes and facilities but also to the fleet with the Group having introduced electric vehicle options for Company cars and vehicles. One way in which Social Impact is monitored and reviewed by the Board is via the Percentage of waste recycled KPI. The KPI monitors our operational and environmental efficiency, collecting data on the amount of waste the Group generates and recycles for each home sold. During 2022 the Group has focused on improving waste data capture and sharing best practice.

The Board believes in the importance of ESG and cultural metrics and this is reflected in our use of customer care and quality in the annual bonus and PSP, and the incorporation of a clear and measurable environmental target in the PSP (see page 129).



Excellence always

Excellence always means that we strive to be excellent in all that we do. We relentlessly focus on providing the dream of homeownership to thousands of families by building the best value, high quality homes in the most cost efficient manner, delivering for customers, communities and stakeholders alike. To support this, several Persimmon Pathway schemes have been developed to provide structured training programmes across core operational disciplines.

During 2022 a Quality Site Inspection Audit of The Persimmon Way took place to ensure that sites were delivering the high standards set. The outcome of the audit provided recommendations which will be implemented in early 2023. Quality and efficiency continue to be a focus with the continuing embedding of more exacting building tolerances and the development of our 'Good Practice Guide' which shares best practice.

The Board receives a variety of reports and updates from the senior management team, including the Director of Talent and Diversity, the Chief Customer Experience Officer, the Group Construction Director, the Group Health, Safety and Environment Director, the Managing Director of FibreNest and the HR Director. This data is then utilised to monitor behaviours across the Group and how they align with the desired culture. Data reviewed includes the Group's HBF scores, The Persimmon Way internal scores (assessed by the Group's Independent Quality Controllers), external warranty provider scores, feedback from the employee engagement survey, labour turnover reports and health & safety data, plus media coverage received by the Group.





Strategy

As part of our strategy to build an even stronger business, the Board has agreed the five key priorities, being:

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

The Board acknowledge the importance of Persimmon's role in society, including its responsibilities to its workforce, customers, suppliers and communities. It is by strengthening the Group's ability to consistently deliver high quality and service that it will sustain industry-leading financial performance.

The Group's strategy has a clear focus of putting customers first. The Group's five key priorities support the delivery of this strategy. The strategy is set by the Board and regularly reviewed at Board and strategy meetings. The Board held its most recent annual strategy meeting during October 2022, where senior executives from across the Group delivered presentations on various strategic matters. Once set by the Board, the strategy is communicated to the Group through its management structure, filtering down from the Executive Directors to the Executive Committee, Regional Chairs, management teams, employees and the wider workforce. The strategy undergoes a continuous and iterative process of review and adaptation at Board meetings and in response to the evolution of conditions in which the Group operates. During the year the improvements made to internal communications has enabled better engagement with all of our employees in order that they know, understand and adhere to the Group's strategy, including its potential benefits and risks.

The Executive Committee continues to meet bi-monthly to consider performance in all areas, including operational, customer care, sales, HR, IT, FibreNest, land management and regulatory matters. The Executive Committee is made up of senior operational and Group management. With the support of the operating business Managing Directors and leadership teams, the Executive Committee are tasked with implementing and communicating the Group's strategy to the operating businesses and wider workforce as a whole.

The Group's well-established strategy continues to reflect a firm understanding of the risks associated with the economic cycle and the housing market. Through minimising associated financial risk and judging the deployment of capital at the right time in the cycle, the Group has safeguarded its strong balance sheet and maintained its position for continued future success.

» Further information on our key priorities can be found on pages 21 to 41.

Corporate governance statement continued

The Board has overall responsibility for framing, embedding, monitoring and measuring the Group's culture, setting the tone from the top and ensuring it is communicated to the workforce.

Culture

One method used by the Board to monitor and assess culture is via the annual employee engagement survey, which monitors the cultural health of the organisation and ensures that the strategy is understood and implemented. Administered by an independent company, an employee engagement survey took place during the year with the results presented to and considered by the Board. The Survey serves many purposes, including benchmarking the Company's existing culture against target culture, and receiving valuable employee feedback. The results of the Survey, including a report which explained an overview of the results, were circulated to all employees in May 2022. The 2022 Survey demonstrated an overall engagement score of 83%, an increase of 5 points from the previous survey. In addition to being more engaged, 82% of participants agreed that the Group has a clear strategy for the future, with over 90% committed to achieving this and understanding how their work contributed to the Group's shared goals. The 2022 survey highlighted increases in employees feeling better informed, better supported and listened to when sharing ideas. Further information on the survey can be found on page 37.

The health and safety of our customers, workforce and all those visiting our sites is paramount. The Board receives regular updates from the Group's Health, Safety & Environment Director, to enable it to monitor changes to the Group's culture. The number of construction work related incidents (RIDDORs) is a KPI (see page 13). Following a comprehensive review of its Health, Safety & Environment Strategy, digitalised HS&E Standards are being rolled out, to make these more accessible and interactive for our workforce. The Group has been awarded a Certificate of Commitment and Progress as the first stage to achieving Building a Safer Future Champion status. Dame Judith Hackitt has publicly applauded those who have achieved this award as an example to drive cultural change for the right reasons rather than waiting for regulators to drive the change.

During March 2022 the Group held its first ever Persimmon Excellence Always Awards. The event celebrated excellence across the Group, with awards for Construction Excellence, Health, Safety and Environmental Excellence, alongside the Achievers Awards. Our Persimmon Academy has been shortlisted for the 2023 National Federation of Builders Construction Awards of Excellence.



Jo offers a direct link between the workforce and the Board.



Our designated Workforce Independent Non-Executive Director, Joanna Place, attends each meeting of the Employee Engagement Panel. During the meetings, Jo has updated members on Board activities and initiatives, received feedback from the Panel and acted as a direct link between the Panel and the Board. Jo's position adds value to the Group by enabling meaningful engagement between the workforce and the Board. We recognise that the Group's whole workforce has a voice which needs to be heard and the Employee Engagement Panel enables opens communication between the Board and the workforce and also creates a culture of openness and trust. Following meetings of the Employee Engagement Panel, Jo reports the outcomes to the Board.



The Group's internal communications during the year have increased and become more consistent, celebrating the culture and the diversity of all employees. Using employee case studies, we have highlighted and celebrated important events including International Women's Day, Pride and the International Day of Persons with Disabilities. Employees have been encouraged to take part in contributing to the communications and provide feedback whenever possible. Communications are issued regularly to improve transparency. To enable communication to be more easily received by the workforce, a Persimmon News app was launched to allow employees to receive Group news on their work or personal mobile devices. The app enhances the digital and communications experience for all employees.

We aim to recognise and reward our employees for the work that they do and the difference they make. As part of this we completed the Talent Review, which evaluated the skills and development needs of c.3,000 employees from across the Group. The completion of the Talent Review enabled the Group to create plans which would meet future requirements for succession and inform additional training programmes. The Persimmon Future Leaders Programme, which was launched in 2022, is aimed at developing potential future managing directors and directors of Group functions, and will strengthen succession planning in the Group. In addition, an employee development programme has been created, the High Potential Programme. Due to be implemented during 2023, the programme will offer relevant support and experiences to prepare high-potential colleagues for career progression. Dean Finch, Group Chief Executive, met with participants and took part in a question and answer session. The Group also continued to develop operating business managing directors with the MD Leadership Programme.

Whilst the Group's NVQ assessment centre remains well utilised, the Persimmon Academy, which opened during the year, is set to support over 150 apprentices for our Welsh businesses over the next five years. The Group is a Gold Member of the 5% Club, which provides young people with training and development to enable strong career foundations.

Throughout 2022 the Group has also continued to work with Women into Construction as a Platinum Member. The Group is currently working on a joint project, which involves the HBF and Women into Construction, to promote site management as a career choice for women entering the industry.

The Group's efforts to train and develop its employees was recognised during the year as the Group was named in the Department of Education's Top 100 apprenticeship employers in England, and was also awarded the Institute of Sales Professionals 'Investor in Sales' award following the success of the Sales Excellence programme. This is recognition of the fact that the sales teams are engaged with the Institute's fair ethics programme and Persimmon is the only housebuilder to hold this award. The Group has also worked with Volunteer it Yourself, on projects in Liverpool, which has allowed Group apprentices to work alongside other young people from local schools, pupil referral units, and community groups. This provides aspirational role models for careers in the Industry, as well as leaving vital community spaces as a legacy. During the year the Group has continued to offer training provision for non-school attenders as well as supporting disengaged students to re-engage. The Group has worked with Team GB to develop school activity resources mapped with the national curriculum and designed to promote careers in the industry and also the matched Persimmon and Olympic values of excellence, teamwork, and community.



» Further information on training can be found on pages 22, 26 and 38 to 40.



Top 100 DfE apprenticeship employers



Awarded the Institute of Sales Professionals 'Investor in Sales' award following the success of the Sales Excellence programme

Corporate governance statement continued

The Graduate Management Training Programme, which launched in September 2021, provides the opportunity for any graduate, regardless of degree subject, to undertake a two-year rotational training programme, with time spent in a variety of departments. The first year sees new graduates gain experience in Land, Technical, Construction, Commercial, Sales and Customer Care. The second year enables graduates to specialise in one or two of these areas and there is the opportunity for involvement in projects for them to own and share, giving the graduates a chance to take on new challenges. Applications are welcomed by both external and internal applicants and to date 19 graduates have taken part.

The Group's customer focus has led to further investment in resource of the customer experience team. For further information see page 25.

During the year, the Group became one of the first homebuilders to formally commence the registration process for the New Homes Quality Code (NHQC). The Group welcomes the introduction of the NHQC, which aims to drive up quality, consistency and customer service standards across the industry.

» **Further information on culture can be found on pages 23 and 92 to 94.**

Resources to meet objectives, internal controls and risk management

The Board is mindful that the Group must be provided with suitable resources to achieve its key priorities, and that these resources must operate within an effective system of risk management and internal control. During the year, there has been an ongoing focus on ensuring our resourcing levels are appropriate, and that our risks are controlled effectively through the application of the three lines of defence model, as detailed further within our Audit & Risk Committee Report on pages 116 to 122.

To ensure the effective implementation of our Mission, Vision and Values, the Group's operations are supported by several Group-level functions, who provide assurance on their safety, quality, effectiveness and adherence to Group requirements. These include the Group Health, Safety and Environment department, whose role includes routine inspections to ensure the safety of our operations and adherence to Group policies, reinforcing the Board's strong commitment to safeguarding the health, safety and wellbeing of our workforce and our customers. The Group also has a team of Independent Quality Controllers ('IQC's'), who undertake quality assurance inspections on our developments in support of The Persimmon Way, including the delivery of on-site coaching where required. The Group's build standards have improved when compared to industry standards, with the introduction of IQCs having assisted in this.

The Group's risk management framework serves to identify, assess, and manage risks in a timely manner, enabling the Group to respond to changes in its environment effectively. This includes comprehensive risk management surveys involving the Board and senior management, and the maintenance of detailed risk registers covering each area of the Group's operations. The Group's identified risks are subject to a range of controls.

This system of internal control is subject to continuous evolution in response to reviews of its effectiveness by the Group's Internal Audit department. During the year, the Group has made further commitments to the strengthening of internal controls, with the appointment of specialist roles including a Group Internal Control Manager and Chief Information Security Officer. These roles will support the Group in preparing for anticipated audit and governance reforms and enhance our cyber security environment respectively. Further details of the Group's risk management framework, Principal Risks and material issues are set out on pages 56 to 63. The report of the Audit & Risk Committee, which provides oversight of the risk management framework and the effective operation of the system of internal controls, can be found on pages 116 to 122.

Workforce policies and practices

The Group has a wide-ranging suite of workforce policies in place covering matters such as Health & Safety; Human Rights; Anti-Bribery and Corruption; Equality, Diversity and Inclusion; and both Flexible and Hybrid Working. Working with the Group HR department, we aim to ensure that the Group's workforce policies and associated practices align with the Group's values and contribute to its long-term sustainable success. Workforce policies are available to all staff through the HR information system, with some policies also available via the Group's corporate website. The Board receives regular reports from the Group HR Director, as part of the Board's Business Dashboard, which include an overview on the effective operation of the Group's workforce policies. Further details on the implementation of workforce policies during 2022 can be found on pages 36 to 41 of this report.

The Board recognises the importance of maintaining a culture where employees can raise concerns freely is crucial. Employees are encouraged to report concerns, either through their line management or confidentially through the Group's comprehensive whistleblowing provision. This provision includes several mechanisms through which concerns can be reported, and is actively promoted in all Group offices, construction sites and manufacturing facilities. The Group Internal Audit department is responsible for the confidential review and investigation of all concerns raised through the whistleblowing provision (while respecting anonymity), and the provision of summary reports to the Board through the Audit & Risk Committee. During the year, the Board reviewed the Group's whistleblowing provision, including the results of a best practice benchmarking exercise carried out with the support of the whistleblowing charity Protect.

One of the outcomes of the exercise was the decision to appoint Shirine Khoury-Haq, the Audit & Risk Committee Chair, as Group Whistleblowing Champion. Shirine will act as a figurehead for whistleblowing. The Group's whistleblowing provision helps to ensure robust processes are in place and allows colleagues to speak up without fear. Following this review, the Board concluded that the provision remained appropriate and effective. Further details of the Group's whistleblowing provision is on page 121 in the Audit & Risk Committee 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 raise any safety or environmental concerns they may have. The Group Health, Safety and Environment department reviews and investigates any concerns raised through this channel, with matters reported to the appropriate level of the Group's management structure.

The Group has a Conflicts of Interest Policy to govern the process of identifying, recording and managing any potential conflicts of interest of Board members, the Group's senior management teams and wider workforce. To support the aims of the Conflicts of Interest Policy, the Group Internal Audit department oversees a process of obtaining annual declarations from senior staff through letters of representation, with detailed reporting on potential conflicts of interest, and mitigation actions and controls, provided to the Audit & Risk Committee on an annual basis.



Corporate governance statement continued

Stakeholder engagement

Effective engagement

The Board recognises the importance of effective engagement with the Group's stakeholders to promote the long-term success of the Company. The Board, senior management and the Group's operating businesses regularly undertake engagement activities, details of which are set out in the Section 172 Statement on pages 78 to 83 and in the Strategic Report on pages 21 to 41.

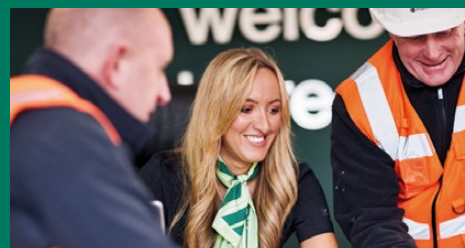
Details of how the interests of the Group's stakeholders have been considered in Board discussions and decision-making during the year are set out opposite.



Customers

Reinforcing trust and placing customers at the heart of our business is one of the Group's Key Priorities and an important area of focus for the Board. At each of its meetings, the Board receives a Customer Experience report from the Group's Chief Customer Experience Officer. Information contained within the report includes the Group's score in the HBF 8-week and 9-month customer satisfaction surveys, the Group's Trustpilot score and an overview on the speed of resolution of any complaints, and the Group's sales & marketing activities. A comprehensive business update report from the Group Chief Executive also provides insight into the Group's performance and engagement with its customers. The information provided facilitates effective Board oversight of the Group's engagement with its customers, and progress against our key objectives.

» See pages 25 and 78.



Employees

The Board has continued to effectively engage with employees, recognising the value of employee feedback as an aid to good Board decision making and as means to monitor organisational culture. The Board receives a report from the Group HR Director at each of its meetings, enabling the Board to exercise oversight of the Group's HR activities, including diversity, talent and training initiatives.

The Group's Employee Engagement Panel, whose members provide a broad representation of the Group's employees, is a highly valuable method of employee engagement used by the Board. All Panel meetings are attended by the Group's designated Workforce Non-Executive Director, with additional attendees during the year including the Group Chief Executive and the Chair of the Remuneration Committee. Panel meetings enable two-way communication between the Board and employees. Feedback received at Panel meetings is reported to the Board, leading to valuable insights which inform the Board's discussions and decisions.

The Group also conducts an annual employee engagement survey, the results of which are considered by the Board, enabling further consideration of the Group's culture and the effectiveness of the Group's HR activities.

» See pages 36 and 79.



Communities

The Board remains committed to undertaking any cladding or life-critical fire safety remediation works for buildings it has constructed, and to protecting leaseholders from having to pay towards these issues. To ensure effective oversight of this issue, the Board receives updates on progress with remediation work at each of its meetings. The Board has signalled its intent to sign the government's developer remediation contract whilst continuing to work positively with the Welsh and Scottish governments on similar agreements.

Sustainability is integral to how the Group operates and, we have set ambitious targets to be net zero in our homes in use by 2030 and net zero carbon in our operations by 2040. The Board has continued to exercise oversight of the Group's sustainability activities. It receives bi-monthly updates on sustainability issues and performance via the Group Chief Executive's report, and for 2023 a detailed bi-annual update will be provided to the Board by the Group Sustainability Director.

» See pages 33 and 80.



Suppliers and subcontractors

The sustainable success of the Group and the delivery of five-star homes is reliant on a robust supply chain, in respect of both materials and labour. The Board exercises oversight of the Group's engagement with suppliers and subcontractors by considering the Group Chief Executive's business update report at Board meetings. The Audit & Risk Committee received an update from the Group Procurement Director during the year on an updated procurement framework. In addition, during the year the Board received updates from the Group Chief Commercial Officer and the UK Managing Director regarding supply chain resilience and how engagement with suppliers has evolved.

The Group Internal Audit department performed a review of modern slavery supply chain assurance, the report from which was reviewed by the Audit & Risk Committee. This review contributed to further strengthening of the Group's training provision and supply chain due diligence measures, aligning with the principles of the CCLA-led 'Find it, Fix it, Prevent it' initiative.

» See pages 24 and 81.



Shareholders

The Board is committed to maintaining good relations with the Company's shareholders. During the year members of the Board engaged with major shareholders and leading proxy advisors. The Chief Financial Officer, Chief Executive and IR Director hold regular meetings with analysts and investors as part of the Group's reporting cycle. There is a regular report from the IR Director to the Board setting out feedback from investors and analysts any significant changes to the share register.

The Remuneration Committee Chair engaged on the remuneration for the newly appointed Chief Financial Officer as well as the proposed 2023 Remuneration Policy, which included information on the proposed environmental metric for 2023 PSP share awards.

All Board members attend the Company's Annual General Meeting and are available to answer questions. The Chairman and the Non-Executive Directors are also available to attend meetings with shareholders to gain an understanding of any issues and concerns.

» See page 82.



Government, regulators and industry bodies

As set out opposite, we constructively engaged with the government's Department for Levelling Up, Housing and Communities and the HBF to agree the fire safety remediation contract.

The Board received updates on planning issues from various senior members of the management team, including the Group Planning Director. Regular engagement takes place with local planning authorities. A new Placemaking Framework has been introduced, providing local teams with enhanced tools to meet customer needs and local planning authority requirements. A more proactive approach to securing planning permissions is starting to demonstrate success. Our local teams are focused on securing planning consents from sites we already own and work closely with our External Affairs team to enhance our stakeholder engagement and presentation to achieve approvals from planning committees. Recent successes with previously stalled applications are already demonstrating the benefit of this new approach.

We also proactively engage with the housebuilding industry and regulators to develop industry-wide solutions to meet the requirements of the Future Homes Standard and Net Zero homes. This aligns with the Group's strategy and key priority: supporting sustainable communities.

» See page 83.

Corporate governance statement continued

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 were reviewed during the year are available on the Company's website <https://www.persimmonhomes.com/corporate/investors/corporate-governance/board-committees/> 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. Although Citigroup was one of Persimmon's two brokers until March 2020, they were not a financial advisor to the Company. Citigroup have received no remuneration from the Company for more than fourteen years, having only received share dealing commission in the two years prior to that. Whilst employed by Citigroup Nigel had not worked on the Company's business over the three years prior to his appointment to the Board in 2016, this itself being preceded by Citigroup's decision to put in place strict procedures to further ensure Nigel's independence. Accordingly, the Board reiterates its belief in Nigel's independence, which has been clearly demonstrated in debate in both Board and Committee meetings since his appointment.

Non-Executive Directors

The Non-Executive Directors have expertise which complements that of the Executive Directors. Between them, the Non-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 88 and 89.

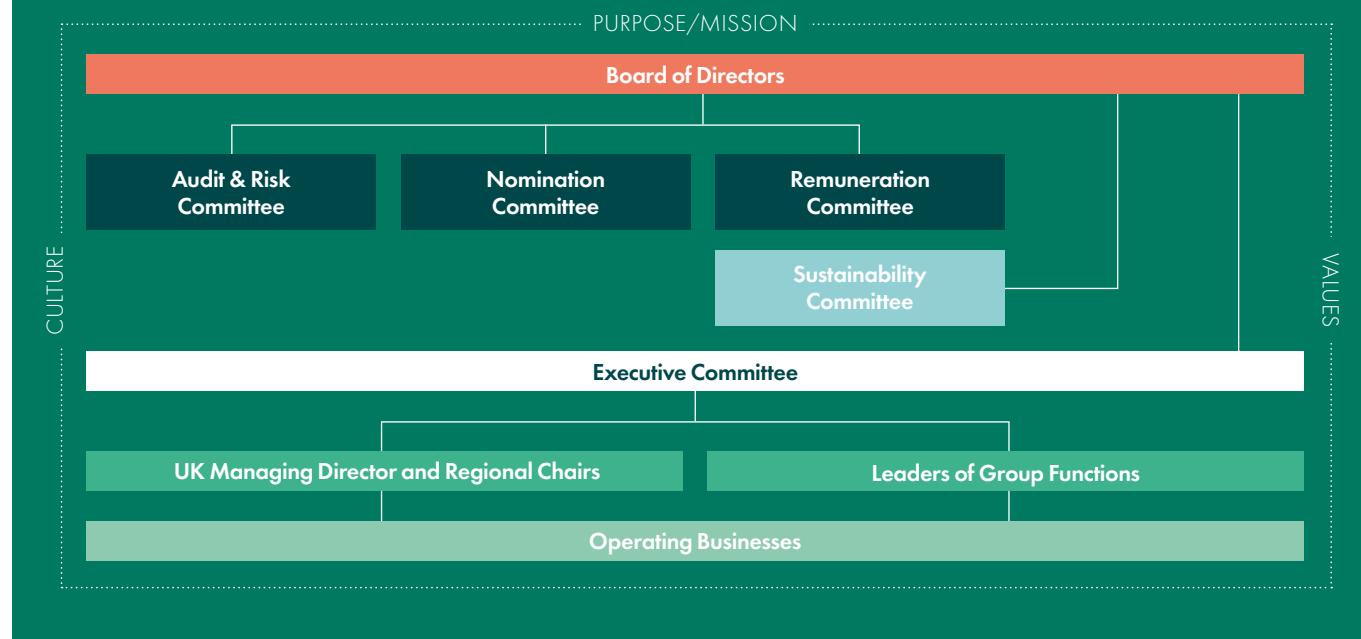
Only Non-Executive Directors are members of the Board's Audit & Risk, Remuneration and Nomination Committees. The Chairman regularly holds meetings with the Non-Executive Directors without the Executive Directors being present.

All Directors are required to allocate sufficient time to the Group to discharge their duties. Prior to the appointment process the Nomination Committee considers the other demands on a Director's time and provides the Director with an assessment of the time commitment required of their role on the Company's Board.

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.

Governance structure



Audit & Risk Committee

The members of the Audit & Risk Committee are listed in the table on page 116. All members of the Committee are considered by the Board to be independent. The Board is satisfied that Shirine Khoury-Haq (the Committee Chair) has recent and relevant financial experience and that the Committee as a whole has competence relevant to the sector in which the Company operates. Shirine is the Chief Executive Officer of The Co-operative Group and prior to this was the Chief Financial Officer of The Co-operative Group, where she was responsible for finance, technology, transformation and corporate development. Shirine was appointed to the Committee on 1 July 2021, and appointed as Chair during the same year.

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 & Risk Committee can be found in the Audit & Risk Committee report on pages 116 to 122.

Remuneration Committee

The members of the Remuneration Committee are listed in the table on page 126. All Committee members are considered by the Board to be independent.

The Board remains satisfied that Annemarie Durbin (the Committee Chair) has the requisite experience to chair the Company's Remuneration Committee. Annemarie is the Remuneration Committee Chair of Santander UK plc and Petershill Partners plc and was previously the Remuneration Committee Chair of WH Smith Plc.

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 Managing Director, Deputy Managing Director, Chief Commercial Officer, Chief Customer Experience Officer, 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 pages 126 to 153.

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.

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 pages 106 to 115.

Sustainability Committee

The Sustainability Committee is responsible for developing and overseeing the sustainability strategy, policies and objectives. Reporting directly to the Board, the Sustainability Committee is chaired by the Group Chief Executive, Dean Finch, and members include the Group Strategy and Regulatory Director, the Company Secretary and Group Sustainability Director. In 2023 the Chief Commercial Officer and Chief Customer Experience Officer will join the Committee.

The Board receives bi-monthly updates on sustainability issues and performance via the Group Chief Executive's report, and for 2023 a detailed bi-annual update will be provided to the Board by the Group Sustainability Director.

Under the remit of the Sustainability Committee, three internal working groups have been established – comprising the Zero Carbon Homes Steering Group, Supply Chain Emissions Steering Group, and Operational Emissions Steering Group. The main area of focus this year has been developing low carbon energy transition plans to ensure Future Homes Standard readiness, developing carbon reduction glidepaths for Scope 1 and 2 emissions aligned to our science based targets, and continuing to build knowledge on embodied carbon in materials and engaging with our supply chain.

The Sustainability Committee formally met three times in 2022, and covered the following topics:

- Detailed review of 2021 performance, GHG emissions, climate risk resilience and TCFD reporting.
- Low carbon transition plans update.
- Modern Slavery review and statement approval.
- Updated policy approvals for Sustainability Policy and Environmental Policy.
- Mid-year progress review against KPIs.
- Health, Safety & Environment update from Group Health, Safety & Environment Director.
- Sustainability benchmarking and competitive positioning.

The Board received an update from the Group Sustainability Director at its annual Strategy Day to provide a detailed update on the sustainability landscape and insights, progress and performance to date, future plans and priorities.

The Sustainability Committee supports the Board's climate responsibility, and oversees the Group's climate change strategy, to ensure climate issues are being effectively considered and managed, and reports its findings and recommendations to the Board. Further information can be found in the Group's Sustainability Report and Climate-Related Financial Disclosures ('TCFD') report on pages 64 to 74.

Corporate governance statement continued

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 diversity. The Committee members endeavour to create a diverse pipeline for succession within the Group, including the Board and senior management positions.

Further details of the Nomination Committee's work during the year can be found in the Nomination Committee report on pages 106 to 115.

Board changes

On 14 January 2022 Mike Killoran stepped down as Group Finance Director. On 11 July 2022 Jason Windsor joined the Board as Chief Financial Officer. Details of the recruitment process were reported in the 2022 Annual Report. The Board warmly welcomes Jason to the business. Further details on Jason's skills and experience can be found on page 88.

Succession

Succession planning for the Board, Senior Management and the Group's Operating Businesses is a key area of focus for the Nomination Committee. There is also increased focus on employee engagement. These include increased focus on employee engagement, further development of performance management frameworks, career management, and financial incentives. At the most senior level, the Nomination Committee oversees these processes and promotes effective succession planning.

Further details can be found in the Nomination Committee Report found on page 113 and in the Strategic Report on page 39.

Diversity

The benefits of diversity and inclusion are well documented, and the Board is committed to increasing the diversity of the Group's workforce and of the Board itself. The gender diversity split of the Board at 31 December 2022 was 33% female and 66% male (2021: 33% female and 66% male). The Group is making progress in improving female representation in management roles; at 31 December 2022, females comprised 34% of our senior executive management team and direct reports, with 18 females and 35 males. We had 1,509 female employees, 27% of our colleagues and 4,045 male employees (2021: 28% of its senior management team and direct reports, with 20 females and 51 males, and 27% of all colleagues, with 1,403 females and 3,793 males).

Amendments were made to the FCA Listing Rules during the year, which seek to build on progress achieved under the voluntary UK diversity initiatives and to improve diversity in the upper tiers of listed company management. The new rule applies for financial years starting on or after 1 April 2022, on a comply or explain basis. We will be required to report whether we meet the following targets:

- at least 40% of the individuals on the Board are women;
- at least one of the senior Board positions (being Chair, CEO, SID or CFO) is held by a woman; and
- at least one member of the Board is from a minority ethnic background.

We have decided to report on these targets early, our first report is on page 111.

Increasing workforce diversity continues to be a key objective and in pursuit of this we set diversity targets set in 2021 to improve the Group's gender diversity by the end of 2025. These target females comprising composing 40% of employees, 35% of our senior management team and 45% of employees in management roles. The Board has noted the targets set by the FTSE Women Leaders Review to further increase gender diversity of boards and senior management teams by 2025, and board diversity requirements in the updated FCA Listing Rules, and has agreed that it is the Committee's firm intention to appoint a woman as the Group's next Senior Independent Director.

The Group has an Equality, Diversity and Inclusion Policy. The main objective of the Policy is for the workforce to be truly representative of all sections of society and the Group's customers, and for each employee to feel respected and able to give their best, prohibiting discrimination in any form, harassment and victimisation.

The policy is available from the Group's corporate website www.persimmonhomes.com/corporate/sustainability/policies-and-statements/. Numerical data in relation to the diversity of the Board and further information on how the Policy has been implemented can be located in the Nomination Committee report on pages 106 to 115.

Inclusion review

The Group previously commissioned an Inclusion Review which concluded during the year. The results were presented to the Board, Group Executive Committee and the Diversity & Inclusion Council. The results highlighted the Group's clear intentions to improve diversity and inclusion, with key recommendations including communication, education and a resource programme. The Board and the Group Executive Committee have received diversity and inclusion training. Training has also commenced throughout the Group.

Diversity & Inclusion Council

In August 2021 a Diversity & Inclusion Council was established, chaired by the Director of Talent & Diversity, to build on the work of the superseded Gender Diversity Panel. Comprising of senior leaders from across the business, who are responsible for overseeing the Diversity & Inclusion strategy, its implementation, and monitoring progress, the remit of the Diversity & Inclusion Council is to encompass all aspects of diversity. The Council meet a minimum of quarterly. Updates on the Council's work are provided in the Nomination Committee report, see page 112.

Diversity & Inclusion Working Group

Established during the year, the Diversity & Inclusion Working Group is made up of colleagues from across the Group who volunteered to take part, all of whom were selected after interview and provided with training. The Diversity & Inclusion Working Group is responsible for delivering the Diversity & Inclusion strategy, with each member responsible for a specific package of work. They are provided with time aside from their normal role to facilitate this. Some of the areas of work in which they are involved include training, data, communications and awareness around diversity and inclusion, diversity and inclusion focus for customers, customer and social mobility, and recruiting a more diverse workforce, with a range of actions taking place in each area to support the strategy.

While the role of the Diversity & Inclusion Council is around strategic oversight, the members of the Working Group are moving forward the detailed action plan and ensuring it recognises where the Group is now and delivers appropriate and meaningful change. The Diversity & Inclusion Working Group will meet a minimum of every six weeks to monitor progress.

In November 2022 members of the Diversity & Inclusion Working Group held its first joint meeting with the Diversity & Inclusion Council of senior leaders. Updates on the Diversity & Inclusion Working Group's work are provided in the Nomination Committee report on page 112.

Diversity & Inclusion Strategy

Following the external Inclusion Review, which commenced during 2021, the results were presented to and considered by the Board, the Group Executive Committee and the Diversity & Inclusion Council. The Inclusion Review enabled Group to develop a clear Diversity & Inclusion strategy and in April 2022 the Group commenced delivery against this. The review also enabled us to benchmark ourselves against other organisations of a similar size, scale and sector, and allow us to identify where the Group is on its inclusion journey and will provide a technique to measure progress through further re-audits, the first of which is scheduled for the autumn.

Board skills, experience and knowledge

The Nomination Committee continues to review the Board composition, skills and diversity to enable exceptional corporate governance and secure diverse talent.

The Nomination Committee will make further appointments where it considers them necessary, having particular regard to how diversity can improve business success.

Details on the skills, experience and knowledge of the Board can be found on pages 88 to 89.

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 2022 the Board undertook a formal, rigorous internally facilitated evaluation. The next externally facilitated annual evaluation will occur in 2024.

The 2022 evaluation, which was led by the Chairman and supported by the Company Secretary utilised BoardClic, a digital board evaluation platform and comprised completion of a questionnaire by all Board and Committee members.

During the year, the Chairman's performance was formally evaluated by Nigel Mills, the Company's Senior Independent Director, holding private discussions with the Board members excluding the Chairman. Following the evaluation, it is considered that the Chairman continues to perform well in his role.

Further details on the 2022 annual evaluation can be found on page 114.

AGM

The AGM will be held at 12 noon on 26 April 2023 at York Racecourse, Knavesmire Road, York YO23 1EX. Voting at the AGM will be on a poll whereby every member shall have one vote for every ordinary share held. 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.

Re-election

Roger Devlin, Dean Finch, Nigel Mills, Simon Litherland, Joanna Place, Annemarie Durbin, Andrew Wyllie, and Shirine Khoury-Haq will stand for re-election by shareholders at the forthcoming AGM, to be held on 26 April 2023. Jason Windsor has been appointed since the 2022 AGM, and will stand for election by shareholders.

The Board supports the election and re-election of all of the Directors. It considers that the Directors as a whole work well together, with the tone set by the Chairman. The Board considers Dean Finch and Jason Windsor together 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-Executive Directors being re-elected has individually shown a high level of independence and commitment to their roles and is considered by the Board to be independent.

Jason Windsor was appointed to the Board on 11 July 2022 as Chief Financial Officer. Jason is an experienced finance executive who has established a strong track record in a variety of senior financial roles over the last 27 years. He was Group Chief Financial Officer of Aviva PLC from 2019 to 2022, having previously been Chief Financial Officer of both its UK Insurance and UK Life businesses, after originally joining the business in 2010. Prior to Aviva, Jason spent 15 years at Morgan Stanley, in London and Singapore, latterly as a Managing Director within its Investment Banking Division. Jason is a well-respected and proven FTSE 100 CFO with experience as Chief Financial Officer to complement our strong management team. In his previous role Jason demonstrated an ability to deliver sustained financial and strategic progress while working in a large consumer-facing business. These skills are highly relevant to Persimmon as we continue our drive to become the leading homebuilder of the best value, quality homes in the UK.

The Directors' biographies, acknowledging their experience, skills and contributions can be found on pages 88 and 89 or on the corporate website at www.persimmonhomes.com/corporate/about-us/board-of-directors/.

Use of external search consultants

As reported in the 2021 Annual Report, we used Heidrick & Struggles to assist with the recruitment of our Chief Financial Officer, Jason Windsor. During the year, the Nomination Committee agreed it would be beneficial to appoint an additional non-executive director with relevant industry experience. The search for a suitable candidate is ongoing. The Nomination Committee engaged Egon Zehnder to provide assistance in relation to this search. Neither firm has any supplementary connections to the Company or any Director.

Composition, succession and evaluation

Nomination Committee Chair's statement



During the year the Committee agreed its firm intent that a woman be appointed as the Group's next Senior Independent Director.



Roger Devlin
Chair of the Nomination Committee

On behalf of the Board, I am pleased to present the Nomination Committee's report for the year ended 31 December 2022.

Appointments

On 13 January 2022 the Group announced that Jason Windsor would be appointed as the Group's new Chief Financial Officer following the retirement of Mike Killoran. Full details of Jason's appointment process were provided in the Nomination Committee's report for the year ended 31 December 2021.

Jason joined the Group on 11 July 2022 and received a comprehensive induction, providing him with a solid introduction to the Group, its strategy, operations, external environment and key personnel. Please see page 108 for further details.

Diversity & inclusion

Diversity & inclusion forms a key part of the Group's strategy, which includes the development of a diverse and talented workforce. Diversity & inclusion has therefore been an important area of focus for the Board, the Committee and the Group during the year.

In line with the Parker Review and the Hampton Alexander Review (which was succeeded by the FTSE Women Leaders Review during the year), as at 31 December 2022 the Board had one director from a minority ethnic group and was 33.3% female.

During the year the Committee noted and considered the new diversity requirements of the FTSE Women Leaders Review and the updated FCA Listing Rules, including the requirement that at least one of the Board's senior positions (Chair, Senior Independent Director, Chief Executive or Finance Director) be occupied by a woman by the end of 2025.

Nomination Committee members and meeting attendance 2022

	Scheduled meetings attended	Percentage of meetings attended
Roger Devlin (Chair)	3/3	100%
Nigel Mills	3/3	100%
Simon Litherland	3/3	100%
Joanna Place	3/3	100%
Annemarie Durbin	3/3	100%
Andrew Wyllie	3/3	100%
Shirine Khoury-Haq	3/3	100%

Nomination Committee key duties

The key duties of the Nomination Committee are to:

- Lead the process for appointments to the Board;
- Ensure that plans are in place for orderly succession to both the Board and senior management; and
- Oversee the development of a diverse pipeline for succession.



The FCA Listing Rules' diversity reporting requirements will apply to the Company's financial year ending 31 December 2023, however, we have decided to report against the requirements early. Further details can be found on page 111. In light of the new diversity requirements, and the relatively short tenures of the Group Chief Executive and Chief Financial Officer, during the year the Committee agreed its firm intent that a woman be appointed as the Group's next Senior Independent Director.

During the year the Committee exercised oversight of the Group's diversity and inclusion activities, reviewed the Group's progress against gender diversity targets and received regular reports from the Group HR Director and the Group's Director of Talent and Diversity.

A summary of progress made in the year includes:

- The proportion of women in the senior management team increased from 28% to 34%;
- The Board received a presentation on the results of the Group's first Inclusion Review;
- Diversity & inclusion training was delivered to the Board and the Group Executive Committee; and
- 'Inclusive Leadership' and 'Positive Workplace' training was rolled-out for the Group's senior managers and site-based employees, respectively, to further embed diversity and inclusion throughout the Group.

Whilst progress was made during 2022, we acknowledge that there is more to do, both at Board level and throughout the Group. Given its importance, the Committee will continue to focus on improving the Group's diversity and inclusion during 2023.

Talent & succession planning

Succession planning for Board, executive and senior management positions, and the development of a diverse pipeline of talent for succession, form an important part of the Committee's responsibilities.

During the year the Committee considered the balance of skills and experience of Board members and agreed that it would be beneficial to appoint an additional Independent Non-Executive Director with relevant industry experience. The search for a suitable candidate is ongoing and the outcome of the process will be announced in due course.

The development of talent is a significant area of focus for the Group and, during the year the Committee received regular Talent reports from the Director of Talent and Diversity regarding the Group's succession planning activities to develop a diverse pipeline of talent.

During the year the Group completed a Talent Review, which covered c.3,000 employees in middle and senior management positions, and enabled the Group's operating businesses and centralised functions to develop robust and detailed succession plans. The Group also continued to develop its operating business Managing Directors with the MD Leadership Programme, and two new development programmes were established during the year for high-performing employees:

- The Future Leaders Programme, which is designed to support and develop functional directors who have the potential to reach Managing Director level; and
- The High Potential Programme, which supports talented employees to develop and broaden their experience, thus enabling them to achieve further promotion and career development.

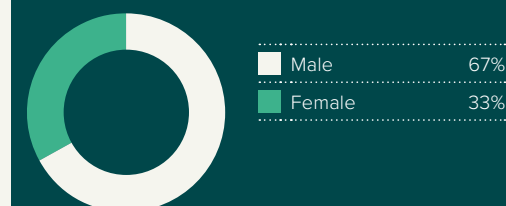
The Group's efforts to develop and maintain a diverse pipeline of talent for succession to senior management and executive positions will continue, as will the Committee's oversight of these activities. Whilst progress has been made, there is more to do.

Further details regarding the Committee's work during the year are set out on pages 108 to 115.

Roger Devlin

Chair of the Nomination Committee
28 February 2023

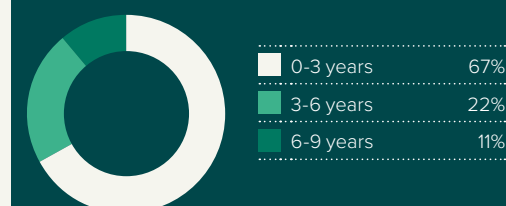
Board gender diversity at 31 December 2022 %



Board ethnic diversity at 31 December 2022



Board tenure at 31 December 2022



Composition, succession and evaluation

Nomination Committee report

Appointments

Jason Windsor joined the Group as Chief Financial Officer on 11 July 2022. Jason's appointment was announced by the Group in January 2022 and full details of his appointment process were included in the Nomination Committee's report for the year ended 31 December 2021. This report therefore covers the induction that Jason received upon joining the Group.

Jason Windsor induction

Jason received a thorough induction upon joining the Group, covering the Group's strategy, operations, external environment and stakeholders. The induction included meetings with the Chair and Chief Executive, Chair of the Audit & Risk Committee and the Company's Auditor (Ernst & Young LLP). The induction also included an extensive programme of meetings with members of the Group Executive Committee and senior managers, covering areas such as the Group's housebuilding operations (construction, land & planning, technical, commercial and customer experience), off-site manufacturing, finance, tax, internal audit & risk, IT, FibreNest, strategy & regulation, sustainability, health & safety, legal, HR and external affairs.

Visits to a number of the Group's operating businesses and construction sites were also undertaken. Finally, Jason's induction also included meetings with some of the Group's key stakeholders, including major shareholders.



Summary of the Committee's work during the year

Matters considered	Outcome
Appointment of a new Chief Financial Officer In January 2022, following an extensive search process, the Committee recommended to the Board that Jason Windsor be appointed as the Group's new Chief Financial Officer.	Following the Board's acceptance of the recommendation, Jason joined the Group on 11 July 2022 and received a comprehensive induction.
Board skills, training and development Agreed that it would be beneficial to increase the amount of formal training provided to Board members. Also agreed that it would be beneficial to appoint an additional Non-Executive Director with relevant industry experience.	An updated schedule of Board training was produced, with training sessions delivered during the year on topics including diversity & inclusion, health & safety, climate risk and reporting, corporate governance and the housebuilding process. Commenced the search for a suitable candidate. The search is ongoing and the outcome of the process will be announced in due course.
Diversity and inclusion Consideration and oversight of Board diversity, and diversity throughout the organisation.	Noted the diversity targets set by the FTSE Women Leaders Review and the new FCA Listing Rule on diversity reporting. Agreed that it is the Committee's firm intention to appoint a woman as the Group's next Senior Independent Director. Noted the results of the Group's Inclusion Review and future actions to improve diversity. Received reports from the Group HR Director and Group Director of Talent and Diversity regarding diversity & inclusion activities and progress against gender diversity targets.
Talent and succession below Board level Overseeing the development of a more diverse executive pipeline.	Received reports from the Group HR Director and Group Director of Talent and Diversity regarding the Group's Talent Review and talent development programmes.

Equality, diversity and inclusion

Equality, diversity and inclusion is a key area of focus for the Board, the Committee and the Group's executive team. The Board supports equality, diversity and inclusion for the Board itself, at senior management level and throughout the Group's workforce. The Board believes that a wide range of experience, age, background, skills, knowledge, personal strengths and characteristics combine to contribute towards an effective Board and a high performing workforce.

Linkage to strategy

Investing in our people is a key part of the Group's strategy (see pages 36 to 41). By developing a diverse and inclusive workforce, we will enhance our corporate culture and grow our talent and skills base. Increased diversity throughout the Group will have a tangible and positive impact on our business, our employees and our customers. It will increase our creativity and innovation, enable us to better reflect and respond to our customers and will improve employee engagement, productivity and retention.

The Group recognises the importance that shareholders, customers, employees and other stakeholders place on equality, diversity and inclusion. To attract and retain the best talent the Group continues to invest in its workforce, its HR and training & development capabilities. The Board leads and oversees the Group's commitment to embedding and improving equality, diversity and inclusion throughout the organisation; a commitment that has been demonstrated by actions taken during the year (see pages 52 and 112 for further information).

Policy

The Group has an Equality, Diversity and Inclusion Policy, which applies to the Group's employees and the Board. The Group's objective is to be an Employer of Choice and for our workforce to be truly representative of all sections of society and our customers, and for each employee to feel respected and able to give their best. The purpose of the policy is to provide equality, fairness and respect for all in our employment, whether temporary, part-time or full-time; to not unlawfully discriminate because of a protected characteristic (race, religion or belief, disability, sex, gender reassignment, age, sexual orientation, pregnancy and maternity, marital or civil partnership status) and to oppose and avoid all forms of unlawful discrimination.

The policy covers areas including recruitment and selection, training and promotion, and disabilities. The policy is available from the Group's corporate website: www.persimmonhomes.com/corporate/sustainability/policies-and-statements

Targets

To improve the diversity of the Group's workforce and management teams the Board announced the following gender diversity targets in March 2021:

By the end of 2025 we aim for females to compose:

40% of our employees;
35% of our senior management* team; and
45% of employees in management roles.

These are challenging targets; however, due to the concerted efforts of the Group, progress has been made during the year in relation to the proportion of females who make up the Group's senior management team.

	Females		
	As at 31 Dec 2022	As at 31 Dec 2021	As at 31 Dec 2020
Employees	27%	27%	28%
Senior management team*	34%	28%	26%
Employees in management roles	32%	c.31%	Not previously reported

* Executive Committee and Direct Reports.

The positive trend in the proportion of females in the senior management team is encouraging. However, challenges remain, especially in relation to attracting females into site-based construction roles. To tackle this the Group has developed targeted initiatives to attract more women into site-based roles:

- We have partnered with Women into Construction, an organisation which seeks to increase the number of women entering the construction and housebuilding industries. As part of this initiative, we are providing site visits and work placement opportunities to women who are interested in pursuing a career in construction;
- We are targeting our apprentice recruitment at students currently at college, which generally results in a higher number of female candidates, and in 2022, resulted in our female trade apprentices quadrupling in number from three to twelve; and
- We have introduced a Housebuilding Basics programme that aims to promote career opportunities in construction-related disciplines to our non-construction employees, such as Sales Advisors, who are predominantly female. This has resulted in four females in sales & customer care roles being identified as candidates for site management roles and, to date, two non-construction female employees have transferred to Apprentice Assistant Site Manager roles.

The Group will continue to work towards these targets and further details of the significant diversity & inclusion activities undertaken by the Group during the year can be found on pages 52 and 112.

Composition, succession and evaluation

Nomination Committee report continued

Gender diversity FTSE Women Leaders Review & FCA Listing Rules

Gender diversity has been at the forefront of the minds of Committee members in recent years and the Committee has noted and considered the new targets set by the FTSE Women Leaders Review and the reporting requirements of the updated FCA Listing Rules, both of which were published during the year.

In February 2022 the FTSE Women Leaders Review, which succeeds and builds upon the success of the Hampton Alexander Review, announced its gender diversity targets for FTSE 350 companies. Their target is for women to comprise 40% of all FTSE 350 boards and leadership teams. Furthermore, FTSE 350 companies will be expected to have at least one of their senior board positions (Chair, Senior Independent Director, Chief Executive or Finance Director) occupied by a woman by the end of 2025.

The new FCA Listing Rule sets out reporting requirements on progress against the gender and ethnic diversity targets set by the FTSE Women Leaders Review and the Parker Review, respectively. The FCA Listing Rule diversity reporting requirements will apply to the Company's financial year ending 31 December 2023, but we have decided to report early. Further details can be found on page 111.

The Group Chief Executive and Chief Financial Officer were appointed in September 2020 and July 2022 respectively. Given the short tenure of both appointments, and in light of the gender diversity targets stated above, during the year the Committee agreed its firm intent that a woman be appointed as the Group's next Senior Independent Director.

As at 31 December 2022 the Board comprised six males (66.6%) and three females (33.3%). As at the same date the Group's Executive Committee and Direct Reports comprised 35 males (66%) and 18 females (34%) (2021: 51 males (72%), 20 females (28%)). The Committee will continue to exercise oversight and scrutiny of the Group's diversity & inclusion activities as the Group works towards becoming a more diverse organisation.

During 2022 the Group participated in the FTSE Women Leaders Review Survey.

Ethnic diversity

The Committee remains mindful of the Parker Review, and its target that each FTSE 100 board should have at least one director from a minority ethnic group. The Board achieved this target in July 2021 with the appointment of Shirine Khoury-Haq as an Independent Non-Executive Director, whose ethnicity is Arabic. The Committee will continue to have regard to the Parker Review and the benefits that diversity can bring to Board decision making and performance when undertaking future candidate searches.

The Group is also mindful of the need to increase the ethnic diversity of its workforce. With this in mind, during the year the Group agreed to work with specialist recruitment partners to target underrepresented groups. In addition, to improve the quality of the employee diversity data that the Group holds, concerted efforts will be made to encourage employees to provide and/or update their diversity data using the Group's new HR Information software.

During 2022 the Group participated in the Parker Review Survey.

Gender Pay Gap

The Group's Gender Pay Gap Reports are available on our corporate website at www.persimmonhomes.com/corporate. The 2022 Report will be published in March 2023, with the 2021 report having been published in April 2022. The median Gender Pay Gap for the Group was 13.5% in 2022 (2021: 18.1%), compared to the Office for National Statistics figure for 2022 of 14.9% (2021: 15.1%). As at 31 December 2022, the gender balance of the Group was 27% female and 73% male. The gender diversity of the Board as at 31 December 2022 was 33.3% 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 and currently has limited female participation. However, the Group has stretching targets to increase the proportion of women in senior and management positions and, as the Group progresses towards achieving these targets, it is anticipated that our Gender Pay Gap will reduce.

The Group remains committed to ensuring that women have the opportunities to reach their full earning potential and during the year the Group took a number of important actions in relation to diversity & inclusion, and talent development, details of which are set out on pages 112 and 113, respectively.

FCA Listing Rules – diversity reporting

The new diversity reporting requirements of the FCA Listing Rules will be applicable to the Company's year ending 31 December 2023, however the Company has decided to report early. The Company therefore reports the following diversity information as at 31 December 2022:

FCA Listing Rule target	Outcome	Group's position at 31 Dec 2022
At least 40% of Board Directors are women	Target not achieved	33.3% of Board Directors were women
At least one senior Board position* held by a woman	Target not achieved	No senior Board positions were held by women
At least one Board Director from a minority ethnic background	Target achieved	One Board Director was from a minority ethnic background

* Chair, Chief Executive, Senior Independent Director or Chief Financial Officer.

Reasons for not achieving targets

The Board, and the entire Group, is on a journey to increase its diversity. In recent years the Group has improved its diversity and has complied with the board diversity targets of the Hampton Alexander and Parker Reviews.

As at 31 December 2022, women comprised 33.3% of the Board. All appointments to the Board are made on the basis of merit, having regard to diversity and the benefits it can bring to Board decision making and performance. The Committee keeps the composition of the Board, and its diversity, under close review.

Whilst the Board has not achieved the target of having 40% women on the Board, the Committee is working towards achieving this target and intends to do so by the end of 2023.

As at 31 December 2022, no senior Board positions were held by women, however the Chair of both the Remuneration and Audit & Risk Committees was held by a woman. Given the recent appointments of the Group Chief Executive and Chief Financial Officer (who were appointed in September 2020 and July 2022 respectively), during the year the Committee agreed its firm intent that a woman be appointed as the Group's next Senior Independent Director.

No changes have occurred to the composition of the Board between 31 December 2022 and the date this document was approved (28 February 2023).

Approach to data collection

The Company has used a consistent approach in collecting the gender and ethnicity data displayed in the tables below, the source of which is the Group's HR Information System.

All employees, and Board Directors, are asked to provide the Group with information regarding their gender and ethnicity when they join the Group. Regarding gender, employees are able to self-identify as either male, female or "other". For ethnicity, employees are asked to self-identify based on the Office for National Statistics ethnicity categories. If provided, the gender and ethnicity information is entered into the Group's HR Information System. Employees can update this information at any time during their employment and are periodically reminded to provide their gender and ethnicity information, if they have not done so already.

Gender diversity data

	Number of board members	Percentage of the board	Number of senior positions on the board (CEO, CFO, SID and Chair)	Number in executive management**	Percentage of executive management**
Men	6	66.6%	4	7	70%
Women	3	33.3%	0	3	30%
Not specified/ prefer not to say	0	0%	0	0	0%

** Executive Committee only.

Ethnic diversity data

	Number of board members	Percentage of the board	Number of senior positions on the board (CEO, CFO, SID and Chair)	Number in executive management**	Percentage of executive management**
White British or other White (including minority-white groups)	8	88.8%	4	9	90%
Mixed/Multiple Ethnic Groups	0	0%	0	1	10%
Asian/Asian British	0	0%	0	0	0%
Black/African/Caribbean/Black British	0	0%	0	0	0%
Other ethnic group, including Arab	1	11.1%	0	0	0%
Not specified/ prefer not to say	0	0%	0	0	0%

** Executive Committee only.

Composition, succession and evaluation

Nomination Committee report continued

Diversity & inclusion (D&I) activities during the year

The Board has set the strategic direction of the Group to increase its diversity and the Committee receives and considers updates from both the Group HR Director and the Group's Director of Talent and Diversity at each of its meetings. The Committee is pleased to report that during the year the Group took a number of significant actions that were designed, in whole or in part, to improve diversity and inclusion within the Group. These actions also add to the Group's efforts to develop and maintain a diverse pipeline of talent for succession to senior management and executive positions.

D&I activity	Detail
Board diversity	In light of the FTSE Women Leaders Review and the updated FCA Listing Rules, the Nomination Committee agreed its firm intent to appoint a woman as the Company's next Senior Independent Director.
Gender diversity targets	During the year the Group continued to work towards stretching gender diversity targets that were set by the Board in March 2021. The Committee received a progress report from the Director of Talent & Diversity in December 2022, highlighting the success in increasing the proportion of women in senior management, but also the challenge of recruiting women into site-based construction roles. Actions to improve this were noted, including the Group's partnership with Women into Construction, targeted recruitment of apprentices and promoting construction careers to the Group's predominately female sales and customer care employees.
Diversity & Inclusion Council	The Diversity & Inclusion Council ("the Council") continued its work during the year, developing the Group's D&I strategy, overseeing its implementation, driving accountability and monitoring progress throughout the Group. During the year the Council held a joint session with the Diversity & Inclusion Working Group (see below), to provide advice and guidance to support the progression of the Working Group's activities. To reflect the strategic importance of the Council and its activities, the Council is chaired by the Director of Talent & Diversity and its membership includes a range of senior leaders including Executive Committee members.
Diversity & Inclusion Working Group	A new Diversity & Inclusion Working Group, consisting of a diverse cross-section of employees, was established in 2022 to feed directly into the work of the Council and to represent the views of employees. Work streams to support the Group's D&I strategy have been assigned to Working Group members covering areas including training, recruitment & attraction, data, communications and social mobility.

D&I activity	Detail
Inclusion Review	During the year the results of the Group's Inclusion Review were presented to, and considered by, the Board. The results were also presented to the Group Executive Committee and the Diversity & Inclusion Council. The review, which commenced in 2021 and was delivered by an external diversity & inclusion specialist, included site visits and interviews with a broad cross-section of individuals, as well as analysis of the Group's relevant data, policies and processes. The review's findings and recommendations have helped the Group to develop a clear D&I strategy with practical action plans that focus on areas for immediate improvement and impact (communications, training and recruitment), with the objective of embedding D&I throughout the Group's processes and operations.
D&I training	The Board and Group Executive Committee received a D&I training session during the year, again demonstrating the Board's and Group's commitment to this issue. To better embed D&I throughout the Group, mandatory "Inclusive Leadership" training is being delivered to the Group's senior managers, while site-based employees will receive mandatory "Positive Workplace" training with a focus on banter, bullying, harassment, inclusion and mental health awareness.
Training programmes & courses	D&I has been incorporated into the Group's training programmes and courses with a view to embedding D&I throughout the Group.
Recruitment processes	The Group established a new Talent Acquisition team during the year. To support recruiting managers, and to embed D&I into recruitment processes, additional training is being provided to managers involved in recruitment and selection of job candidates. A new Applicant Tracking System was also deployed during the year, which will assist the Group with collecting data relevant to recruitment and diversity. Also, to further promote the Group's focus on D&I, our careers webpage was redesigned during 2022.
Diversity celebrations	To raise awareness and contribute towards culture change, the Group marked important events in the diversity calendar during 2022 including International Women's Day, Pride, International Day of Disability and Mental Health Awareness Week.
Benefits Review	The Committee notes the potential impact that pay and flexible benefits packages can have in relation to diversity. Therefore, during 2022 the Group commenced a review of the pay and benefits arrangements across the Group, with a view to supporting the Group's D&I strategy and Employer Value Proposition.

Succession planning

The Group acknowledges the importance of succession planning in achieving the Group's strategy and in developing a diverse pipeline of talent. Succession planning for the Board and senior management is therefore kept under review by the Committee, and regular Talent updates are received from the Group HR Director and/or Director of Talent and Diversity. As set out in our Equality, Diversity and Inclusion Policy, the Group's succession plans are based on merit and objective criteria, and within this context promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.

Board composition

The Board currently includes six Independent Non-Executive Directors, who together bring a balance of skills, experience and perspectives to the Board, in addition to a diversity of views. The full biographies of the Non-Executive Directors can be found on pages 88 and 89.

Nigel Mills holds the role of Senior Independent Director. His 30-year banking 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.

Simon Litherland is Chief Executive of Britvic plc 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, employee engagement and ESG.

Joanna Place has a breadth of leadership experience, gained during the course of her 35-year executive career at the Bank of England. Her knowledge and insights in the fields of economics, public policy, human resources, sustainability and organisational culture are a valuable addition to the Board as we continue to implement our programme of progressive change.

Annemarie Durbin is the Chair of the Remuneration Committee. Annemarie is a highly experienced international business executive, with a strong background in banking, corporate governance, human resources and executive remuneration.

Andrew Wyllie brings relevant sector experience to the Board and has a long and successful track record within the construction industry, having previously been Chief Executive of Costain Group PLC. His industry knowledge, expertise and perspective is valuable to the Board.

Shirine Khoury-Haq is the Chair of the Audit & Risk Committee. Shirine, who is the Chief Executive Officer of The Co-operative Group, brings a wealth of corporate and leadership experience to the Board, particularly in relation to finance, technology and real estate, having previously worked in businesses operating across a range of sectors.

Board succession

During the year the Committee considered the balance of skills and experience of Board members, as well as the qualities, knowledge and experience required to ensure the Board continued to remain effective. In this context, the diversity of the Board was also considered. The Committee is broadly satisfied that the combination of skills, experience and knowledge on the Board and its Committees is appropriate, being broad, deep and relevant to the Group, its strategy, operations and marketplace. However, during the year the Committee agreed that it would be beneficial to appoint an Independent Non-Executive Director with relevant industry experience. The search for a suitable candidate is ongoing and the outcome of the process will be announced in due course.

Senior management succession

During the year the Committee received Talent reports on, and had oversight of, the Group's significant Talent and senior management succession planning activities, details of which are set out in the table.

It is anticipated that the Group's substantial Talent and succession planning activities, combined with its significant focus on diversity and inclusion, will lead to the development and maintenance of a diverse pipeline of talent for succession to senior management and executive positions.

Talent and succession planning activity	Detail
Talent review	A comprehensive review of the Group's talent was completed during the year, covering c.3,000 employees in senior and middle management roles across the Group's housebuilding businesses and centralised functions. The review has enabled the Group to develop robust and detailed succession plans, identifying immediate to long-term successors. Training and development needs have also been identified, which are being supported by newly created and/or enhanced development programmes (see below).
MD essentials	During the year work was undertaken to strengthen MD Essentials, which is a training resource for the Group's current (and aspiring) Managing Directors who run the Group's housebuilding operating businesses. MD Essentials includes guidance and information designed to provide current and aspiring MDs with the broad knowledge they need to take on the significant management responsibilities of the MD role.
MD Leadership Development Programme	With the support of an external leadership development specialist, this programme provides management training, support and development to the Group's Managing Directors. Feedback from programme participants has been very positive, with the programme contributing towards the adoption of new management styles and improving the ability of our MDs to manage and develop their employees.
Future Leaders Programme	This newly created programme was launched in 2022 and is designed to develop high-performing functional directors who have the potential to be promoted further. The programme will equip participants with the skills and knowledge required to become a Managing Director of one of the Group's housebuilding businesses, or a director of a centralised Group function.
High Potential Programme	The Talent Review identified a number of consistently high performing individuals who have the potential to move into more senior roles. This new programme will aim to develop and broaden participants' experience, enabling them to achieve promotion and develop their careers further.
Graduate Management Training Programme	This programme, which was established in 2021, recruited its second cohort during the year with the objective of securing a broad talent base from which we anticipate that members of our senior management teams of the future will be selected. Working with an experienced recruitment partner, we are able to ensure that the programme actively encourages applications from underrepresented groups. To date, our 2021 and 2022 cohorts comprise 19 graduates, including seven females.

Composition, succession and evaluation

Nomination Committee report continued

Feedback from the 2022 Board evaluation

Examples of what the Board does well
The Chairman and Group Chief Executive enjoy an open, trust-based relationship
The Board is confident in the Group Chief Executive's ability to deliver the Group's strategy
The Board provides effective leadership by role-modelling the Group's values and culture
The Chairman promotes open discussion that leverages the Board's collective knowledge and experience
The Board has ensured that the Group has established ethical guidelines, purpose, and values

Areas for enhancement	Action
Additional time to understand the needs of the Group's customers would be beneficial	The Board will invite the Chief Customer Experience Officer and the Group Sales Director to present at a 2023 board meeting on how the Group is better understanding its customers' needs. This presentation would be in addition to the Customer Experience presentation that is delivered at the Board's annual Strategy Day.
The Board could benefit from increased industry experience	This has been an area of focus for the Nomination Committee during 2022, which agreed during the year that it would be beneficial to appoint an Independent Non-Executive Director with relevant industry experience. The outcome of the process will be announced in due course.
Succession planning for key roles in the management team	Succession planning for the Group Chief Executive and Chief Financial Officer will be an area of increased focus for the Nomination Committee during 2023.
Internal financial controls	The Audit & Risk Committee's 2022 annual formal assessment of the Group's internal controls concluded that controls generally operated effectively, see page 122. We have increased resource to review the Group's preparedness for the changes resulting from anticipated legal and regulatory reforms (sometimes referred to as "UK SOX") and this will be an area of focus for the Audit & Risk Committee during 2023.
Culture	To build upon the Group's significant changes and improvements in recent years, the Board will continue to lead improvements in the Group's culture.
Persimmon's ability to attract and retain talent at all levels	This has been an area of increased focus for the Nomination Committee in the last two years. Improvements have been made, such as the MD Leadership Development Programme and the Future Leaders Programme. Further actions will be taken forward in 2023, including the establishment of a Women's Network. The Nomination Committee and Board will continue their focus on, and oversight of, these matters.

Actions taken during the year in response to the 2021 Board evaluation

Feedback from 2021 evaluation	Action taken during 2022
Increased face-to-face time for Board members	Following the relaxation of Covid-19 restrictions, Board meetings and dinners in 2022 were held face-to-face.
Ensure a thorough induction for new Chief Financial Officer	A comprehensive induction was provided. See page 108 for further details.
The Board may benefit from increased housebuilding experience	Following consideration by the Nomination Committee, the search for a new Non-Executive Director with relevant industry experience was initiated. The search is currently ongoing.
Optimisation of Board composition and succession planning processes	Jason Windsor was appointed as Chief Financial Officer in 2022. Succession planning was an area of focus for the Nomination Committee during 2022, exercising oversight of the Group's talent development and succession planning activities, including the Talent Review, the MD Leadership Development Programme and Future Leaders Programme.

Board evaluation

During 2022 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 BoardClic, a digital board evaluation platform.

The evaluation involved Board members completing an extensive questionnaire which had been set by BoardClic based on corporate governance best practice. Using the questionnaire, Board members conducted a thorough assessment of the Board and its Committees, and provided detailed feedback on the areas where they considered the Board and its Committees had performed well, and those areas where improvements could be made.

Following completion of the questionnaire, BoardClic prepared detailed reports for the Board and its Committees, setting out the results of the questionnaire and the feedback received from Board members. The reports were issued to all Board members and were discussed at subsequent Board and Committee meetings.

In addition to the internal Board evaluation, the Senior Independent Director undertook an appraisal of the Chairman's performance. The appraisal consisted of private discussions between the Senior Independent Director and each Board member. The result of the appraisal was reported to the Board without the Chairman present, following which feedback was provided to the Chairman. Following this appraisal 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

Chair of the Nomination Committee

28 February 2023

Audit, Risk and Internal control

Audit & Risk Committee Chair's statement



The composition of the Committee has remained stable throughout the year, retaining the extensive and broad range of skills and experience to fulfil its duties effectively.



Shirine Khoury-Haq
Chair of the Audit & Risk Committee

I am pleased to present the Group's Audit & Risk Committee Report for the year ended 31 December 2022.

This report details the work of the Committee within the year, and how it has discharged its responsibilities around financial and non-financial reporting, audit, risk and internal control, as outlined within its terms of reference. In performing these duties, the Committee has complied with the requirements of the UK Corporate Governance Code and adhered to relevant best practice guidance as published by the FRC.

The Committee has worked especially closely with the Group's finance team, operational management teams and Ernst & Young LLP (EY), as the Group's external auditor. This close cooperation has enabled the Committee to ensure the Group has provided clear and accurate financial and non-financial reporting, with appropriate challenge of accounting judgement and estimates, and has operated with effective risk management, internal control and internal audit regimes.

The Committee has been renamed within the year. This followed a decision to merge the business of the Committee with that of the Risk Committee, reflecting the increased focus of the Board on risk management and maintenance of appropriate mitigating internal controls.

The other priorities and duties of the Audit & Risk Committee have remained unchanged. The Committee has maintained particular focus on its oversight of the integrity and quality of financial reporting, ensuring an effective external audit, and reviewing the work, performance and independence of the Group Internal Audit department.

The composition of the Committee has remained stable throughout the year, retaining the extensive and broad range of skills and experience to fulfil its duties effectively.

Audit & Risk Committee Members and meeting attendance 2022

	Scheduled meetings attended	Percentage of meetings attended
Shirine Khoury-Haq (Chair)	4/4	100%
Joanna Place	4/4	100%
Simon Litherland	4/4	100%
Andrew Wyllie	4/4	100%

Key duties of the Audit & Risk Committee

The main role of the Audit & Risk Committee is to support the Board in fulfilling its corporate governance responsibilities. In particular, and as outlined within its terms of reference, the Committee provides oversight of the following:

- Processes for financial reporting (including key accounting judgements and estimates) and non-financial reporting
- External audit
- Risk management framework
- System of internal controls
- Group Internal Audit processes



Areas of focus

Economic uncertainty

The business environment has been subject to a range of uncertainties within the year, most notably in respect of political change and the combined impacts of inflationary pressures and rising interest rates. Uncertainties have extended to the legislative and regulatory environment, with ongoing evolutions in key areas such as climate change reporting, the Developer Pledge and audit reform. In this context of uncertainty, the Committee has placed particular focus on estimates and areas of accounting judgement, such as the Group's asset-carrying values, going concern assessments, Viability Statement and overall liquidity. In each case, these considerations have been subject to extensive management modelling and review, with further scrutiny through the work of the external auditors. The Committee has worked to continually challenge these assessments and ensure their appropriateness.

Corporate reporting

The Audit & Risk Committee has monitored and reviewed the Group's financial and non-financial reporting throughout the financial year ended 31 December 2022, with a particular focus on governance and integrity of reporting. This has included reviewing both the Half Year Report and the Annual Report for the year and all associated regulatory disclosures, including those describing its management of climate change risk in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). At the request of the Board, the Audit & Risk Committee has considered the 2022 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.

External audit: oversight, quality, independence and objectivity

An ongoing area of focus for the Committee is safeguarding the quality, independence and objectivity of our external audit provision. To do this effectively, the Committee has worked closely with EY to understand and challenge their methodology, resource commitments and investments in technology, and ensured that an appropriate fee structure is in place to support their work. The Committee has also overseen processes to obtain detailed input on auditor performance from internal stakeholders, reviewing feedback from these processes to inform discussions on further quality improvements with the audit partner. Independence and objectivity have been managed through a range of measures, including private meetings between EY and the Committee, a Group policy limiting the provision of non-audit services, review of EY's independence declarations and periodic rotation of the audit partner. Given the Committee's extensive work in this area, we remain satisfied that EY continues to be independent and objective and that the audit is effective.

Internal control and risk management

In line with the requirements of the UK Corporate Governance Code, the principal and emerging risks facing the Group were assessed by the Committee. This included a review of the results of a comprehensive survey of the Board and senior management, with particular focus on movements in certain risk areas and the effectiveness of the Group's controls to manage and mitigate these risks. The effectiveness of the Group's internal control environment has been subject to routine assessment through the work of the Group Internal Audit department, with a specific summary report presented to the Committee on an annual basis.



In yet another year with unpredictable external influences, the Audit & Risk Committee has ensured the accuracy of financial reporting, the adequacy of internal controls and the appropriate management of risk. I am very thankful to Persimmon's excellent internal audit team and management, as well as my fellow directors, for their conscientiousness, focus and challenge.



To strengthen our capabilities around risk and internal controls further, we have appointed a Group Internal Control Manager to oversee the implementation of a new controls monitoring system, based on the COSO framework. This role has performed valuable work in support of the Group's preparations for reforms arising from the Department for Business, Energy and Industrial Strategy (BEIS) consultation 'restoring trust in audit and corporate governance'. The Committee has continued to receive routine updates on progress in this key area.

Internal audit

The Committee has continued its routine work in supervising and monitoring the effectiveness of the Group Internal Audit department. During the year, this has included review and approval of the annual internal audit plan, and reviewing the routine reporting of the Group Internal Audit Manager on internal audit findings, follow-up actions and performance. The Committee has also approved the department's development plan and resourcing provision for 2023, and the preparations for the periodic External Quality Assessment (EQA) of the department, which will fall due in 2023.

Anticipated areas of focus for 2023

Going forward, the Committee will retain its emphasis on ensuring robust and accurate financial and non-financial reporting, supported by high quality external and internal audit. The development of reforms in audit and corporate governance will be another key area of focus, ensuring the Group takes appropriate steps for compliance and alignment with emerging good practice. The Committee will also assess the effectiveness of internal audit provision following changes in the resourcing profile and the results of the planned EQA.

Further detailed information on the work of the Committee during the year in these areas is set out below.

Shirine Khoury-Haq
Chair of the Audit & Risk Committee
28 February 2023

Audit, Risk and Internal control

Audit & Risk Committee report

Audit & Risk Committee composition and attendance

In line with the provisions of the UK Corporate Governance Code, the Audit & Risk Committee is composed exclusively of Non-Executive Directors. The membership of the Committee has been unchanged throughout 2022, enabling the continued benefit from the broad range of skills and experience of the members. These are detailed further within the Board biographies in the Governance Report on pages 88 to 89. The Board remains satisfied that Shirine Khoury-Haq has recent and relevant financial experience appropriate to Chair the Audit & Risk Committee, through her role as Group Chief Executive Officer for The Co-operative Group, where she previously held the role of Group CFO.

In addition to the Audit & Risk Committee members, the meetings of the Committee are attended by the Company Secretary, Group CFO and Group Internal Audit Manager, as well as representatives from

the external auditors. By invitation of the Chair of the Audit & Risk Committee, the Group CEO, Group CFO, other Board members and senior managers of the Group have also attended meetings, either in full or in part, within the year.

The Audit & Risk Committee meets four times per year, with all members in attendance for each of these meetings within 2022. In addition to the normal schedule of meetings, the Committee held discussions separately and privately with the external auditors, the senior management team and the Group Internal Audit Manager.

Committee governance

The Committee performs an annual review of its terms of reference, ensuring that it remains reflective of good practice in corporate governance. Within 2022, the terms of reference were subject to update to reflect the merging of the business of the Committee with that of the Risk Committee, and the heightened focus of the Board on risk management and the system of internal controls. As noted in the

governance report on page 115, an internal evaluation of the Committee was also performed within the year. The results of this evaluation were positive, including an assessment against a benchmark group of companies. There were no material improvement areas identified from the evaluation.

Audit & Risk Committee activities in 2022

The activities of the Audit & Risk Committee follow a well-established annual cycle aligned with the Group's financial reporting calendar, ensuring appropriate and timely oversight for audit planning and the other key actions of the Committee. The annual cycle is finalised in the Committee's February meeting, with the review of all year end matters, such as the assessment of the draft Annual Report and Accounts to ensure it is fair, balanced and understandable, the assessment of significant financial judgements, and the review of viability and going concern disclosures.

April 2022

External audit

- Review of external auditor performance

Internal audit

- Review of the report of Group Internal Audit
- Review and approval of Group Internal Audit Charter

Risk management and internal control

- Status report on preparations for UK governance reforms
- Update on the Group's anti-money laundering controls

August 2022

Corporate reporting

- Half year statement review

External audit

- Review of external audit report on half year audit
- Fee structure review and approval
- Private meeting with the Committee members

Internal audit

- Review of the report of Group Internal Audit

Risk management and internal control

- Status report on preparations for UK governance reforms
- Review of the Group Tax status report
- Review of performance of the shared equity loan portfolio
- Update on Group Procurement controls
- Review of cyber security improvement plans
- Review of FibreNest improvement plans

December 2022

External audit

- Audit plan finalised and agreed
- Independence review

Internal audit

- Review of the report of Group Internal Audit
- Approval of the 2023 annual internal audit plan
- Private meeting with the Group Internal Audit Manager

Risk management and internal control

- Status report on preparations for UK governance reforms
- Review of principal and emerging risks
- Review of cyber security improvement plans
- Review of FibreNest improvement plans

Committee governance

- Review of Committee terms of reference
- Internal Committee evaluation

February 2023

Corporate reporting

- Review of annual report as fair, balanced and understandable
- Review of draft full year results, including viability and going concern
- Review draft TCFD reporting for Annual Report

Internal audit

- Review of the report of Group Internal Audit
- Review of draft full year results, including viability and going concern

External audit

- Review of external audit report on full year audit
- Private meeting with the Committee members

Risk management and internal control

- Review of the statement of effectiveness of internal controls
- Status report on preparations for UK governance reforms
- Review of the Group Tax status report
- Review of performance of the shared equity loan portfolio

Priorities and main activities during the year

Further details on each of the Audit & Risk Committee's priorities and main activities for the 2022 financial year are set out below.

1. Corporate reporting

The Audit & Risk Committee is responsible for the integrity of financial reporting, including the review of the Group's Annual Report, Half Year Report and related regulatory announcements. Financial reporting is prepared by the Finance team, and subject to verification processes supervised by senior management in order to ensure the accuracy of the underlying information. Due to the uncertainties within the business and economic environment, the Committee has placed additional emphasis on accounting estimates and areas of judgement, ensuring robust challenge and verification by both management and external audit.

At the request of the Board, the Audit & Risk Committee has considered whether the 2022 Annual Report taken as a whole is fair, balanced and understandable, and whether it provides the necessary information to enable shareholders to assess the Group's position, performance, business model and strategy. The Committee has reviewed the 2022 Annual Report, taking into consideration a range of information, including the routine reporting it receives from senior management, the external auditors and internal audit. It has also assessed the underlying processes governing financial reporting, and the feedback and assurances from both operational teams and external advisors, concerning quality of information and adherence to requirements under the Companies Act, the UK Corporate Governance Code, Listing Rules and other relevant reporting regulations. Following this review, the Audit & Risk Committee is satisfied that the 2022 Annual Report is fair, balanced and understandable, and meets the required expectations of shareholders.

Assessment of significant financial judgements

In line with its terms of reference, the Committee has performed its assessment of areas of significant financial judgements facing the Group, and the associated identification of risks of potential misstatement within the Group's financial statements. The material financial issues facing the Group in 2022 have been assessed as follows:

Area of focus	Risk factors	Procedures performed by the external auditors	Committee assessment
Revenue recognition The Group's revenue for 2022 was £3,816m. The analysis of total Group revenues is found at Note 5 to the Financial Statements.	Misstatement in relation to revenue recognition could materially affect the revenue in the income statement, particularly if cut-off errors or potential management bias resulted in revenue being recorded in the wrong period.	The accuracy of revenue and cut-off controls is assessed using data analytics tools and detailed transactional testing, in order to trace recorded sales through to cash receipts and legal completion statements. Revenue from housing association sales is also assessed based on the terms of the relevant contracts.	Following review of the management controls in operation and the assurance provided by the external auditors, the Committee is satisfied that the Group's processes and controls over revenue recognition are operating effectively, and that revenues are reported accurately.
Carrying value of land and work in progress At 31 December 2022, the carrying value of the Group's land was £2,092m, the carrying value of work in progress on-site was £1,264m and the cost of sales was £2,948m.	The carrying value of land and work in progress could be subject to impairment should the assessments that underpin them, such as management estimates of market conditions and anticipated selling prices, prove to be inaccurate, or if market conditions were to deteriorate significantly.	Challenge is provided through a range of procedures as set out in the independent auditor's report on page 155. These include: <ul style="list-style-type: none"> • Walkthrough tests on sampled transactions to trace to source records and ensure accurate allocation • Reviewing the valuation process, including attendance at selected valuation meetings • Comparisons of estimated and actual margins to assess forecasting accuracy • Assessing the appropriateness of cost and selling price assumptions. 	The Committee has reviewed the Group's rigorous internal processes for monitoring land and work in progress valuations and profit recognition. 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 the Group's independent Commercial department, and are attended periodically by the Group Internal Audit department, which reports to the Audit & Risk Committee 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 2022 in the context of these controls, and has concluded that the approach adopted by management supported the asset-carrying values.
Legacy buildings provision The Group has increased the value of its provision for remediation works on legacy buildings to £333.3m.	The value of this provision could prove to be inaccurate if further legacy issues are identified or brought within the scope of remediation. The provision is also based on forecasts of costs that could prove inaccurate as the works are ultimately performed.	The external auditor has assessed the Group's key processes and controls in relation to legacy buildings. Following this assessment, the external auditor has challenged the basis for the scope of buildings covered by the provision, the estimated costs for remediation, and assumptions relating to cost inflation, estimated timing of spend and discount factors applied. Further detail is provided in the independent auditor's report on page 155.	Regular updates are provided by management, to both the Board and the Committee, on the performance of remediation works in relation to the legacy buildings provision and other measures to ensure building safety. The Committee has taken time to review and challenge management's assessment and supporting evidence of the scope and anticipated cost of this obligation, including the basis on which the provision has been utilised, treated and disclosed within the financial statements. Following its review, the Committee is satisfied that the carrying value of the provision is appropriate.

Audit, Risk and Internal control

Audit & Risk Committee report continued

Viability Statement

The Committee has reviewed the Group's Viability Statement (see pages 75-77). The Group's approach to assessing viability utilises a range of comprehensive stress testing scenarios, focusing on the potential impact of severe market disruption on the short-to-medium-term demand for new homes. The basis of these scenarios, which assume substantial reductions in sales over a relatively short period, compounded by reduced average selling prices and asset impairments have been reviewed and challenged by the Committee. Following 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 2027.

2. External audit oversight

External audit areas of focus

The Audit & Risk Committee receives routine reports from EY throughout the year, before receiving a final report and presentation of the audit results. The presentation of EY's report on the 2022 audit results took place at the Committee's meeting in February 2023. As noted in our assessment of significant financial judgements, the key risks identified were largely 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 legacy buildings provision. Other financial statement risk areas considered included the impairment of goodwill and intangible assets, share-based payments, the closed sites provision and valuation of the Group's obligations under defined benefit pension schemes. In addition, the Audit & Risk Committee has reviewed EY's assessments of the Group as a going concern, their evaluation of the Viability Statement and their requirements as auditor to address the Board's application of the UK Corporate Governance Code (see independent auditor's report on page 155).

External audit performance and effectiveness

Ensuring the quality and effectiveness of external audit processes continues to be a key priority of the Audit & Risk Committee. The assessments of quality and effectiveness are based on a range of considerations. These include the delivery of the agreed audit plan, the quality of audit reporting, demonstration of appropriate scepticism and challenge on key areas, and feedback obtained through the private meetings with the audit partner. The Committee also makes use of the Group's well-established processes for obtaining detailed feedback on auditor performance from internal stakeholders. The Committee has reviewed the feedback from each of these areas in detail, and has concluded that EY's performance for 2022, and the overall quality of the audit, was satisfactory.

The commitment of EY to a quality audit has necessitated further investments in technology and resourcing. These investments have been reflected in an increase in the audit fee, which was reviewed and approved by the Audit & Risk Committee. The fee paid to EY for their audit work for the 2022 financial year was £451k, further details of which are set out from page 155. Further audit-related fees of £70k were paid to EY for their work on their review of the Group's 2022 Half Year Report. EY also received payments of £50k and £5k for assurance work on carbon emission reporting and for the audit of the 2021 annual report of the Persimmon Charitable Foundation respectively. The ratio of audit fees to non-audit fees for the year was therefore 3.6:1.

Independence and objectivity of external audit

The Audit & Risk Committee monitors the independence and objectivity of the external auditor and lead partner on an ongoing basis, with a formal review annually. This is a crucial area of the Committee's work, as it serves to ensure an appropriate professional scepticism in the work of the external auditor. The independence and objectivity of the external auditor are assessed through a range of measures.

Audit partner rotation

The Group's policy is to rotate the audit partner at least every five years. The lead audit partner is Victoria Venning, who has held the role since April 2021, replacing Peter McIver in line with the Group's policy requirements.

Non-audit services policy

The Group has a defined policy limiting the provision and value of non-audit services performed by the external auditor. The policy represents a key control to ensure that the nature of any non-audit services performed, and the fee earned for such work relative to the fees earned for the audit, does not compromise in fact or appearance 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. The auditor may be commissioned to provide audit related services and permitted non-audit-related services with the specific approval of the Audit & Risk Committee. The Committee has confirmed that this policy was adhered to within the year.

Independence declarations

The external auditor provides a detailed independence confirmation, prepared in line with the provisions of the FRC Ethical Standard and ISA (UK) 260 (Communication of audit matters with those charged with governance). This confirmation is formally reported to, and subject to the review and approval of the Committee.

Private meetings with external audit

The Committee's assessment is further informed by private meetings with EY without management present. Within these meetings, the Committee reviews the auditor's assessment of the business risks and management's mitigation of those risks, and 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 upon them.

The Committee is satisfied that these measures have operated effectively in the year. As such, the Committee continues to consider that EY, and Victoria Venning as lead audit partner, remain independent and objective.

Overall external auditor assessment and re-appointment

As outlined above, the Audit & Risk Committee challenges the external auditor and assesses their performance, independence and objectivity on an ongoing basis, with a formal assessment annually. Following the formal review of auditor performance for the 2022 audit, the Audit & Risk Committee has concluded that EY remain independent and objective, and continue to deliver a satisfactory and reliable audit, which has been undertaken with the necessary diligence and professionalism. Accordingly, the Committee has recommended to the Board that EY be re-appointed as auditor.

EY were first appointed as the Group's auditor in April 2016, following a competitive tender exercise involving three leading audit firms. Since the appointment of EY, the Company has complied with the provisions of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014. In line with the provisions of this Order, the Group will not be required to re-tender the external auditor provision until the full year audit for 2026. However, the Audit & Risk Committee will monitor the performance of EY continuously, and make recommendations on future tendering plans on an annual basis. The Committee considers this approach to tendering to be in the best interests of all stakeholders based on EY's current satisfactory performance and their detailed understanding of the Group's operations.

3. Monitoring the Group Internal Audit department

Persimmon has a well-established Group Internal Audit department, which operates as an independent provider of assurance to the Board in line with a Group Internal Audit Charter that, along with the department's risk-based internal audit plan, is reviewed and approved annually by the Committee.

The Group Internal Audit Manager attends all meetings of the Committee in full, and presents a comprehensive report, including the results of all completed internal audits, the follow-up status of agreed actions, audit performance indicators and the status of department development actions. In 2022, the Group Internal Audit department delivered its agreed audit plan, which included a diverse range of assurance work on issues including land viability processes, Real Living Wage compliance and modern slavery, as well as investigations and other work performed at the request of the Board.

The Group Internal Audit department continues to align its working practices with the Professional Standards of the Chartered Institute of Internal Auditors (IIA), and the IIA's Internal Audit Code of Practice. Adherence to the Professional Standards has been self-assessed by the Group Internal Audit Manager within the year, with the results presented to the Committee. An External Quality Assessment with the IIA will fall due within 2023 and provide additional assurance over the quality and professionalism of the Group's internal audit provision. The Committee was also pleased to note the department's success in the Chartered IIA's UK and Ireland annual Audit and Risk Awards 2022, where they were acknowledged with a 'highly commended' status in the Outstanding Team (Private Sector) category.

The Committee has fulfilled its duties as defined within both the UK Corporate Governance Code and its terms of reference, for monitoring and reviewing the effectiveness of the Company's Internal Audit function.

This has been achieved through a combination of measures, including the review of performance metrics provided to each meeting of the Committee and an annual private meeting between the Audit & Risk Committee members and the Group Internal Audit Manager. At this meeting, the Committee obtained assurances that the independence and objectivity of the Group Internal Audit department is being maintained, and reviewed the department's available skills and resources, noting an expansion of specialist resource and a co-sourcing arrangement would both be deployed within 2023. Following its review, the Committee is satisfied that the Group Internal Audit department remains effective in its provision of independent assurance to the Board, and continues to meet the expectations placed on it through the Group Internal Audit Charter.

Whistleblowing

The Chair of the Audit & Risk Committee has been appointed as the Group's Whistleblowing Champion, and acts as the sponsor to the Group's overall whistleblowing provision. The Group has a defined whistleblowing policy and procedure, which is communicated to the workforce through posters and is available online. The whistleblowing provision allows any member of the workforce to raise concerns, anonymously if necessary, through various different media, including a confidential phone line, e-mail and web forms. The Group Internal Audit department reviews all whistleblowing reports, conducting investigations where necessary, and provides detailed reporting to the Committee on all reports received. This year, the Committee agreed for the Group to enter a partnership with Protect, the whistleblowing charity. This has allowed the Group to benchmark its whistleblowing provision against good practice, and deliver further improvements where necessary. Having reviewed the reports provided on whistleblowing matters within the year, and the agreed action plan following the Protect exercise, the Committee remains satisfied that the Group's approach to whistleblowing is appropriate, and that investigations have been conducted swiftly and with the necessary competence and sensitivity. Where whistleblowing investigations have identified issues or control weaknesses, the Committee has been apprised of these and the resulting recommendations and management action plans.

Audit, Risk and Internal control

Audit & Risk Committee report continued

4. Risk management and internal control

The Audit & Risk Committee recognises the importance of effective systems of risk management and internal control, and plays a key role in monitoring these on behalf of the Board. The key aspects of these systems and related considerations within 2022 were as follows:

Principal risk identification and risk management

In line with the provisions of the UK Corporate Governance Code, the Board routinely assesses the principal and emerging risks facing the Group (see pages 57 to 63). As in prior years, the assessment for 2022 was supported by a detailed survey of the Board and senior management, facilitated by the Group Internal Audit department. The conclusions of this assessment, including the identification of new risk areas and movements in assessment of risk impacts and probabilities, were reported to the Board through the Audit & Risk Committee in its December meeting. At this meeting, the Committee assessed the various principal risks, both individually and in interaction with one another, and the effectiveness of mitigating controls. Emerging risk areas were also reviewed based on feedback from the Board and senior management survey. The Committee's assessment of principal and emerging risks feeds into the Group's overall strategy, which is agreed by the Board and implemented operationally by senior management within the Group. Once agreed, the Group's strategy and management of risk undergoes a continuous and iterative process of implementation, review and adaptation in response to the evolution of conditions in which the Group operates.

The Committee also reviewed the finalised Strategic Risk Register of the Group (including the principal and emerging risks). 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.

Looking forward to 2023, the Committee has agreed a further programme of work to ensure continuous improvement in the Group's risk management framework. This will include a maturity assessment of the Group framework, and an evaluation of the approach to defining risk appetite and performance monitoring in relation to the Group's principal risks.

System of internal controls

The Group's internal control environment, including its system of controls over financial reporting, is based upon the widely recognised 'three lines' model. The first line of defence comprises routine management oversight of operations, performed within a framework of standardised controls developed and overseen by second line functions operating at Group level. The Group Internal Audit department operates as the third line of defence, providing independent and objective assurance on the effectiveness of all aspects of risk and internal control through the delivery of their risk-based annual audit plan and other work performed at the request of the Board. In addition to the 'three lines', the Group benefits from additional assurance over its system of internal controls from third parties, including the external auditors and other specialists where necessary. The Audit & Risk Committee monitors the overall effectiveness of the system of internal controls, through the review of reporting provided by second line functions, external specialists and the Group Internal Audit department.

The Audit & Risk Committee has continued to monitor and obtain updates on the evolving regulatory landscape in respect of internal controls, originating from the BEIS consultation 'restoring trust in audit and corporate governance' and the Government's response. The Group's Internal Control over Financial Reporting (ICoFR) Steering Group was established in 2021 to oversee the preparations for implementing an enhanced formalisation of reporting on internal controls and other anticipated measures, such as the development of an Audit and Assurance Policy. In 2022, the ICoFR Steering Group has been strengthened with the appointment of the Group Internal Control Manager as a dedicated resource to manage this programme of works. The Group has also invested in technology that will support the documentation, assessment and testing of a formalised internal control environment, building on the recognised COSO framework. The Committee receives regular updates from the Group Internal Control Manager on the work of the ICoFR Steering Group, and will keep this area under review throughout 2023.

Review of the effectiveness of internal control

The Audit & Risk 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. Within 2022, in addition to its routine business, the Committee has received additional reporting from management on controls in respect of procurement, tax, the shared equity portfolio and anti-money laundering measures. In line with the Board's strong commitment to mitigating cyber and data risk, which is recognised as a principal risk for the Group, the Committee receives regular updates from the Group IT department. Additionally, the Committee has reviewed externally provided reports on the maturity of the Group's cyber security measures and the FibreNest business, and has assessed its associated actions and improvement plans.

A formal annual assessment of internal controls is performed by the Committee on behalf of the Board, in line with the provisions of the UK Corporate Governance Code. This assessment draws on an independent assessment produced by Group Internal Audit, utilising the Guidance on Risk Management Reporting, Internal Control and Related Financial and Business Reporting issued by the FRC in September 2014. The 2022 assessment concluded that controls were generally operating effectively, albeit with reliance on manual controls in some areas, and with corresponding opportunities for greater formalisation and automation of controls. These opportunities will feed into the work of the Group Internal Control Manager, who is overseeing a programme of control enhancements.

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 32 to the Financial Statements. A complete list of the Company's subsidiaries and residents' management companies under its control are contained on pages 189 to 197.

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 85 and in the Directors' Report on pages 86 to 125. 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 2022 are contained within the Strategic Report. Details of the financial risk management objectives and policies of the Group and associated risk exposure are given in note 23 to the Financial Statements.

The Board has taken advantage of s.414C(1f) 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 2022 was £3.82bn and its consolidated profit before taxation was £730.7m.

The Company may by ordinary resolution declare dividends not exceeding the amount recommended by Directors subject to statute. The Directors may pay interim dividends and any fixed rate dividend whenever the financial position of the Company, in the opinion of the Directors, justifies its payment.

All dividends and interest shall be paid (subject to any lien of the Company) to those members whose names are on the register of members on the record date, notwithstanding any subsequent transfer or transmission of shares.

The Board has recommended the payment of a final dividend of 60p per ordinary share for the year ended 31 December 2022.

In November 2022, it was announced that the Directors decided to conclude the Company's Capital Return Programme. A new Capital Allocation Policy is to be implemented, as set out on pages 3, 19 and 55.

Going concern

After completing a full review, the Directors have satisfied themselves that the going concern basis for the preparation of the accounts continues to be appropriate and there are no material uncertainties to the Group's and Company's ability to do so for the period up to 30 June 2024.

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 88 to 89. Information on the Executive Directors' service contracts and the Non-Executive Directors' letters of appointment are given in the Remuneration Report on page 137. All of the Directors served for the whole of the year, with the exception of Jason Windsor who was appointed to the Board on 11 July 2022. Mike Killoran was the Group Finance Director until he retired on 14 January 2022. The beneficial and non-beneficial interests of the Directors and their connected persons in the shares of the Company at 31 December 2022 and as at the date of this report are disclosed in the Remuneration Report on page 148. Details of the interests of the Executive Directors in share options and awards of shares can be found on page 147 within the same report.

Appointment and replacement of Directors

The Directors shall be no less than two and no more than fifteen in number. Directors may be appointed by the Company by ordinary resolution or by the Board of Directors. A Director appointed by the Board of Directors holds office until the next following AGM and is then eligible for election by the shareholders. The Company may by special resolution remove any Director before the expiration of their term of office.

In accordance with the UK Corporate Governance Code 2018 the Board has determined that all Directors will be subject to annual re-election by shareholders. The Company's Articles of Association ('the Articles') provide that at each AGM at least one third of the Directors shall retire from office and shall be eligible for reappointment and therefore each Director shall retire from office and shall be eligible for reappointment at the AGM held in the third year following their last reappointment.

Powers of the Directors

The business of the Company shall be managed by the Directors who may exercise all powers of the Company, subject to the Articles, the Companies Act 2006 and any directions given in general meetings. In particular, the Directors may exercise all the powers of the Company to borrow money, issue and buy back shares with the authority of shareholders, appoint and remove Directors and recommend and declare dividends.

Capital structure

The following description summarises certain provisions of the Articles and the Companies Act 2006. This is only a summary and the relevant provisions of the Companies Act 2006 and the Articles should be consulted if further information is required. A copy of the Articles may be obtained by writing to the Company Secretary at the registered office.

Amendments to the Articles of the Company may be made by way of special resolution in accordance with the provisions of the Companies Act 2006.

Other disclosures continued

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 2022 116,958 ordinary shares were issued with a nominal value of £11,696 to employees exercising share options. The Company received consideration of £705,131 for options exercised under the Group's savings-related share option scheme. At 31 December 2022 the issued share capital of the Company was 319,323,432 ordinary shares with a nominal value of £31,932,343. At 28 February 2023 the issued share capital of the Company was 319,323,432 ordinary shares with a nominal value of £31,932,343. Further details are provided in note 25 to the Financial Statements.

Shares may be issued with such preferred, deferred or other rights or restrictions, whether in regard to dividend, return of capital, or voting or otherwise, as the Company may from time to time by ordinary resolution determine (or failing such determination as the Directors may decide), subject to the provisions of the Companies Act 2006 and other shareholders' rights.

There are no securities carrying special rights with regard to control of the Company.

The Directors may allot, grant options over, or otherwise dispose of shares in the Company to such persons (including the Directors themselves) at such times and on such terms as the Directors may think proper, subject to the Articles, the Companies Act 2006 and shareholders' rights. At the AGM held on 27 April 2022 shareholders gave Directors authority to allot ordinary shares up to a maximum nominal amount of £10,642,179, representing approximately one third of the Company's issued share capital as at 7 March 2022. Shareholders also gave Directors authority to disapply pre-emption rights on the issue of shares up to 5% of the issued share capital, being an aggregate nominal amount of £1,596,327. These authorities will expire at the conclusion of the AGM on 26 April 2023. Resolutions to renew these authorities will be put to shareholders at the forthcoming AGM.

Votes of members

All issued shares in the Company are fully paid and there are no restrictions on voting rights. Votes may be exercised in person, by proxy, or in relation to corporate members by a corporate representative. The deadline for delivering either written or electronic proxy forms is not less than 48 hours before the time for holding the meeting.

To attend and vote at a meeting a shareholder must be entered on the register of members at a time that is not more than 48 hours before the time of the meeting, calculated using business days only.

On a vote on a poll, each member present in person or by proxy or by duly authorised representative has one vote for each share held by the member. On a vote on a show of hands, each member being an individual present in person or a duly authorised representative of a corporation has one vote. Each proxy present in person who has been appointed by one member entitled to vote on a resolution has one vote. If a proxy has been appointed by more than one member and has been given the same voting instructions by those members, the proxy has one vote.

If the proxy has been appointed by more than one member and has been given conflicting instructions, or instructions to vote for or against by one member and discretion by another, the proxy has one vote for and one vote against a resolution.

Details of employee share schemes are set out in note 30 of the Financial Statements. The Trustee of the Persimmon Employee Benefit Trust may vote or abstain on shareholder resolutions as it sees fit.

Transfer of shares

There are no restrictions on the transfer of securities in the Company. Any member may transfer their shares in writing in any usual or common form or in any other form acceptable to the Directors and permitted by the Companies Act 2006 and the UK Listing Authority. The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of shares or that may result in restrictions on voting rights.

Qualifying third party indemnity provisions and qualifying pension scheme indemnity provisions

The Company has granted an indemnity in favour of its Directors and former Directors, against liability that they may incur in the course of performing their duties as Directors of the Company. The indemnity has been put in place in accordance with Section 234 of the Companies Act 2006 and remained in force on the date of approval of this report. Prior to granting the indemnity appropriate legal advice was sought by the Company.

The Company has not issued any qualifying pension scheme indemnity provision.

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 23 of the Financial Statements, all amounts become due and payable under the terms of the facility if any person or group of persons acting in concert gains control of the Company.

Emissions

The Group's greenhouse gas emissions are set out in the Strategic Report on page 47.

Employee involvement

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on various financial and economic factors affecting the performance of the Group. The Group has introduced an employee news app, publishes an employee newsletter and uses regular email updates from relevant directors to ensure employees are kept well informed of the Group's operations.

As mentioned on pages 38 and 100 of this report, the Group has an Employee Engagement Panel, which is attended by our designated Workforce Director. This allows employees to receive information on board activities and to ask questions. The designated Workforce Director gives update on the Employee Engagement Panel to the Board.

There is also a Diversity & Inclusion Council and a Diversity and Inclusion Working Group, which are part of the Group's commitment to employee engagement, diversity and corporate governance best practice. The Company regularly updates its employment policies and staff handbooks, to which all employees have on-line access through the HR Information System, to keep them up-to-date with information relating to their employment. Details of how we engage with our employees are set out on pages 37 and 79.

The Company makes various benefit schemes available to employees, including a savings-related share option scheme which encourages the awareness and involvement of employees in the Group's performance. All employees are encouraged to participate.

In addition, information concerning the financial performance of the Group is communicated to employees.

Equal opportunities

Persimmon is an equal opportunities employer. We are committed to encouraging equality, diversity and inclusion among our workforce and eliminating unlawful discrimination. Our aim is for our workforce to be truly representative of all sections of society and our customers, and for each employee to feel respected and able to give their best.

Persimmon is committed to being inclusive for individuals with disabilities, and will support candidates and employees with adjustments to support them to perform at their best and fulfil their potential.

Financial instruments

Details of the Group's financial instruments are set at in note 23 to the Financial Statements.

Acquisition of own shares

At the AGM held on 27 April 2022 shareholders granted the Company authority to purchase up to an aggregate of 31,926,537 of its own shares. No shares have been purchased to date under this authority and therefore at 31 December 2022 the authority remained outstanding. This authority expires on 26 April 2023 and a resolution to renew the authority will be put to shareholders at the forthcoming AGM.

At 31 December 2022 the Company held no shares in treasury.

Annual General Meeting

The AGM will commence at 12 noon on 26 April 2023 at York Racecourse, Knavesmire Road, York, YO23 1EX. The Notice of Meeting and an explanation of the ordinary and special business are given in the AGM circular, which is available on the Company's website and which will be sent to shareholders in March 2023.

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 2022 and as at 28 February 2023, 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:

Name	As at 31 December 2022		As at 28 February 2023		Nature of holding
	Number of voting rights ¹	% of total voting rights	Number of voting rights ¹	% of total voting rights	
Black Rock Inc	31,741,385	9.92	31,741,385	9.92	Indirect
Canada Pension Plan Investment Board	13,285,338	4.16	13,285,338	4.16	Direct

1. Represents the number of voting rights last notified to the Company by the shareholder in accordance with D.T.R.5.1.

Directors' responsibility

The Directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulations. The Directors consider that the Annual Report and Accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. The Board reached this conclusion after receiving advice from the Audit & Risk Committee. Further details are provided on page 119.

By order of the Board

Tracy Davison
Company Secretary
28 February 2023

Persimmon Plc
Company registration number 1818486

Item	Further information
Statement of Directors' share interests	» Read more on page 148.
Details of the authority for the Company to purchase its own shares	» Read more on page 125.
Details of any arrangements under which a Director of the Company has waived or agreed to waive any emoluments from the Company	» Read more on page 143.

Remuneration

Remuneration Committee Chair's statement



I am pleased to present the Group's Remuneration Report for the year ended 31 December 2022.



Annemarie Durbin
Chair of the Remuneration Committee

During a year when many have struggled with the cost of living crisis, it is more important than ever to ensure that our approach to remuneration for the senior leaders and the broader workforce is aligned to our strategy to build homes with quality our customers can rely on at a price they can afford.

Our focus and approach in 2022

The Group traded strongly in 2022 despite continuing supply chain issues in the early part of the year and a more difficult sales environment in the second half of the year. Towards the end of the year, rising interest and mortgage rates and higher levels of inflation significantly impacted customer confidence. In the context of this challenging environment, the Board was very pleased with the financial performance in the period, with strong profit and cash generation and returns to shareholders as described in the Group Chief Executive's statement on pages 14 to 20. It is particularly pleasing that the Group's strong performance has been delivered whilst remaining focused on building quality homes, customer care and maintaining high standards of health, safety and wellbeing for our customers, our workforce and the communities in which we operate.

In particular:

- We continued to focus on the quality of our homes and our customer care, and remain above 90% under the HBF "Recommend a Friend" survey. Given our strategic focus on quality and customer care, we continue to use these as performance measures for the annual bonus and PSP. Details of the outturn for 2022 are set out on pages 143 and 144.

- Over the last 2 years the Persimmon Charitable Foundation as a whole has donated over £2.4m, and the Persimmon Community Champions scheme has donated over £1.35m to more than 1,400 local charities, sports clubs and community groups.
- During 2022, we tracked several potential environmental measures that we could apply to PSP awards. We now consider that we are in a position to incorporate a long-term environmental measure in the PSP which has robustly calibrated metrics against which meaningful targets can be set in line with our key priorities. Therefore, the 2023 PSP awards will have an environmental metric (based on our Science Based Targets for scope 1 and scope 2 emissions reduction) with a 10% weighting. This supports the achievement of our long-term sustainability target and reflects the importance of sustainability to Persimmon.

Remuneration Committee Members and meeting attendance 2022

	Scheduled meetings attended	Percentage of meetings attended
Annemarie Durbin (Chair)	4/4	100%
Nigel Mills	4/4	100%
Joanna Place	4/4	100%



The Executive Directors, the management team and, indeed, all of our colleagues, have worked exceptionally hard to deliver these strong results. Their achievements are reflected in the 72.78% outturn for the Executive Directors' 2022 bonus, achieved against the very stretching performance targets that we set for the year.

Given the cost of living challenges faced in 2022, we have been even more focused on ensuring that our approach to remuneration for all employees is aligned to our strategy to build homes with quality our customers can rely upon at a price they can afford. This compelling purpose aligned to our remuneration approach supports the delivery of long-term sustainable performance, to benefit all stakeholders.

The Committee has been very mindful of the impact of inflation on our workforce and our communities. In this context we were pleased to see a number of enhancements being implemented for the broader workforce. These included:

- Implementing the Real Living Wage increases in January 2023 ahead of the required May 2023 timeline, as part of our accreditation as a Living Wage employer;
- Implementing a tiered pay review in July 2022 with 7% going to those employees on the lowest base salaries;
- Progress towards harmonising remuneration and benefit practices for our weekly paid workforce to align more closely with our monthly paid colleagues; and
- Continuing to review and improve the benefits available to our employees including enhancing our paternity policy and increasing holiday entitlement.

During the year, we reviewed our Remuneration Policy to ensure this continues to align to best practice and support the five key priorities of the Group. The conclusion of our review is that the current Policy is functioning well and appropriately supports our strategy.

Therefore only minor changes are proposed. See page 128 for a summary of the changes and pages 132 to 139 for the detailed Policy which we are asking shareholders to approve at the AGM.

Jason Windsor, our Chief Financial Officer, joined the business in July and received buy-out awards for remuneration which was forfeited when he left his previous role. Details of these, together with his remuneration on joining Persimmon, were communicated to shareholders in the 2021 Directors' Remuneration Report.

The buy-out awards were made on the basis that any compensation due should not result in an outcome where the individual received more than would have been due had they remained in post. Further information is set out on page 145.

When granting the buy-out awards in respect of remuneration forfeited by Jason Windsor when he joined the Group, we were mindful of the risk of "windfall gains". We considered the relevant share prices and took action to mitigate these risks, both when Jason joined in July 2022 and when we granted Jason's PSP award in September 2022. Further information in relation to each is set out below.

2022 Remuneration outcomes

The Committee set very stretching targets for the year across a range of key metrics which support the delivery of our five key priorities. The annual bonus opportunity for the Chief Executive in respect of 2022 was based on a mix of financial metrics (60%) and ESG/cultural metrics (40%). For the period since joining Persimmon the bonus for the Chief Financial Officer was based on the same metrics as the Chief Executive. Reflecting the performance which has been delivered in an extremely challenging year, as set out on page 130 the annual bonus outcomes for the Chief Executive Officer and Chief Financial Officer were 72.78% of maximum, resulting in 145.56% and 127.37% of salary respectively. This part of the bonus for the Chief Financial Officer will be pro rated to reflect his date of joining Persimmon.

Full details of the targets and performance achieved can be found on pages 143 and 144. This is consistent with annual bonus outturns across the Group.

When considering the outturns, the Committee has taken a holistic view, including in relation to the employee and wider stakeholder experience, in addition to performance relative to the targets and objectives set. The Committee believes that the outcomes are an appropriate reflection of wider performance and the Committee has not exercised any discretion in relation to remuneration outcomes for Executive Directors.

194 employees (including the Chief Executive and former Finance Director) hold PSP awards which were granted in 2020 and which vest by reference to performance over the three years ended 31 December 2022. Reflecting performance over that three year period, the awards will vest at 58.72% of the maximum, and then be subject to a two year holding period before the shares are released to the participants.

The Committee is satisfied that no windfall gains occurred in respect of the 2020 awards as the share price at grant was broadly in line with the price the previous year, and higher than the current share price, so no adjustments have been made. Further details including the grant prices are provided on pages 144, 145 and 147.

New Chief Financial Officer Remuneration

Details of the remuneration for Jason Windsor were disclosed in the 2021 Directors' Remuneration Report and can also be found on page 145. For the proportion of 2022 prior to joining Persimmon the CFO's annual bonus takes into account the Aviva plc bonus outturn for the year ending 31 December 2022 as disclosed in its annual report and accounts for that year.

At the date of this report the Aviva plc annual report was not published and therefore the value of this 2022 bonus buy-out is not disclosed in this Directors' Remuneration Report ("DRR"). The value of this bonus buy-out will be disclosed in full in the 2023 DRR.

Share buy-out awards were made in July 2022, and when approving these and when granting the PSP award in September, the Committee carefully considered the possibility of windfall gains. For both awards an adjustment was made which reduced the number of shares which would have been granted if the price at date of grant had been used.

For the share buy-out awards, which were made when Jason joined Persimmon, we took into account the movement in the respective Persimmon and Aviva share prices between the announcement in January 2022 of Jason joining, and his start date, and the grant of the awards in July 2022. The Committee concluded that a fair approach, balancing the interests of shareholders, was to use the average price between the announcement date of Jason's appointment (13th January 2022) and his date of joining (11th July 2022). This resulted in a reduction of circa 15% in the number of shares issued compared to using the share price at the grant date.

The PSP award was made in September as part of the normal grant cycle for new joiners. The share price at the time of grant was £14.30. The Remuneration Committee agreed that an adjustment should be made and awards were granted at £17.84 (the share price at the date Jason joined Persimmon). This resulted in a reduction of circa 20% in the number of shares granted compared to using the share price at the grant date. See page 146 for full details of the award.

Remuneration

Remuneration Committee Chair's statement continued

Remuneration Policy

Our current Policy was approved at the 2020 AGM with over 97% votes in favour. At the 2020, 2021 and 2022 AGMs, our Directors' Remuneration Report also received votes in favour of over 90%. In line with the usual timetable for Policy renewal, we will be seeking shareholder approval for a new Policy at the 2023 AGM.

During 2022, the Committee reviewed the current Policy and engaged with stakeholders as appropriate. The conclusion of the review is that the current Policy is functioning well, and appropriately supports our five key priorities. There was strong consensus amongst stakeholders for maintaining the overall current structure. Therefore, the proposed new Policy will retain the framework of the current Policy. Modest changes are proposed to the annual bonus opportunity for the Chief Financial Officer as previously notified to shareholders, with further minor changes to introduce flexibility to aid the operation of the Policy and provide further alignment with best practice. The changes are summarised in the table opposite and the full Policy can be found on pages 132 to 139.

The proposed 2023 Policy has been determined with the following aims:

- to align the interests of the Executive Directors, senior management and employees with those of shareholders and wider stakeholders, and to ensure appropriate alignment with values and key priorities;
- to ensure that remuneration and incentives adhere to the principles of good corporate governance, support good risk management practice and promote long-term sustainable Company performance; and
- to have a competitive mix of fixed remuneration and short-term and long-term incentives, with an appropriate proportion of the package determined by stretching targets linked to the Company's financial and non-financial performance.

Summary of Remuneration Policy changes

Proposed change	2020 Policy	2023 Policy
Bonus maximum opportunity	200% of salary for the CEO and 150% of salary for other Executive Directors.	200% of salary for the CEO. 175% of salary for other Executive Directors. As we explained in the 2021 Directors' Remuneration Report, when combined with the PSP opportunity, this provides Jason Windsor with the same overall incentive opportunity as at his former employer.
Threshold vesting for annual bonus	Payment at threshold performance is up to 10% of maximum.	Payment at threshold performance is up to 20% of maximum. This reflects the level of stretch in the performance targets set and brings our approach into line with typical practice in the FTSE 100 and in sector peers. Payment for on-target performance will remain at up to 50% of maximum in line with the 2020 Policy.
Recruitment policy	The maximum level of variable remuneration which may be granted to a new Chief Executive Officer on appointment (excluding any 'buy out') is 500% of salary, with a maximum of 450% of salary for any other Executive Director.	No change to the maximum for a new Chief Executive, 500% of salary. For any other Executive Director, the maximum will increase to 475% of salary reflecting the change in the bonus maximum.
In service shareholding guidelines	Executive Directors appointed on or after the date on which the 2020 Policy was approved are required to acquire and retain shares with a value equal to 400% of base salary. A holding of 200% of salary should be achieved within 5 years of appointment, with the balance of the guideline acquired within a period agreed with the Chairman.	The overall guideline remains the same. However, Executive Directors will now be required to retain all shares acquired under the PSP and deferred bonus awards, on a net of tax basis, until the shareholding guideline is met, unless in exceptional circumstances the Committee exercises discretion to vary this requirement.
Other changes	Other minor amendments have been made to the 2020 Policy to aid administration and to take account of changes in practice since the 2020 Policy was approved by shareholders. This includes the removal of legacy provisions which do not apply to current or future Executive Directors.	

2023 Implementation Salary

The normal effective date for salary increases for Executive Directors has now been moved to 1 July, in line with other employees.

Dean Finch's salary has not increased since 1 January 2022 and remains at £746,750.

As previously disclosed Jason Windsor's salary was set at £675,000, the same salary as he was receiving in his prior role.

Any salary increases for the Executive Directors for 2023 will be in line with or below the wider workforce. When finalising our approach, we will have regard to all of the circumstances, including the impact of any Executive Director salary increases on their total remuneration opportunities. We will confirm any changes to the Executive Directors' salaries in the 2023 Directors' Remuneration Report.

Annual bonus

The maximum bonus quantum for Dean Finch will remain at 200%. As previously disclosed and set out above, the bonus opportunity for Jason Windsor has been agreed at 175%, subject to shareholders approving a change to the Remuneration Policy.

The performance measures applying to both Executive Directors for 2023 are subject to a minor change from the previous year. 60% of the bonus remains subject to financial performance (profit before tax and cash generation). The cultural metrics are customer care (25%) and build quality (15%). The environmental target has been removed from the annual bonus and incorporated into the PSP awards for 2023. Further details are set out on page 152.

The financial targets are commercially sensitive and therefore will be disclosed in the 2023 Remuneration Report. Delivery of a stretching target level of performance will result in the Executive Director receiving 50% of the maximum award. Vesting is at 20% of the maximum for threshold performance (subject to shareholders approving this change to the Remuneration Policy).

PSP

The 2023 PSP awards will be made following the AGM in April when the vote on the 2023 Remuneration Policy has taken place.

The maximum PSP award for each Executive Director will remain at 200% of salary. The metrics for PSP awards to be granted in 2023 will be changed to include an environmental metric based on achievement of our Scope 1 and 2 Science Based Targets. We are mindful that a significant percentage of our carbon footprint is created from the indirect activities of our business, including carbon emissions from our supply chain for materials and services, and from sold homes in use, but we also recognise that data capture is still maturing and actions required to reduce these Scope 3 emissions will take a number of years and require sector wide collaboration. The Committee will keep this under review. For the 2023 PSP, we believe setting a robust and measurable scope 1 and 2 emission target is the most suitable environmental metric.

The proposed metrics are relative TSR (35%), cash generation (35%), environmental (10%) and a cultural metric (20%) based again on the HBF customer 'recommend a friend' score based on the 9 month HBF survey. Further details of the metrics can be found on pages 152 and 153. The targets for the cash generation metric and for the environmental metric are not yet finalised and will be disclosed in the regulatory announcement when the awards are granted, in addition to being included in the Directors' Remuneration Report for 2023.

The Board believes in the importance of ESG and cultural metrics and this is reflected in our use of customer care and quality in the annual bonus and PSP, and the incorporation of a clear and measurable environmental target in the PSP. When taking into account both the cultural and ESG metrics, there is now a 30% ESG weighting in total in the PSP.

The Committee continues to be mindful of the risk of "windfall gains". When the 2023 PSP awards are made the Committee will carefully consider the quantum of the grants, having regard to share price performance and market conditions at that time.

The Committee considers that the overall executive remuneration approach is fair, balanced and reasonable taking into account the interests of all stakeholders.

Non-Executive Directors

Information in relation to the approach to Non-Executive Director fees is set out on page 153. The Committee determines the Chairman's fee and the Board (excluding the Non-Executive Directors) determines the Non-Executive Directors' fees.

In line with the approach for Executive Directors, fees were increased on 1 January 2022 as disclosed in the 2021 Directors' Remuneration Report and there has been no increase since this date. In line with the wider workforce, fees for Non-Executive Directors will be reviewed with an effective date for any increases of 1 July 2023.

Looking ahead – key focus areas for the Committee for 2023

We believe that the proposed Directors' Remuneration Policy is fully aligned to our five key priorities and reflects best practice and trust that this will result in a positive shareholder vote at the AGM.

2023 will be a challenging year for the Group with uncertainty in the wider economic environment. We will continue to monitor the operation of the Policy to ensure that targets remain relevant and stretching and that it provides an appropriate level of reward to attract and retain high calibre individuals in a very competitive market. We will continue to consider the experiences of the wider workforce, our shareholders and other stakeholders and to remunerate executives fairly and responsibly.

We remain committed to a responsible approach to executive pay, as I hope this Directors' Remuneration Report demonstrates. We believe the Policy operated as intended and consider that the remuneration the Executive Directors received in 2022 is appropriate, taking into account Group performance, personal performance, and the experience of shareholders, employees, and our customers.

As always, I am happy to meet or speak with shareholders if there are any questions or feedback on our approach to executive remuneration, and I hope that we will earn your support at the forthcoming AGM.

Annemarie Durbin
Chair of the Remuneration Committee
28 February 2023

Remuneration

At a glance

2022 actual remuneration

	CEO Dean Finch	CFO Jason Windsor
Salary	£746,750	£675,000
Pension/salary supplement	9% of salary in line with wider workforce	9% of salary in line with wider workforce
Annual Bonus Maximum opportunity	200% of salary	150% of salary for the period prior to joining Persimmon, 175% of salary for the period after joining Persimmon
PSP Maximum opportunity	200% of salary	200% of salary
Single Figure Total for 2022	£2,143,066	£2,736,352*

* Single figure total for 2022 includes buy-out awards for remuneration forfeited when he joined Persimmon. See page 145 for details.

Implementation in 2023

	CEO Dean Finch	CFO Jason Windsor
Salary*	£746,750	£675,000
Pension/salary supplement	9% of salary in line with wider workforce	9% of salary in line with wider workforce
Annual Bonus Maximum opportunity	200% of salary	175%** of salary
PSP Maximum opportunity	200% of salary	200% of salary

* Base salaries will be reviewed 1 July 2023.

** Subject to shareholders approving the 2023 Remuneration Policy.

2022 variable pay outturns

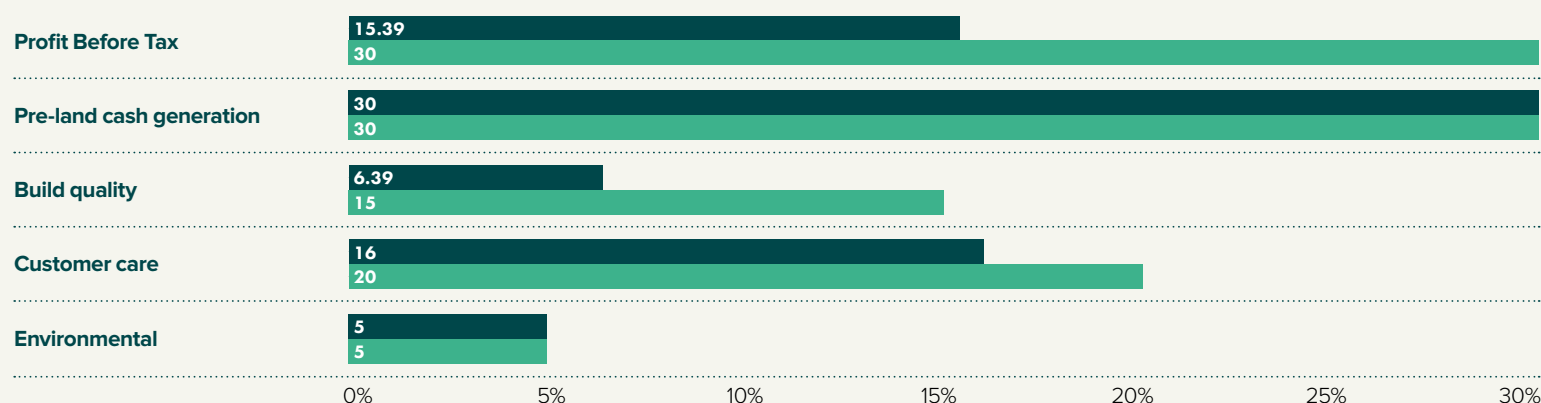
Annual bonus earned for 2022

Reflecting the strong performance which has been delivered the annual bonus outcomes for the Chief Executive and Chief Financial Officer were 72.78% of maximum (145.56% and 127.37% of salary) respectively.

■ Outturn (% of maximum)
■ Weighting (% of maximum)

Performance Share Plan

Dean Finch received a PSP award in 2020. Based on performance over 2020-2022 the award has vested at 58.72%. A further two-year holding period will apply to the vested shares.



Alignment to key priorities



Build quality & safety

- Customer care and quality metrics included as performance conditions for incentives
- Failure of acceptable health and safety standards explicitly included in recovery provisions for incentives



Reinforcing trust: customers at the heart of our business

- Customer care metrics are included in both our annual and long-term incentives



Disciplined growth: high quality land investment

- Financial metrics included as performance conditions for incentives
- Profit Before Tax
- Pre-land Cash
- Total Shareholder Return



Industry-leading financial performance

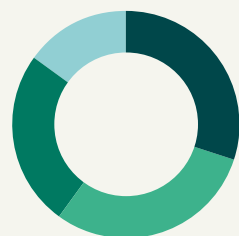
- Financial metrics included as performance conditions for incentives
- Profit Before Tax
- Pre-land Cash
- Total Shareholder Return



Supporting sustainable communities

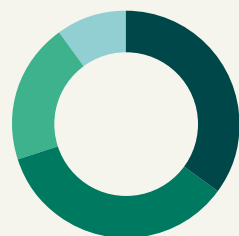
- Environmental metrics are included in our incentives
- We are delivering our new diversity and inclusion strategy

Annual Bonus Performance measures 2023



Profit Before Tax	30%
Pre-land Cash generation	30%
Customer care	25%
Build Quality	15%

Performance Share Plan Performance measures 2023



Relative TSR	35%
Pre-land cash generation	35%
Customer Care	20%
Environmental	10%

Ensuring shareholder alignment

50% of any bonus earned is deferred into shares for three years

Subject to performance targets being met, all PSP shares vest after three years and **vested shares are then subject to a further two-year holding period.**

Shareholding requirement guidelines are set at 400% of salary for the Executive Directors, with 200% of salary expected to be achieved within five years of appointment.

Dean Finch CEO



Jason Windsor CFO



Progress toward holding requirement

Balance of 200% holding requirement expected to be achieved within five years of appointment

Our wider workforce and communities

All permanent salaried employees are eligible to participate in a bonus or commission scheme

A tiered pay increase was implemented in July 2022 with the highest increase of 7% going to our lowest paid employees.



Persimmon is a Living Wage Foundation accredited employer.

No. of employees participating in SAYE

2,149

During the last two years Persimmon Community Champions donated

£1.35m+

to over 1,400 local groups

No. of employees granted PSP Awards in 2022

277

As at 31 December 2022

Remuneration

Directors' future Remuneration Policy

The Remuneration Policy ('the 2023 Policy') for Executive Directors, the Chairman and Non-Executive Directors is set out below. Shareholders will be asked to approve this at the AGM to be held on 26 April 2023. Once approved the Policy will apply to payments made from this date. Until this time the Remuneration Policy approved by Shareholders on 29 April 2020 will continue to apply (the '2020 Policy').

Executive Directors

A summary of the proposed changes to the Remuneration Policy are set out on page 128, together with the aims of the Policy.

To achieve the aims of the 2023 Policy, the remuneration of the Executive Directors is made up of different elements of fixed and variable pay, with a significant emphasis on performance related pay for achievement of stretching targets. If challenging performance conditions attached to variable pay are achieved in full, a substantial proportion of an Executive Director's remuneration will be performance related.

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 July. When reviewing salaries, consideration is given to any increases awarded to the Group's salaried employees, business and market conditions, and any change in a Director's role and experience. Where an Executive Director is to be promoted or where their role is to be expanded or changed, the Committee will review the salary payable and decide whether an adjustment is appropriate.	The Committee does not consider it appropriate to set maximum salary levels. Any increases will generally be in line with or below increases applied to the Group's salaried employees (in percentage terms). Increases may be made above that level in appropriate circumstances, which may include but are not limited to, promotions, where the Committee has purposefully set a lower starting salary for a newly appointed Director, or if a Director's salary is no longer market competitive or to reflect development and performance in role or a change in the size or complexity of the role.	Although performance conditions do not apply, the individual's performance is taken into account in determining the level of any salary increase.
Pension/Salary supplement Provide a competitive means of saving to deliver appropriate income in retirement.	Base salary is the only component of remuneration which is pensionable. The Company operates a defined contribution (DC) scheme. A Director may receive a salary supplement in lieu of some or all of the pension benefits available under the schemes.	The maximum DC pension contribution or salary supplement (or combination of those two elements) is 9% of base salary, subject to any increase to take account of changes to the pension/ salary supplement provided to the Group's salaried employees.	None
Benefits 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

Purpose	How it operates	Maximum payable	Performance framework
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, in line with usual practice.
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.	<p>50% of any annual bonus earned is paid in cash.</p> <p>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.</p> <p>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.</p> <p>Vesting of deferred bonus awards is not subject to further performance conditions.</p> <p>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.</p> <p>Recovery provisions apply, as referred to below.</p>	<p>The maximum annual bonus potential is 200% of base salary for the Group Chief Executive and 175% of base salary for other Executive Directors. Maximum bonus is only payable if stretching targets are met.</p>	<p>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.</p> <p>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.</p> <p>Financial metrics:</p> <p>Subject to the Committee's discretion to override formulaic outturns, payment at threshold performance is up to 20% of the maximum, up to 50% of the maximum will be payable for on-target performance and all of the bonus will be payable for maximum performance.</p> <p>Non-financial strategic or individual metrics:</p> <p>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.</p>

Remuneration

Directors' future Remuneration Policy continued

Purpose	How it operates	Maximum payable	Performance framework
<p>The PSP</p> <p>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.</p>	<p>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.</p> <p>Awards vest subject to the satisfaction of performance conditions assessed over a period of not less than three years.</p> <p>The Committee has the discretion to reduce the formulaic vesting outturn applying to any PSP award, including where it believes the outcome is not reflective of underlying performance or is not appropriate in the context of circumstances that were unexpected or unforeseen at the date of grant. The Committee also has the discretion to adjust awards due to windfall gains if it believes this to be appropriate.</p> <p>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.</p> <p>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.</p> <p>Recovery provisions apply, as referred to below.</p>	<p>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.</p>	<p>Performance conditions applying to awards under the PSP will be based on financial and/or strategic measures aligned to the Company's long-term strategy, which may include, but are not limited to, cash generation, relative TSR, cultural and environmental metrics.</p> <p>Awards will vest as to 25% for threshold performance, increasing to 100% for maximum performance.</p>

Share ownership guidelines

In-service requirement

During employment, Executive Directors are required to acquire and retain shares with a value equal to 400% of base salary. The Committee expects that a holding with a value equal to 200% of salary will be achieved within five years of appointment, with the balance of the guideline acquired within a period agreed with the Chairman. Progress towards the guideline will be reviewed regularly. Executive Directors will be required to retain all shares acquired under the PSP and deferred bonus awards, on a net of tax basis, until the shareholding guideline is met, unless in exceptional circumstances the Committee exercises discretion to vary this requirement.

Post-employment requirement

Following employment, Executive Directors are required to retain for a period of two years such number of shares as they were required to acquire and retain during employment (or, if fewer, the number of shares they held at the date of cessation of employment). Shares which the Executive Director purchases or acquires pursuant to the Company's SAYE scheme will not be subject to any post-employment holding requirement. The Committee retains discretion to vary this requirement in exceptional circumstances.

Recovery Provisions (malus and clawback)

Recovery provisions may be applied in the event of the following:

- a material misstatement of any Group member's financial results;
- gross misconduct on the part of the participant which affects substantially the financial performance or reputation of a Group member;
- an error in assessing a performance condition;
- a material failure of risk management;
- serious reputational damage to any Group member;
- serious misconduct or material error on the part of the participant;
- a material corporate failure;
- a failure of acceptable health and safety standards, which may include a fatality; or
- any other circumstances considered to be similar in their nature or effect to those set out above.

The recovery provisions may be applied in the case of the annual bonus for three years from the date on which the amount of the bonus is determined and, in the case of PSP awards, until the fifth anniversary of the grant date.

Operation of share plans

The Committee may amend the terms of awards and options under its share plans in accordance with the plan rules in the event of a variation of the Company's share capital or a demerger, special dividend or other similar event or otherwise in accordance with the terms of the plans. The Committee will operate any such plan in accordance with its rules. Share awards granted under any such plan may be settled (in whole or in part) in cash, although the Committee would only do so where the particular circumstances made it appropriate to do so – for example, where there is a regulatory restriction on the delivery of shares.

Choice of performance conditions

Annual bonus conditions	Rationale for selection and how performance targets are set
Profit before tax and cash generation Customer satisfaction, quality, and/or other non-financial, strategic, or personal measure	Aligned with the Company's strategy to deliver high quality growth and return cash to shareholders. These are important factors in ensuring overall business performance, sustainability and reputation. 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 on Capital Employed underpin)	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 A cultural metric and/or environmental metrics	
	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 and environmental metrics support our future success and reflect the importance to the Group of environmental considerations.

The Committee retains the right to adjust or set different performance measures if events occur (such as, but not limited to, a change in strategy, a material acquisition and/or a divestment of a Group business or a change in prevailing market conditions), which cause the Committee to determine that the measures are no longer appropriate and that amendment is required so that they achieve their original purpose.

Remuneration

Directors' future Remuneration Policy continued

Differences between the Executive Directors' and general employees' remuneration policy

Performance-related pay makes up a significantly higher proportion of remuneration for the Executive Directors and senior employees than for employees generally, reflecting the role of these individuals in managing the business to achieve the Company's strategic objectives. The Committee considers that the emphasis on performance related pay for Executive Directors and senior employees closely aligns the Directors' interests with those of shareholders and helps to deliver excellent long-term Company performance. All employees are able to participate in share ownership either through the PSP or the SAYE which is operated on an annual basis. Over 200 employees received a PSP award in 2022.

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 July. 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. Reimbursed expenses may include a gross-up to reflect any tax or social security due in respect of the reimbursement.	Increases to Non-Executive Directors' fees will be determined having regard to increases applied to the Group's salaried employees (in percentage terms), although fee increases may be awarded above this level in appropriate circumstances including (but not limited to): where there has been a change in market practice; where there has been a change in the size or complexity of the business; where there has been an increase in the time commitment required for the role. Additional fees are payable to Non-Executive Directors for extra responsibilities, such as chairing a Board committee, holding the office of Senior Independent Director, or the office of Workforce Engagement Non-Executive Director, or any other additional responsibilities.	N/A

Recruitment and promotion policy

Ongoing remuneration

The Committee's approach to recruitment remuneration is to pay no more than is necessary to attract candidates with the appropriate skills for the housebuilding industry. The Committee retains discretion to include other elements of remuneration which are not included in the provisions of the 2023 Policy set out above should business needs require. However, this discretion is subject to the following principles and limitations, and the commercial rationale for taking such action will be disclosed in the following Annual Report on Remuneration.

- In general our policy is to set salaries based on the market rate. In certain circumstances the salary for a new Executive Director may be set below the normal market rate, with increases over such period as the Committee determines as the Director gains experience in their new role.
- Pension/salary supplement benefits will be provided in line with the provisions of the 2023 Policy set out above.
- The variable remuneration that may be awarded will be subject to the applicable limit set out below.
- Without prejudice to the ability to offer additional cash and/ or share-based elements to take account of remuneration relinquished when leaving the former employer as discussed below, the discretion will not be used to make non-performance related incentive payments.

Examples of the circumstances in which these other elements may be provided include:

- An interim appointment being made to fill an Executive Director role on a short-term basis;
- If exceptional circumstances require that the Chairman or a Non-Executive Director takes on an executive function on a short-term basis; and
- If an Executive Director is recruited at a time in the year when it would be inappropriate to provide a bonus or a PSP award for that year as there would not be sufficient time to assess performance, subject to the applicable limit on variable remuneration set out below, the quantum in respect of the months employed during the year may be transferred to the subsequent year so that reward is provided on a fair and appropriate basis.

The Committee may alter the performance measures and vesting/ deferral/holding period of annual bonus and PSP awards to take account of the circumstances of the recruitment.

The maximum level of variable remuneration which may be granted to a new Executive Director on appointment (excluding any award to take account of remuneration relinquished when leaving the former employer) will be 475% of salary and, for a new Chief Executive, 500% of salary.

As described in the policy tables above, it may also be necessary to offer relocation benefits for external and internal appointments.

Buy-out awards

The Committee may offer additional cash and/or share-based elements at recruitment when it considers these to be in the best interests of the Company (and therefore shareholders) to take account of remuneration relinquished when leaving the former employer and would take account of the nature, time horizons and performance requirements attaching to that remuneration. These awards will ordinarily be granted on the basis that they are subject to forfeiture or 'clawback' in the event of departure within 12 months of joining the Company, although the Committee will retain discretion to not apply forfeiture or clawback in appropriate circumstances.

Internal appointments

For an internal Executive Director appointment, any variable pay element awarded in respect of the prior role will be allowed to pay out according to its terms.

Non-Executive Director appointments

The remuneration package for a newly appointed Non-Executive Director would be in line with the structure set out in the policy table for Non-Executive Directors.

Service contracts

The Company's policy is for service contracts with Executive Directors to have no more than a 12-month notice period.

The Chairman and the Non-Executive Directors are not employees, they have letters of appointment which set out their duties and responsibilities; they do not have service contracts.

The Chairman's and the Non-Executive Directors' letters of appointment are effective from their date of appointment. Their appointment is initially for a three-year term but is subject to re-election at each AGM and their appointment may be terminated on three months' notice for the Chairman and one month's notice for the Non-Executive Directors.

Name	Commencement date	Unexpired term remaining as at 31 December 2022
Dean Finch	28 September 2020	Terminable on 12 months' notice.
Jason Windsor	11 July 2022	Terminable on six months' notice.
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.
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.
Shirine Khoury-Haq	1 July 2021	Terminable on one month's notice and subject to reappointment at the AGM each year.

Policy on payment for loss of office

Payments in lieu of notice

The Company retains the right to terminate each Executive Director's service agreement by making a payment in lieu of some or all of the notice period. Any such payment would consist of base salary and may also include benefits (including pension or salary supplement contributions) in respect of the unexpired notice period for termination.

Annual bonus

Any payment to an Executive Director on termination in respect of annual bonus will be determined by the Committee taking into account the circumstances of the termination. Any payment will be pro-rated to reflect the proportion of the bonus year worked and subject to performance achieved. Payments will ordinarily only be made at the usual time (although the Committee retains discretion to make payments early in appropriate circumstances). The Committee retains discretion to pay the whole of the bonus for the year of departure and/or the previous year in cash, but will only do so in exceptional circumstances.

Remuneration

Directors' future Remuneration Policy continued

Entitlements under the Company's share plans will be treated in accordance with the plan rules in the event of cessation of employment, which provide as follows.

Plan	Treatment
PSP	<p>Cessation during the performance period.</p> <p>In the event of cessation during the performance period, an award will ordinarily lapse. However, in 'good leaver' circumstances (including cessation due to death, ill-health, injury, disability or any other reason at the discretion of the Committee) awards may be retained. Retained awards will ordinarily vest and be released on the originally anticipated timescale subject to the satisfaction of the performance conditions and a reduction to reflect the proportion of the performance period that has elapsed (although the Committee has discretion to vest and release the awards earlier, and to assess the performance conditions accordingly, and not to apply the time based reduction).</p> <p>Cessation during the holding period.</p> <p>In the event of cessation during the holding period, the award may be retained (other than in the case of summary dismissal) and will be released at the ordinary release date to the extent the performance condition was met (although the Committee has discretion to release the award earlier).</p>
Deferred Bonus Plan	<p>In the event of cessation before vesting, an award will ordinarily lapse. However, if a participant leaves as a result of death, ill-health, injury, disability or any other reason at the discretion of the Committee, the award will be retained and will vest on the originally anticipated timescale (or at the date of cessation in the event of death or if the Committee otherwise determines).</p>
SAYE	SAYE options will vest and become exercisable in the event of cessation in line with the plan rules and applicable legislation, which do not provide for any discretion.

In determining whether an Executive Director is a good leaver' and therefore should receive an annual bonus or whether to exercise discretion to treat an Executive Director as a 'good leaver' for the purposes of any subsisting awards under the Deferred Bonus Plan or PSP, the Committee will have regard to a range of factors, including the circumstances of the termination, the Executive Director's length of service, performance and behaviour in role, overall business performance and, where relevant, contribution to an orderly succession.

The Committee reserves the right to make any other payments in connection with an Executive Director's cessation of office or employment where the payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement of any claim arising in connection with the cessation of a Director's office or employment. Any such payments may include but are not limited to paying any fees for outplacement assistance and/or the Director's legal and/or professional advice fees in connection with their cessation of office or employment and/or payments in respect of accrued but untaken holiday.

Change of Control

The rules of the Company's share schemes provide for early exercise of awards on a takeover or change of control.

Entitlements under the Company's share plans will be treated in accordance with the plan rules in the event of change of control, which provide as follows.

Plan	Treatment
PSP	<p>Unvested PSP awards will vest in the event of a change of control to the extent determined by the Committee taking into account the extent to which the performance condition has been satisfied and the proportion of the performance period that has elapsed (although the Committee has discretion to waive this time based reduction).</p> <p>Vested PSP awards which are in a holding period will be released in the event of a change of control to the extent determined by reference to the satisfaction of the performance condition.</p>
Deferred Bonus Plan	Deferred Bonus Plan awards will vest in the event of a change of control.
SAYE	SAYE options will vest and become exercisable in the event of a change of control in line with the plan rules and applicable legislation, which do not provide for any discretion.

Legacy arrangements

The Committee retains discretion to make any remuneration payment or payment for loss of office (including exercising any discretion available to it in respect of any such payment) outside the 2023 Policy:

- where the terms of the payment were agreed before the 2023 Policy came into effect, provided in the case of any payment whose terms were agreed after the Company's 2017 AGM and before the 2023 Policy becomes effective, the remuneration payment or payment for loss of office was permitted under the Company's relevant former Directors' Remuneration Policy; or
- where the terms of the payment were agreed at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration of the individual becoming a Director of the Company.

For these purposes, 'payment' includes the satisfaction of awards of variable remuneration and, in relation to an award over shares, the terms of the payment are agreed no later than the time the award is granted.

External appointments

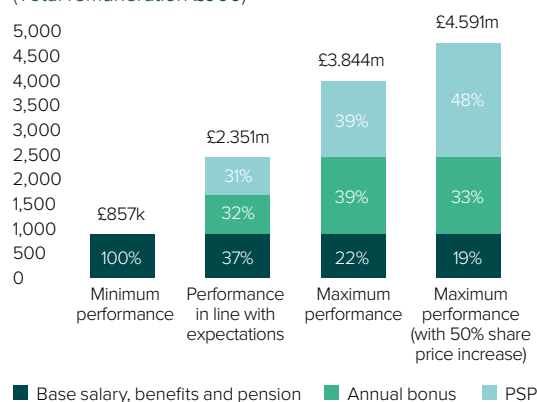
The Directors recognise that external appointments can broaden an individual's skills and experience. If an Executive Director wishes to take up an external appointment, they must first seek approval from the Chairman.

Illustrations of application of 2023 Policy

The following charts illustrate the remuneration packages of the Group Chief Executive Officer and Chief Financial Officer for the year ending 31 December 2023 under the 2023 Policy for various indicative levels of performance.

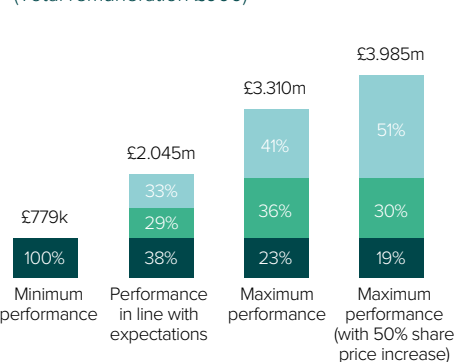
Dean Finch

(Total remuneration £000)



Jason Windsor

(Total remuneration £000)



For the purpose of these charts, the following assumptions have been made.

- Fixed remuneration comprises base salary, pension and other benefits.
- Base salary levels are those applying on 1 January 2023.
- Benefit levels are those applying as at 1 January 2023.
- Minimum performance reflects fixed remuneration as above, and assumes no payment under the annual bonus and no vesting is achieved under the PSP.
- Expected performance reflects fixed remuneration above, and assumes 50% of annual bonus is earned (100% of base salary for the Group Chief Executive and 87.5% of base salary for the Chief Financial Officer) and 50% of the PSP (100% of base salary for each of the Group Chief Executive and Chief Financial Officer) vests.
- Maximum performance reflects fixed remuneration as above, and assumes full bonus pay out (200% of base salary for the Group Chief Executive and 175% of base salary for the Chief Financial Officer) and full vesting under the PSP (200% of base salary for each of the Group Chief Executive and Chief Financial Officer).
- The final illustration is based on the same assumptions as the maximum performance illustration, but also assumes for the purposes of the PSP that share price increases by 50%.

Statement of consideration of shareholder views

The Committee consults with major shareholders and their representative bodies on remuneration matters, particularly if any material changes are proposed to the remuneration policy. When determining the 2023 Policy, the Remuneration Committee consulted with the Company's major shareholders representing 51.7% of the share register, as well as leading proxy voting service providers, and we are grateful for stakeholders' engagement with us.

There was general support for the 2023 Policy with recognition of the Remuneration Committee's determination to deliver best practice. The links to our five key priorities, with appropriate balance between financial and non-financial metrics, were well received.

Statement of consideration of employment conditions elsewhere in the Group

In accordance with the UK Corporate Governance Code, the Committee reviews pay and employment conditions of the wider workforce, and takes these into account when reviewing and determining remuneration of the Executive Directors.

Whilst the Committee does not directly consult with the wider workforce when determining the remuneration of the Executive Directors, it engages with the Employee Engagement Panel, to whom it presents its approach to executive remuneration and seeks their feedback.

The Company is also a Living Wage Foundation accredited employer, paying the Real Living Wage to our employees, and has established (and regularly reviews) a remuneration dashboard of Group-wide workforce pay statistics and trends. Further information on wider workforce remuneration and our approach to engagement can be found on page 149.

These approaches enable the Committee to better know and understand the Group's workforce, to ensure that all remuneration decisions are made in context.

Role of the Remuneration Committee

The role of the Committee is set out in its terms of reference, which are reviewed annually and were last reviewed in December 2022. 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 2022 the Committee met on four occasions with additional calls as necessary. The attendance at meetings can be located on page 126.

The Committee determines the remuneration policy for the Group's Chairman, Executive Directors, and the Senior Executive Group, which for 2022 consisted of the UK MD and Deputy MD, Chief Commercial Officer, Regional Chairman, the Group Transformation and Land Strategy Director, Chief Customer Experience Officer, Group Strategy and Regulatory Director and the Company Secretary. This Group is kept under review to ensure it aligns to the organisational structure and comprises the senior management roles. This is a responsibility which has been delegated from the Board. The policies and practices are designed to support strategy and promote the long-term sustainable success of the Group. When setting and implementing the Policy for Executive Directors, the Committee has reviewed and taken into account workforce related policies and the alignment of incentives and rewards with culture. The Committee carefully considered the Group's strategy to increase customer focus and improve build quality and has aligned the variable remuneration metrics to meet this. Further information regarding the members of the Committee, including their biographies, can be located on pages 88 and 89.

Annual report on Remuneration

Alignment of the Policy with UK Corporate Governance Code 2018 (the 'Code')

In determining the Policy, the Committee took into account the principles of clarity, simplicity, risk, predictability, proportionality and alignment to culture as set out in the Code. The annual bonus and PSP performance metrics are aligned with the Group's purpose and strategy to build high quality homes for our customers at a price they can afford, deliver profitable growth and return cash to shareholders, therefore providing sustainable value for all stakeholders through the housing cycle. Directors are not involved in the setting of their own remuneration, and are recused from any conversations on their own pay. If Directors offer or volunteer to take reductions, this is something that is then considered and decided upon by the Committee.

Principle	Alignment to the Code
Clarity 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 full proposed Remuneration Policy can be found on pages 132 to 139 of this annual report. We consulted with the Company's major shareholders, as well as leading proxy agencies in relation to the new Remuneration Policy and we continue to engage with shareholders as appropriate and listen to any feedback received. We liaise with workforce representatives via the Employee Engagement Panel and the Committee Chair attends meetings as appropriate. We track and discuss a number of workforce related statistics via the workforce remuneration dashboard that is presented at each Committee meeting. The annual report is available to all employees, which has details of directors' remuneration.
Simplicity Remuneration structures should avoid complexity and their rationale and operation should be easy to understand.	We consider that our remuneration structures are clear and easily understandable. We welcome feedback and listen to stakeholder comments regarding the Policy and its implementation. In determining the incoming Chief Financial Officer's remuneration, the Committee applied the principle that the overall remuneration package should be competitive but not excessive and that any compensation due should not result in an outcome where the individual received more than would have been due had they remained in post. Details of his remuneration were explained to major shareholders and leading proxy advisors.
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 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 this applies for three years from the date on which the amount of the bonus is determined. For PSP awards discretion extends until the fifth anniversary of the grant date. As disclosed in the Committee Chair's statement on page 127, during 2022 we considered the risk of windfall gains arising in relation to PSP awards and buy-out awards and took appropriate action to mitigate this risk, as further described in that statement.

Principle	Alignment to the Code
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 Chief Financial Officer, the annual bonus maximum award quantum is up to 175% (subject to approval of the Directors' Remuneration Policy), and the PSP award quantum is 200% of base salary. Maximum bonus is only payable if stretching targets are met and excellent Group performance is achieved. Half of the annual bonus and the whole of the PSP vesting is in shares. The Executive Directors have shareholding requirements, which include a two-year post-cessation shareholding requirement. The value of any share award is less predictable than cash due to potential fluctuations in the share price. However, it means that Directors' remuneration is better aligned to the shareholder experience.
Proportionality The link between individual awards, the delivery of strategy and the long-term performance of the Company should be clear. Outcomes should not reward poor performance.	Both the annual bonus and PSP include financial and cultural metrics which are key to our strategy and future success. From 2023 there is also an environmental metric in the PSP. Subject to the Committee's discretion to override formulaic outcomes, annual bonus awards will result in payment at threshold performance of up to 20% of the maximum (subject to approval of the Directors' Remuneration Policy). Up to 50% of the maximum will be payable for on-target performance and all of the bonus will be payable for maximum performance. Half of annual bonus that vests will be paid in cash, with the remaining 50% deferred into shares for a period of three years. The PSP award granted in 2022 was based on performance measures over a three-year period, and a further two-year holding period before the shares can be released. In relation to shareholding requirements whilst in employment, the Group Chief Executive and Chief Financial Officer have a requirement of 4 times salary. The Executive Directors are expected to build up their shareholding over a period of time. The Committee has discretion to override formulaic outcomes. Directors' pension contributions/salary supplement are in aggregate, up to 9% of base salary, in line with the Group's salaried employees (who make up the majority of Group employees).
Alignment to culture 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 page 96. Further information on the non-financial metrics can be located on pages 143 to 144 and 152 to 153.

What the Committee has focused upon during the year

Key areas of focus	Remuneration Committee activities in 2022
2023 Remuneration Policy	<ul style="list-style-type: none"> Agreed the proposed new Remuneration Policy, with the differences between the current Policy and the new Policy described in the Committee Chair's statement on page 128.
New Chief Financial Officer remuneration	<ul style="list-style-type: none"> Approved awards to compensate Jason Windsor for the remuneration forfeited on leaving his previous employer, and in particular considered the possibility of windfall gains and adjusted awards accordingly.
Governance and engagement	<ul style="list-style-type: none"> Remuneration Committee Chair attended one meeting of the Employee Engagement Panel to discuss Executive Remuneration and alignment with broader workforce reward. Reviewed the Committee's terms of reference and agreed minor changes for approval by the Board. Confirmed the continuing independence of the remuneration consultants. Considered and approved the Annual Report on Remuneration.
Annual bonus and PSP awards	<ul style="list-style-type: none"> Agreed the structure and performance conditions for the 2022 annual bonus and 2022 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. Agreed the approach to Jason Windsor's PSP grant having regard to the risk of windfall gains. Discussed and agreed in principle the environmental metric that would be used for the 2023 PSP awards, in particular focusing on the robustness of the data, measurement and assurance available to set and assess performance against such targets.
Workforce Remuneration	<ul style="list-style-type: none"> Noted salary increases and pay practices for employees during the year including enhancements to benefits. Reviewed the HR dashboard which sets out key workforce data at each meeting and considered the impact on decisions relating to Executive Directors and the Senior Executive Group.

What the Committee is focusing on for 2023

Key areas of focus	Remuneration Committee priorities for 2023
ESG Metric	<ul style="list-style-type: none"> A specific environmental target will be incorporated in the PSP in 2023 – further details are included in the Committee Chair's statement on page 129.
Executive Directors and Senior Management Remuneration	<ul style="list-style-type: none"> Agree the remuneration framework for the Executive Directors and Senior Executive Group. Take note of reward decisions for the wider workforce and consider any impact on and alignment of executive pay.
Annual Bonus	<ul style="list-style-type: none"> Agree performance conditions for 2023 awards.
PSP Awards	<ul style="list-style-type: none"> Agree performance conditions for 2023 PSP awards. Agree the level of awards made to the Executive Directors, the Senior Executive Group and to other senior managers in the Group, including consideration of potential windfall gains.

Advisors

The Committee sought advice during the year on remuneration matters in relation to the review of the remuneration policy; remuneration for the incoming Chief Financial Officer and in particular in relation to the grant price used for buy-out and PSP awards. 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. Deloitte also provided advice on remuneration disclosure and share plan matters to the Group. Deloitte LLP are not connected to any Group company or individual directors.

The Committee considers that the advice provided by Deloitte as professional remuneration consultants was appropriate, objective and independent. The advice provided by Deloitte did not affect the judgements made by the Committee, which remained independent at all times. Deloitte is a founding member of the Remuneration Consultants Group and adheres to its Code of Conduct in relation to executive remuneration consulting in the UK.

The amount of fees the Group paid to Deloitte for the services they provided to the Remuneration Committee in 2022 was £80,965, charged on a time spent basis.

Remuneration

Annual report on Remuneration continued

2022 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 2022

The figures set out in the tables below are the actual amounts of salary or fees earned in the year to 31 December 2022.

Executive Remuneration (Fixed)

Executive	Fixed remuneration							
	Salary		Benefits		Salary supplement in lieu of pension		Total fixed remuneration	
	2022 £	2021 £	2022 £	2021 £	2022 £	2021 £	2022 £	2021 £
D Finch	746,750	725,000	47,187	43,492	67,208	65,250	861,145	833,742
J Windsor ¹	320,186	–	16,466	–	28,817	–	365,469	–
M H Killoran ²	20,469	532,270	1,355	33,966	1,842	47,904	23,666	614,140
Total	1,087,405	1,257,270	63,653	77,458	97,867	113,154	1,250,280	1,447,882

Executive Remuneration (Variable)

	Variable remuneration									
	Annual bonus		Value of long-term Awards Vesting ³		Value of SAYE options vesting		Value of buy-out award		Total variable remuneration	
	2022 £	2021 £	2022 £	2021 £	2022 £	2021 £	2022 ⁴ £	2021 ⁵ £	2022 £	2021 £
Executive										
D Finch	1,087,021	1,340,776	194,900	—	—	—	—	404,384	1,281,921	1,745,160
J Windsor ¹	409,856	—	—	—	—	—	1,961,027		2,370,883	
M H Killoran ²	—	722,299	366,267 ³	—	—	—	—	—	366,267	722,299
Total	1,496,877	2,063,075	561,167	—	—	—	1,961,027	404,384	4,019,071	2,467,459

Executive	Total	
	2022 £	2021 £
D Finch	2,143,066	2,578,902
J Windsor ¹	2,736,352	–
M H Killoran ²	389,933	1,336,439
Total	5,269,351	3,915,341

- 2022 figures are from 11 July 2022, the date Jason Windsor was appointed to the Board.
- 2022 figures are to the date of Mike Killoran's retirement on 14 January. As disclosed when Mike Killoran retired, his membership of the Group Medical Scheme continued until 1 March 2022, and the value of this benefit to that date is included in the benefits figure above. Having regard to Mike Killoran's long service and retirement he was granted "Good Leaver" status for the purpose of his outstanding PSP awards on his retirement from the Board, each of which was reduced pro-rata to reflect the date of retirement. The value of the 2020 PSP award which vested by reference to performance to 31 December 2022 is included in the table, as described in note 3. His SAYE vested upon leaving the Group but this expired unexercised during 2022 so no value was received.
- Dean Finch and Mike Killoran were granted PSP awards in 2020 which vested by reference to performance over the three years ending 31 December 2022. Further details in relation to awards, including the basis on which the values in the table above are calculated, are set out on pages 144 and 145.
- The buy-out award for Jason Windsor reflects the value of certain awards granted to Jason Windsor in respect of remuneration forfeited when he left his previous employer. Further information is included on page 145.
- The buy-out award for Dean Finch reflects the value of the award granted to Dean Finch in 2021 in respect of remuneration forfeited when he left his previous employer, as referred to in the 2020 Directors' Remuneration Report.

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				Total	
	Salaries and fees		Benefits			
	2022 ⁴ £	2021 £	2022 £	2021 £	2022 £	2021 £
Chairman						
R Devlin	330,000	300,000	—	—	330,000	300,000
Non-Executive						
N Mills	82,000	75,000	—	—	82,000	75,000
S Litherland	65,000	60,000	—	—	65,000	60,000
J Place ¹	75,000	—	—	—	75,000	—
A Durbin	82,000	75,000	—	—	82,000	75,000
A Wyllie ²	65,000	59,616	—	—	65,000	59,616
S Khoury-Haq ³	82,000	35,000	—	—	82,000	35,000
Total	781,000	654,616	—	—	781,000	654,616

1. Joanna Place waived her fee during 2021. The Company chose to make a payment to the Persimmon Charitable Foundation, equivalent to her waived fees.

2. 2021 figures are from 4 January 2021, the date Andrew Wyllie was appointed to the Board.

3. 2021 figures are from 1 July 2021, the date Shirine Khoury-Haq was appointed to the Board.

4. Non-Executive Director fees can vary based on whether additional duties are required e.g. to chair a committee or perform the senior independent role. A more detailed explanation of this can be found on page 153.

Additional information for single total figure remuneration table

Benefits

Benefits include car or car allowance, private medical scheme membership, life assurance benefits, income protection scheme membership, professional subscriptions and phone costs. This is in line with other senior employees across the Group.

Directors pension entitlements

Dean Finch, Jason Windsor and Mike Killoran (up to his date of retirement from the Board) received a salary supplement in lieu of pension, equal to 9% of their base salary.

Annual Bonus 2022

Each of Dean Finch and Jason Windsor was eligible to earn a bonus of in respect of 2022. The maximum bonus was up to 200% of salary in the case of Dean Finch. For Jason Windsor for the period from 11 July 2022 (the date he commenced employment with Persimmon) the maximum bonus was up to 175% of salary, pro-rated for the proportion of the year from his date of joining. Mike Killoran was not eligible to earn a bonus in respect of 2022.

As discussed in the Committee Chair's statement on page 127, for the proportion of the year prior to joining Persimmon Jason Windsor received a buy-out bonus opportunity which takes into account the Aviva plc bonus outturn for 2022. This information was not available at the date of this report so full details will be included in the 2023 Directors' Remuneration Report.

We have set out below details of the performance measures and targets and the extent to which they were satisfied.

Our financial KPIs (accounting for 60% of the total) reflect the strong underlying financial health of the Group.

Non-financial KPIs (accounting for 40% of the bonus opportunity in total) are important to help the Group to assess our activities in achieving our five key priorities. The non-financial KPIs help drive long-term shareholder value and reflect our values of being customer focused, value driven and delivering excellence.

Measure	Weighting	Threshold (10% achievement)	Target (50% achievement)	Maximum (100% achievement)	Outturn	Extent Bonus Measure Met (% of maximum bonus)
PBT ¹	30%	£940.3m	£1,011.1m	£1,041.43m	£1,011.9m	15.39
Pre-land cash generation ²	30%	£870.5m	£936.1m	£982.9m	£1,002.7m	30
Customer Care	20%	See below ³			Met in part	16
Build Quality	15%	See below ⁴			Met in part	6.39
Environmental	5%	See below ⁵			Met in full	5

1. Profit before tax (before exceptional items and goodwill impairment).

2. Pre-land cash generation (being net cash inflow before Capital Return Programme and net land payments) with the outturn calculated as:

Cash at 31 December 2021:	1,246.6m
Cash at 31 December 2022:	861.6m
Decrease in cash:	(385.0m)
Add: Dividends paid:	750.1m
Net land spend:	637.6m
	1,002.7m

3. 15% of the customer measure was achieved by reference to the fraction of those operating businesses in the Group rated as 90% and above as measured by the results of the HBF 8 week Customer Satisfaction Survey Question "would you recommend Persimmon to a friend?" for the year to 30 September 2022. The outturn shows that 22 of the 30 operating businesses achieved a score of 90% or above. 5% of the customer measure was achieved by reference to the Group overall operating at the level required to attain classification as a five-star builder by the HBF. These scores start from zero each year meaning that the level of attainment required is a challenging target to meet.

4. 7.5% of the quality score was achieved by reference to the fraction of those operation businesses in the Group rated as 90% or above as measured by the results of the HBF 8 week quality question for the year to 30 September 2022. The outturn shows that 7 of the 30 operating businesses achieved a score of 90% or above. A further 7.5% of the quality score is based on the results of independent assessments carried out on Persimmon sites by the Group's warranty providers from 1/1/22 to 31/12/22. Targets were set for each warranty provider and the scores weighted based on the proportion of inspections completed by each provider. The targets were set such that an improvement on prior year of circa 20% was required for target performance, with the level of improvement required based on the warranty provider's scoring system. These scores start from zero each year meaning that the level of attainment required is a challenging target to meet.

Remuneration

Annual report on Remuneration continued

A summary of outturns is shown in the table below.

Provider	% Weighting	% of operating companies achieving threshold but below target	% of operating companies achieving target or above	Outturn (% of maximum opportunity available)
NHBC	48.8	20	30	61.8
LABC	4	37.5	50	
Premier	47.2	10.7	78.5	

5. The Committee has reviewed evidence to assess achievement against the objectives comprising the environmental metric. A summary is provided below. The Committee robustly considered the achievements in the year and concluded that those achievements demonstrated strong performance relative to the objectives set such that this element of the bonus was earned in full.

Objective	Achievements
Development of an annualised carbon reduction glide path to 2026	New carbon model has been created with functionality for a range of scenarios and interventions
Process improvements in energy/carbon data capture, tracking and reporting	Implementation of sustainability bi-monthly returns from OpCos and Business. Executive level review of data
Championing improvements in energy usage and delivery of actions needed across the group to improve energy efficiency and reduce carbon emissions	HVO trials as a low carbon alternative to diesel; trial of solar panels on cabins, office upgrades and inclusion of energy efficient features
Supporting roll out of energy awareness training, initiatives and campaigns	Energy on Site awareness training programme in place, incorporated into Site Managers Essentials, new Environmental Management system

Half of the bonus earned by each Executive Director is paid in cash with half deferred into shares for three years. The amount deferred into shares is not subject to any further performance condition. The deferred share award will ordinarily be subject to continued employment.

Performance share plan awards vesting in respect of performance in 2022

PSP awards were granted on 22 May 2020 to Mike Killoran and on 28 September to Dean Finch. These awards were based on performance over the three-year period which ended on 31 December 2022.

As disclosed in the 2021 Directors' Remuneration Report, having regard to Mike Killoran's long service and retirement, he was granted "Good Leaver" status for the purpose of his outstanding PSP awards. His 2020 PSP was pro-rated to reflect the proportion of the performance period which had elapsed at his leaving date. The award remained subject to the rules of the PSP and the applicable performance conditions.

The awards vested at 58.72%, and further information is set out below. The awards remain subject to a further holding period before they will be released so that the vested shares can be acquired.

The targets and performance against these targets are as follows:

Performance measure	Weighting	Threshold (25% vesting)	Target (50% vesting)	Maximum (100% vesting)	Extent PSP Measure Met Outturn (% of maximum)
Relative TSR ¹	40%	Median	– Upper quartile or above	Between median and upper quartile	27.72
Average pre land cash generation over the three year performance period ²	40%	£523m	£717m	£860m	£622.7m
Underpin applying to the pre land cash measure – An average ROCE ³ of 20% over the three-year performance period					36.2
Customer Care ⁴	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 a HBF eight-week score of 90%	22 out of 30
					15.86

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.

Annual Underlying Profit from Operations = 12 month consolidated Group profit before tax, interest, goodwill impairment and exceptional items; Average Capital Employed = average of Capital Employed during the relevant calendar year; and Capital Employed = Consolidated Shareholders Funds, plus consolidated borrowings, less consolidated cash holdings.

4. The Customer Care measure is based on those operating businesses in the Group rated as 90% and above as measured by the results of the HBF 8 week Customer Satisfaction Survey Question "would you recommend Persimmon to a friend?" for the year to 30 September 2022. The outturn shows that 22 of the 30 operating businesses achieved a score of 90% or above. The customer care metric is subject to an underpin that the Group is a four-star builder in each of the three years of the performance period. This underpin has been met.

In the single total figure of remuneration table, the value of these awards is calculated as set out below. As the share price average for the final quarter was below the grant share price no value is attributable to share price growth.

	Number of shares subject to award	Vesting outturn	Vested shares	Value of shares ²	Dividend equivalent ³	Total for single total figure of remuneration
Dean Finch	17,917	58.72%	10,520	£133,896	£61,004	£194,900
Mike Killoran	33,667 ¹	58.72%	19,769	£251,615	£114,652	£366,267

1. The number of shares subject to Mike Killoran's award is stated after the reduction to reflect the proportion of the performance period which had elapsed at his leaving date.
2. In accordance with the relevant regulations, the value for the purposes of the single total figure of remuneration table is calculated by reference to the average share price over the final quarter of 2022 (£12.73).
3. In accordance with the rules of the PSP, each Executive Director is entitled to a further benefit by reference to dividends on their vested shares. These will be calculated over the period ending at the end of the holding period and delivered in shares. The value in respect of dividend equivalents over the period ended 31 December 2022 is included in the table above.

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. No options were exercised in 2022.

CFO buy-out awards

As previously disclosed, in recognition of Jason Windsor's forfeiture of remuneration on leaving Aviva plc the following buy-out awards were granted on 11 July 2022. The approach to the determination of the number of shares subject to the awards is set out in the Committee Chair's statement on page 127.

Forfeited remuneration	Number of Persimmon shares subject to the buy-out award	Vesting date of buy-out award
Annual bonus for 2021 ^{1, 2}	23,900 (reflecting 50% of the forfeited bonus)	March 2025
2019 Deferred Bonus ²	2,530	11 July 2022
2020 Deferred Bonus ²	18,569	In respect of 9,285 Persimmon shares, 11 July 2022 In respect of 9,284 Persimmon shares, 23 March 2023
2021 Deferred Bonus ²	23,829	In respect of 7,943 Persimmon shares, 11 July 2022 In respect of 7,943 Persimmon shares, 25 March 2023 In respect of 7,943 Persimmon shares, 25 March 2024
2019 Restricted Stock ²	17,296	11 July 2022
2020 LTIP ³	96,449	23 March 2023 (followed by a two year holding period) ²
2021 LTIP ³	26,808	25 March 2024 (followed by a two year holding period) ²

1. Half of Jason Windsor's forfeited annual bonus for 2021 was satisfied by a cash payment of £424,575. Half of the net of income tax and national insurance amount of this payment was used by Jason Windsor to purchase 6,191 Persimmon shares. The other half of that forfeited annual bonus was satisfied by the grant of an award over Persimmon shares, as set out in the table.
2. In line with the reporting regulations, the value of these awards are included in the 2022 single total figure of remuneration, notwithstanding that a number of the awards do not vest until 2023, 2024 and 2025. In the 2022 single total figure the value of these awards is calculated as the sum of: (a) the amount of the cash payment (£424,575); and (b) the product of the number of shares (86,124) and £17.84 (being the closing share price on 11 July 2022, the date of grant of the share awards) (£1,536,452).
3. The vesting of these awards is subject to the satisfaction of the performance conditions applying to the forfeited awards and their value will be included in future Directors' Remuneration Reports as required when the vesting outturn is known. As at the date of this report the Aviva annual report and accounts for 2022 was not available and therefore the vesting outturn for the 2020 LTIP buy-out cannot be calculated. The value of the 2021 LTIP buy-out cannot be calculated as this remains subject to performance conditions and does not vest until 2024.

Remuneration

Annual report on Remuneration continued

Performance share plan awards made during the year

PSP awards were granted on 8th March 2022 to Dean Finch and on 20th September 2022 to Jason Windsor.

	Type of award	Basis of award	Threshold level of vesting	Face value of award £000	Performance period ³	Shares subject to option
Dean Finch ¹	Nil-cost option	Percentage of salary – 200%	25%	1,493	1/1/22 – 31/12/2024	64,653
Jason Windsor ²	Nil-cost option	Percentage of salary – 200%	25%	1,350	1/1/22 – 31/12/2024	75,672

1. The face value of the award is based on the closing share price on the day before the grant of the award (£23.10).
2. The face value of the award is based on the closing share price on 11 July 2022, the date Jason Windsor joined Persimmon (£17.84). The closing share price on the day before the grant of the award was £14.30. The Committee's approach to the determination of the price is discussed in the Committee Chair's statement on page 127.
3. The awards will vest in 2025 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 pre land cash generation over the three year performance period ²	40%	£949m	£1,117m	£1,285m
Underpin applying to the pre land cash measure – An average ROCE ³ of 20% over the three-year performance period				
Customer Care ⁴	20%	Group HBF Score is 75%	–	Group HBF Score is 80% or above

1. Compared to a peer Group of the UK's largest listed house builders: Barratt Developments Plc; Bellway p.l.c.; PLC; Crest Nicholson Holdings plc; Redrow plc; Taylor Wimpey plc; The Berkeley Group Holdings plc; Vistry Group PLC. In the 2021 Directors' Remuneration Report, we explained that the peer group would include Countryside Properties PLC. Reflecting the takeover of that company with effect from November 2022, that company has been removed from the comparator group; in due course the Remuneration Committee will decide how to take account of the takeover of that company for the purposes of the PSP awards granted in 2021 to ensure that performance is assessed on a fair basis.
2. Net cash inflow before capital return and net land payments.
3. ROCE = annual underlying profit from operations/average capital.
Annual Underlying Profit from Operations = 12 month consolidated Group profit before tax, interest, goodwill impairment and exceptional items;
Average Capital Employed = average of Capital Employed during the relevant calendar year; and
Capital Employed = Consolidated Shareholders Funds, plus consolidated borrowings, less consolidated cash holdings.
4. The Customer Care measure is based on the HBF 9 month 'recommend a friend' question. Awards vest on a straight-line basis for a score between 75% and 80%. The customer care metric is subject to an underpin that the Group is a four-star builder in each of the three years of the performance period.

Payments for loss of office

There were no payments for loss of office made in the year.

Payments to past directors

There were no payments to past Directors for the year ended 31 December 2022 where the total payment to the former Director exceeded the threshold set by the Group of £20,000. Mike Killoran retired from the Board and the Group on 14 January 2022. His remuneration for the year ended 31 December 2022 is included in the single figure table.

As noted in the 2021 DRR the Committee exercised its discretion to grant "Good Leaver" status to Mike Killoran for the purpose of his outstanding PSP awards, which remained subject to their performance conditions and a time-based reduction to reflect the proportion of the performance period that had elapsed at the date of his retirement. The vesting value of the 2020 PSP award is included in the 2022 single total figure of remuneration. The 2020 PSP award remains subject to a two year holding period. The 2021 PSP was originally granted over 36,049 shares and was reduced to be over 12,477 shares.

Directors' share option scheme interests

	Scheme	Total interests outstanding at 31 December 2021	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 2022	Options vested but unexercised	Latest vesting date
D Finch	Buy-Out Award	13,694	–	13,694	–	2953p	–	–	–	–	March 2022
	PSP 2020	17,917	–	–	–	2411p	–	17,917	17,917	–	Spring 2023
	PSP 2021	49,103	–	–	–	2953p	–	49,103	49,103	–	Spring 2024
	PSP 2022	–	64,653	–	–	2310p	–	64,653	64,653	–	Spring 2025
	2021 Deferred Bonus	–	30,583	–	–	2192p	30,583	–	30,583	–	Spring 2025
J Windsor ¹	Buy-Out Award: Annual Bonus 2021	–	23,900	–	–	1776.5p ⁷	23,900	–	23,900	–	March 2025
	Buy-Out Award: Deferred Bonus 2019	–	2,530	2,530	–	2207.17p ⁸	–	–	–	–	July 2022
	Buy-Out Award: Deferred Bonus 2020	–	18,569	9,285	–	2207.17p ⁸	9,284	–	9,284	–	March 2023
	Buy-Out Award: Deferred Bonus 2021	–	23,829	7,943	–	2207.17p ⁸	15,886	–	15,886	–	March 2024
	Buy-Out Award: Restricted Stock Award 2019	–	17,296	17,296	–	2207.17p ⁸	–	–	–	–	July 2022
	Buy-Out Award: LTIP 2020	–	96,449	–	–	2207.17p ⁸	–	96,449	96,449	–	March 2023
	Buy-Out Award: LTIP 2021	–	26,808	–	–	2207.17p ⁸	–	26,808	26,808	–	March 2024
	PSP 2017	–	75,672	–	–	1784p ⁶	–	75,672	75,672	–	Spring 2025
M Killoran ²	PSP 2020 ³	49,530	–	–	15,863	2128p	–	33,667	33,667	–	Spring 2023
	PSP 2021 ³	36,049	–	–	23,572	2953p	–	12,477	12,477	–	Spring 2024
	SAYE ⁴	970	–	–	970	1854p	–	–	–	–	January 2022
	2021 Deferred Bonus ⁵	–	16,476	–	–	2192p	16,476	–	16,476	–	Spring 2025

1. Jason Windsor joined the Group on 11 July 2022.

2. Mike Killoran retired from the Group on 14 January 2022.

3. Mike Killoran's PSP awards were reduced pro-rata to reflect the proportion of the relevant performance periods which had elapsed as at Mike's leave date.

4. Mike's options under the SAYE Scheme were reduced pro-rata to reflect the proportion of the three-year savings period which had elapsed as at Mike's leave date. Following his retirement, Mike had six months to exercise his SAYE options. As Mike did not exercise his SAYE options, they lapsed in full six months after his leave date.

5. Mike Killoran's bonus in respect of 2021 was awarded in 2022. Having regard to Mike's long service and retirement, Mike's deferred share award will vest at the end of the usual three-year deferral period.

6. The PSP award granted to Jason Windsor on 20 September 2022 was based on the Daily Official List Closing Price of Persimmon Plc shares on 11 July 2022, being Jason's start date with the Company.

7. The Buy-Out Award: Annual Bonus 2021 granted to Jason Windsor on 11 July 2022 was based on the Daily Official List Closing Price of Persimmon Plc shares on 8 July 2022, being the working day before Jason's start date with the Company.

8. The other Buy-Out Awards also granted to Jason Windsor on 11 July 2022 were based on average of the Daily Official List Closing Prices of Persimmon Plc shares between the date the Company announced Jason's appointment (13 January 2022) and the date Jason joined the Company (11 July 2022). The Buy Out Awards replaced awards granted by Jason's previous employer (Aviva). The price of Aviva shares for the purposes of buy-out award calculations was £4.2418 per share, being an average between 13 January 2022 and 11 July 2022.

All of the above represent share options and were granted for no financial consideration.

Remuneration

Annual report on Remuneration continued

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 2023:

Director	Shareholding requirement	No. of shares and share awards that count towards shareholding requirement at 31 December 2022	Percentage of base salary held at 31 December 2022 (including shares held by connected persons and shares net of assumed tax for share awards which are no longer subject to performance conditions) ¹	Beneficial holdings (including interests of the Director's connected persons)	
				31 December 2022 (or if earlier, date of leaving the Board)	31 December 2021 (or if later, date of joining the Board)
D Finch	4 times salary ²	32,665	53.2%	16,457	15,708
J Windsor	4 times salary ²	51,315	92.5%	25,309	–
M H Killoran	5 times salary ³	1,939,924	9,290.1%	1,931,192	1,931,192
Chairman					
R Devlin	N/A	N/A	N/A	32,575	12,575
Non-Executives					
J Place	N/A	N/A	N/A	11,360	3,408
N Mills	N/A	N/A	N/A	716	716
S Litherland	N/A	N/A	N/A	0	–
A Durbin	N/A	N/A	N/A	0	–
A Wyllie	N/A	N/A	N/A	1,012	1,012
S Khoury-Haq	N/A	N/A	N/A	355	355
Total				2,018,976	1,957,708

1. Calculated based on the closing price of £12.17 at 31 December 2022 and on base salary at 31 December 2022 (or if earlier date of leaving the Board).

2. The Committee expects that a holding with a value equal to 2x salary will be achieved within five years of appointment, with the balance of the requirement acquired within a period agreed with the Chairman.

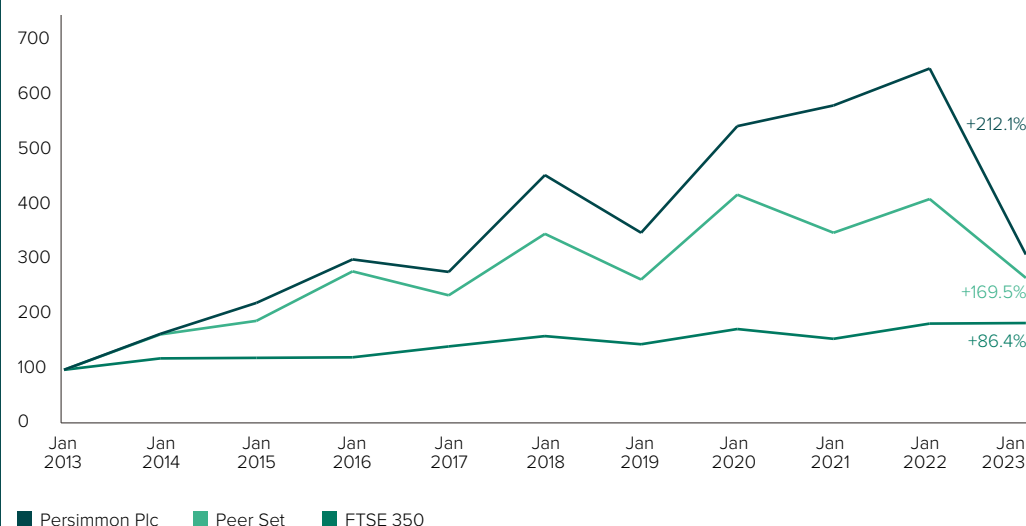
3. Whilst employed, Mike Killoran was required to acquire and retain shares worth 500% of his base salary. Mike Killoran retired from the Group on 14 January 2022. The value of shares held is based on the closing share price as at Mike's leave date (£25.49).

The beneficial holdings at 31 December 2022 of the Directors in office at that point were 87,784 shares, representing 0.03% of the Group's issued share capital as at that date. There have been no changes in these interests between 31 December 2022 and 28 February 2023.

The Committee has an agreed Post-Employment Shareholding requirement, details of which are included in the Directors' Remuneration Policy on page 135. There are no share ownership requirements for the Chairman and Non-Executive Directors.

Total Shareholder Return

We have chosen to compare the Group's total shareholder return performance with that of the FTSE 350, being a broad index of the UK's largest companies and with the largest UK listed house builders, being the Group's peer group. The graph shows a hypothetical £100 holding in the Group's shares over ten years, relative to the FTSE 350.



Group Chief Executive Remuneration 2013 to 2022

Year	Chief Executive	Single total figure of remuneration £	Annual bonus paid against maximum opportunity	PSP/LTIP awards vesting against maximum opportunity
2022	D Finch	2,143,066	72.78%	58.72%
2021*	D Finch	2,578,902	92%	n/a
2020	D Finch/D Jenkinson**	658,212	n/a	n/a
2019	D Jenkinson	672,998	n/a	n/a
2018	J Fairburn	38,967,197	n/a	100%
2017	J Fairburn	45,739,514	95.7%	100%
2016	J Fairburn	2,123,692	97.3%	n/a
2015	J Fairburn	1,995,213	97.3%	n/a
2014	J Fairburn	1,890,918	91.6%	n/a
2013***	M P Farley/J Fairburn	5,957,479	100%	100%

* The increase in the CEO single total figure of remuneration between 2020 and 2021 reflects: (1) that Executive Directors' bonuses for 2020 were forgone; and (2) the inclusion in the 2021 single total figure of remuneration of a buy-out award granted to Dean Finch.

** This is the total remuneration for Dave Jenkinson, who was Group Chief Executive until 20 September 2020, and remuneration for Dean Finch from 28 September 2020, the date he became Group Chief Executive.

*** 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.

The Wider Workforce

When making decisions about reward for the Executive Directors and Senior Executive Group the Remuneration Committee takes account of the reward principles which apply across the Group. Fundamental to this are our beliefs that all employees should be treated fairly, as evidenced by our status as an accredited Living Wage Employer, and that all employees should have the opportunity to share in the success of the business as shown through extensive participation in bonus, commission and share plans.

The Board is mindful of the impact inflation has on our employee population and in 2022 a tiered pay review was implemented which gave the highest increase of 7% to our lowest paid employees. Improvements have also been made to benefits including enhancing paternity pay and increasing the holiday entitlement. There were also a significant number of internal promotions which resulted in pay increases, demonstrating the opportunities for career development and progression with the Group.

We also continue to invest in our wider employee population through training and development opportunities and through the work being carried out by our D&I Council and Working Group. All of this together is aimed at improving the overall experience of being a Persimmon employee. Further information on this can be found on page 52.

An overview of our reward policy for salaried employees and how this cascades down the business is shown below.

	Executive Directors	Senior Executive Group	Senior management	Management	Salaried Employees
Competitive base salary	✓	✓	✓	✓	✓
Annual bonus	✓	✓	✓	✓	✓
PSP	✓	✓	✓	✓	✓*
All employee share plan	✓	✓	✓	✓	✓
Pension	✓	✓	✓	✓	✓
Car/car allowance	✓	✓	✓	✓	✓*
Private health cover	✓	✓	✓	✓	✓*

* Dependent on role and/or job grade.

Employee Engagement

The Committee Chair met with the Engagement Panel during 2022 to explain how executive remuneration aligns with wider Group pay policy. The Employee Engagement Panel outcomes are reported to the Board and meetings are attended by the Non-Executive who has responsibility for workforce engagement. The members of the Employee Engagement Panel cascade messages more broadly to the workforce ensuring two-way engagement. The Committee tracks and discusses a number of workforce related statistics via an HR dashboard of Group wide workforce statistics and trends. The Committee and Board are informed of the outcomes of Employee Engagement Surveys which are undertaken annually. Further information on our interaction with the workforce can be located on page 37.

The remuneration policy for the workforce is given due consideration when determining the remuneration of the Executive Directors.

Remuneration

Annual report on Remuneration continued

Pay ratios

The table below compares the Single Total Figure of Remuneration for the Group Chief Executive with that of employees who are paid at the 25th percentile, 50th percentile and 75th percentile of the Group's employee population and also shows the total pay and benefits at quartile points.

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2022	Option B	75:1	57:1	37:1
2021	Option B	99:1	60:1	45:1
2020 ¹	Option B	28:1	17:1	14:1
2019	Option B	23:1	20:1	15:1

1. The pay ratio for 2020 is based on the aggregate of the remuneration earned by Dave Jenkinson and Dean Finch for the period each was CEO during 2020.

The median ratio for 2022 is 57:1. The Company considers that the median pay ratio for 2022 is consistent with the pay, reward and progression policies for the Company's UK employees taken as a whole (albeit that the total remuneration pay ratio may increase going forward due to the grant of bonus and PSP awards to Executive Directors). The reduction in the pay ratio between 2021 and 2022 reflects the value of the CEO's vested PSP award in 2022 compared with the value of the buy-out award granted to him in 2021 in connection with a deferred bonus forfeited at his previous employer.

The Company adopted 'Option B' from The Companies (Miscellaneous Reporting) Regulations 2018. The latest available gender pay gap data (i.e. from April 2022) 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 2013 to 2022 table on page 149.

The total salary, and pay and benefits of employees who are paid at the 25th percentile, 50th percentile and 75th percentile is shown below:

Year	CEO	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2022 Total pay and benefits	£2,143,066	£28,644	£37,314	£58,147
2022 Salary	£746,750	£25,779	£33,120	£44,075
2021 Total pay and benefits	£2,578,902	£26,005	£43,306	£57,485
2021 Salary	£725,000	£21,178	£33,551	£46,000
2020 Total pay and benefits	£658,212	£23,748	£39,645	£47,828
2020 Salary	£561,842	£21,608	£36,297	£38,300
2019 Total pay and benefits	£672,998	£29,500	£33,409	£44,728
2019 Salary	£511,625	£26,667	£19,425	£27,726

Gender Pay Gap

At the measurement date of April 2022 the median Gender Pay Gap for the Group was 13.5% (2021: 18.1%). This reduction is partly due to the pay increase given to our lower paid workers, together with changes in the composition of our workforce and new roles brought into the Group. Our median gender pay gap is driven by the composition of our workforce with a higher proportion of men in skilled construction roles (such as bricklaying and site management) the market for which is competitive. Further information on gender pay gap reporting can be located in the Nomination Committee Report on page 110. 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 109.

In April 2022 we started delivery against a new diversity and inclusion strategy. A key workstrand within this is data improvement, for both existing and new employees. We currently do not record and calculate ethnicity pay ratios but once our data is sufficiently robust to allow meaningful analysis we will publish ethnicity pay ratios in the future. Further information on our D&I strategy can be found on page 106.

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 2022, with the change in remuneration of Persimmon Plc's employees. Jason Windsor was appointed to the Board in 2022 and, accordingly, he has 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).

	Salary/fees			Bonus			Benefits		
	2021/22	2020/21	2019/20	2021/22	2020/21	2019/20	2021/22	2020/21	2019/20
Average of Persimmon Plc's employees	31.4%	5%	5%	96.3%	21%	-19%	-8.2%	2%	18%
Average of Group salaried employees	7.3%	5%	2%	18.7%	21%	-19%	1.9%	2%	0%
R Devlin	10%	5%	—	N/A	N/A	N/A	—	—	—
D Finch*	3%	0%	N/A	-19%	N/A****	N/A	8%	-7%	N/A
M H Killoran**	0%	2%	1.6%	N/A	N/A****	N/A****	-3%	-30%	-15%
N Mills	9%	5%	—	N/A	N/A	N/A	—	—	—
S Litherland	8%	5%	—	N/A	N/A	N/A	—	—	—
J Place*****	—	—	N/A	N/A	N/A	N/A	—	—	N/A
A Durbin	9%	5%	N/A	N/A	N/A	N/A	—	—	N/A
A Wyllie***	8%	—	—	—	—	—	—	—	—
S Khoury-Haq***	17%	—	—	—	—	—	—	—	—

* The 2020 remuneration for Dean Finch has been "annualised" for the purposes of the above table to enable a valid comparison.

** The figures have been calculated on the pro rated equivalent of a full year's salary and benefits for M Killoran. He retired from the Board on 14 January 2022. He was not eligible for a bonus in 2022.

*** The 2021 remuneration for A Wyllie and S Khoury-Haq has been "annualised" for the purposes of the above table to enable a valid comparison.

**** Executive Directors' bonuses for 2020 were forgone such that the percentage change between 2020 and 2021 is not considered a meaningful comparison. No bonuses were payable in 2019.

***** Joanna Place waived her fees in 2021 meaning that a valid comparison cannot be made.

As noted above a tiered salary increase was implemented in July 2022 with lowest paid staff receiving 7%. 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 2022 versus the actual amount paid in the 2021 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.

	2022 £m	2021 £m	Difference in spend £m	Difference as a percentage
Remuneration for all employees*	259.2	224.0	35.2	15.7%
Total Capital Return Programme payments made	750.1	749.6	0.5	0.07%

* Figures are taken from note 8 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 was put to shareholders for approval at the 2020 AGM. The 2021 Annual Report on Remuneration was put to shareholders for approval at the 2022 AGM. The voting at each AGM was conducted on a poll. The table below summarises the result of the poll vote on the 2020 Directors' Remuneration Policy and the 2021 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 – 27 April 2022	204,416,579	90.46	21,547,079	9.54	225,963,658	1,947,554 (representing 0.609% of the issued share capital)

Remuneration

Annual report on Remuneration continued

Statement of Remuneration Policy implementation 2023

A summary of the 2023 remuneration for each Executive Director is set out below.

Group Chief Executive pay	Chief Financial Officer pay
<ul style="list-style-type: none"> Base salary of £746,750 (review date 1 July); 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. 	<ul style="list-style-type: none"> Base salary £675,000 (review date 1 July); 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 up to 175% of base salary¹; and Maximum PSP award of 200% of base salary.

1. Subject to shareholders approving the proposed Remuneration Policy.

Annual bonus

Each Executive Director will be eligible for consideration of a bonus in respect of 2023, with maximum opportunities as referred to above. In line with the 2022 metrics, the majority of the bonus will be based on financial metrics, being profit before tax and cash generation. As these financial targets are commercially sensitive they will be disclosed in next year's Remuneration Report. As we continue to take action to improve our build quality and customer care, we have applied an appropriate level of non-financial cultural and ESG metrics which are key to our future success. Delivery of a stretching target level of performance will result in the Executive Director receiving 50% of the maximum award. 50% of any bonus earned will be deferred into shares for three years.

In 2023 there will be two non-financial metrics; 25% of bonus will be based on customer care measures, 15% will be based on quality. The customer care metric will be based on the strategy to score 90% or above under the HBF 8 week customer satisfaction survey which is the equivalent of a five star rating, and to score 75% or above under the HBF 9-month customer satisfaction survey. The quality measure will be based on the results of independent warranty provider inspections to drive continued improvement in build quality. As previously stated the environmental metric has been removed from the annual bonus for 2023 as this will form part of the PSP.

Performance Share Plan awards

Following the AGM 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 Committee continues to be mindful of the risk of "windfall gains". When the 2023 PSP awards are made the Committee will carefully consider the quantum of the grants, having regard to share price performance and market conditions at that time.

The three-year performance period will run from 1 January 2023 to 31 December 2025. Awards will vest in 2026 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, and a new environmental metric linked to reducing our carbon emissions. Collectively, these are important factors in ensuring overall business performance, sustainability and reputation.

PSP performance metrics and targets – financial measures

Financial metrics will be based on relative TSR (35% of the overall award) and cash generation subject to a ROCE underpin (35% 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 will continue to use a pre-land measure for cash generation. This is directly linked to strategy, encourages optimisation of sales volumes and prices of homes and encourages good cost control. It is also a measure which is easily understood by our management teams and therefore has a strong line of sight for them as participants in the PSP. The PSP awards will be made following the AGM and details of the pre-land cash targets and ROCE underpin will be prospectively disclosed at the time of grant.

Performance measure	Weighting	Threshold (25% vesting)	Target (50% vesting)	Maximum (100% vesting)
TSR Ranking ¹	35%	Median	–	Upper quartile or above
Average pre-land cash generation ² over the three year performance period	35%	To be disclosed at time of grant		
Underpin applying to the pre-land cash measure – average ROCE ³ over the three year performance period		To be disclosed at time of grant		

1. Compared to a peer Group of the UK's largest listed house builders: Barratt Developments Plc; Bellway p.l.c.; Crest Nicholson Holdings plc; Redrow plc; Taylor Wimpey plc; The Berkeley Group Holdings plc; Vistry Group PLC.

2. Net cash inflow before capital return and net land payments.

3. ROCE = annual underlying profit from operations/average capital, where:

Annual Underlying Profit from Operations = 12 month consolidated Group profit before tax, interest, goodwill impairment and exceptional items;

Average Capital Employed = average of Capital Employed during the relevant calendar year; and

Capital Employed = Consolidated Shareholders Funds, plus consolidated borrowings, less consolidated cash holdings.

PSP performance metrics and targets – cultural and environmental measures

As with the 2022 PSP awards, the metric we use to measure customer care will continue to be based on the HBF 9 month customer care Survey. These scores reset to zero at the start of each year meaning that attainment of the targets remains stretching.

For the 2023 awards, we will assess the customer care measure by reference to the overall Group scores because this aligns all participants with an improvement in Group performance.

We will continue to require that the Group scores at least 80% in the 8 week score in each of the three years of the performance period. If that target is achieved, vesting will be determined by reference to the Group HBF 9 month score for the period 1 January to 31 December 2025.

The Group 9 month survey score for the year to 30 September 2022 is currently 73.9% and the targets for the 2023 awards require an improvement on this for all performance levels.

The carbon reduction targets align with our Scope 1 & 2 absolute carbon reduction commitments. Full details of the targets will be prospectively disclosed at the time of grant.

Performance measure	Weighting	Threshold (25% vesting)	Maximum (100% vesting)
Customer care	20%	Group scores at least 80% in the 8 week score in each of the three years	Group HBF 9 month score for the 12 months January to December 2025 is 80% or above
		Group HBF 9 month score for the 12 months January to December 2025 is 75%	
Environmental – Scope 1 & 2 carbon reduction	10%	To be disclosed at time of grant	

Discretion

The Remuneration Committee has discretion to override formulaic outcomes in relation to annual bonus awards and PSP awards. In line with market practice this includes the ability to adjust for exceptional or unforeseen items in order that performance is assessed on a fair and consistent basis. Any such exercise of discretion would be disclosed in the subsequent Directors' Remuneration Report.

Chairman and NED fees

The Board as a whole determines the fees of the Non-Executive Directors, with the Non-Executive Directors being recused from that discussion and decision. The Remuneration Committee determines the Chair's fees. In line with Executive Directors and the wider workforce the Non-Executive Director and Chairman fees will be reviewed with an effective increase date of 1 July 2023. Any increases to fees are anticipated to be in line with or below those given to the wider workforce.

The current fees as at 1 January 2023 are set out below, together with a comparison to 2022.

Performance measure	Fees for 2023	Fees for 2022
Chairman	£330,000	£330,000
Non-Executive Director	£65,000	£65,000
Senior Independent Director	£17,000	£17,000
Audit & Risk Committee Chair	£17,000	£17,000
Nomination Committee Chair	£17,000	£17,000
Remuneration Committee Chair	£17,000	£17,000
Workforce Engagement NED fee	£10,000	£10,000

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Chair of the Remuneration Committee

28 February 2023

Statement of Directors' Responsibilities

In respect of the annual report and the financial statements

The current Directors are listed on pages 88 to 89 and are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations. Such law requires the preparation of the Group financial statements in accordance with UK adopted International Accounting Standards and the preparation of the Parent Company financial statements in accordance with UK-adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006 as applied in accordance with section 408 of the Companies Act 2006.

Company law requires that Directors prepare Group and Parent Company financial statements for each financial year. However, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether for the Group financial statements they have been prepared in accordance with UK adopted International Accounting Standards, and for the Parent Company financial statements that they have been prepared in accordance with UK-adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006 as applied in accordance with section 408 of the Companies Act 2006; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the Directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

On behalf of the Board,

Dean Finch
Group Chief Executive
28 February 2023

Jason Windsor
Chief Financial Officer
28 February 2023

Independent auditor's report to the members of Persimmon Plc

Opinion

In our opinion:

Persimmon plc's group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2022 and of the group's profit for the year then ended:

- the group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with UK adopted international accounting standards as applied in accordance with section 408 of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Persimmon plc (the 'parent company') and its subsidiaries (together the 'group') for the year ended 31 December 2022 which comprise:

Group	Parent company
Group balance sheet as at 31 December 2022	Company balance sheet as at 31 December 2022
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 33 to the financial statements including a summary of significant accounting policies
Related notes 1 to 33 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 UK adopted international accounting standards and as regards the parent company financial statements, as applied in accordance with section 408 of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting the audit.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group and parent company's ability to continue to adopt the going concern basis of accounting included:

- In conjunction with our walkthrough of the Group's financial close process, we confirmed our understanding of management's going concern assessment process 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 the period to 30 June 2024. Management has prepared a base case scenario that assumes a decline in volumes and selling price from those achieved in 2022. Management has also prepared a severe but plausible downside scenario which, reflects a similar downturn to the impact of the Global Financial Crisis that took place in the late 2000s, with a decrease in revenue through to 30 June 2024 of c.57% compared to 2022 levels and an average selling price reduction of 17%. Finally, management has prepared an extreme scenario to assess the impact of a complete shutdown of the housing market up to 30 June 2024. 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 2024 with no requirement to access the Group's £300m Revolving Credit Facility. For more detail on the assumptions in management's assessment, please refer to Note 2 to the financial statements.
- We assessed the appropriateness of the scenarios modelled by management. While the extreme scenario is worse than would seem plausible, the model is reasonable.
- We considered the appropriateness of the methods used in the cash flow forecasts and covenant calculations and tested the factors and assumptions included in each modelled scenario. We determined that the cash flow forecasts were appropriate to be able to make an assessment for the entity.
- We read 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.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern for the period to 30 June 2024.

Independent auditor's report to the members of Persimmon Plc continued

In relation to the group and parent company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

Overview of our audit approach

Audit scope	We performed an audit of the complete financial information of one component and audit procedures on specific balances for a further two components. The components where we performed full or specific audit procedures accounted for 100% of Profit before tax, 100% of Revenue and 100% of Total assets.
Key audit matters	1. Revenue recognition 2. Inventory valuation and profit recognition 3. Legacy Buildings Provision
Materiality	4. Overall group materiality of £48.3m which represents 5% of profit before tax adjusted for the exceptional legacy buildings provision charge.

An overview of the scope of the parent company and group audits

Tailoring the scope

Changes from the Prior Year

For 2022, we performed specific audit procedures on two components, FibreNest Limited and Persimmon Brickworks Limited, that were previously out of scope. This change was to gain additional coverage over the Property, Plant & Equipment balances. There are no other changes to audit scoping since the prior year.

Our work on full and specific scope components covered 100% of Profit before tax, 100% of Revenue and 100% of Total assets, which is consistent with the prior year.

All audit work performed was undertaken by the Group audit team.

Climate change

There has been increasing interest from stakeholders as to how climate change will impact companies. The Group has determined that the most significant future impacts from climate change on its operations will be from various factors, that are explained on pages 64 to 74 in the required Task Force for Climate related Financial Disclosures and on page 61 in the principal risks and uncertainties, which form part of the "Other information," rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated.

Our audit effort in considering climate change was focused on ensuring that the effects of the physical climate risk of flooding have been appropriately reflected in inventory asset values. Details of our procedures and findings on inventory are included in our key audit matters below. We also challenged the Directors' considerations of climate change in their assessment of going concern and viability and associated disclosures.

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 & Risk Committee
<p>Inventory valuation and profit recognition Refer to the Audit & Risk Committee Report (page 118); Accounting policies (page 168); and Note 18 of the Consolidated Financial Statements (page 176).</p> <p>At 31 December 2022 the Inventory balance includes WIP of £1,263m (2021 – £1,054m) and Land of £2,092m (2021 – £1,798m). At 31 December 2022 the Cost of sales balance was £2,673m (2021 – £2,526m).</p> <p>There is a risk that the margin used to recognise profit on each development is incorrect, resulting in an error in the cost of sales recognised in the year, and that the carrying value of Inventory (WIP and Land) could be incorrectly valued and subject to impairment write downs.</p> <p>The carrying value of Inventory is determined by reference to a number of assumptions inherent in the site forecasts, such as costs to complete and expected selling price, that are used to calculate the expected margin on each development and the cost of sale recorded when a plot is sold. There is a risk of error within these assumptions, particularly in the early phases of plot sales when the estimate risk is higher. There is also a risk that the carrying value of inventory held in the balance sheet could be subject to write down if the market declines and selling prices fall.</p>	<p>We performed the following procedures over this risk area:</p> <ul style="list-style-type: none"> • We performed walkthroughs to understand the key processes and identify key controls; • We performed testing on the Group's controls over the WIP and profit recognition process. We considered management's bi-monthly valuation process to be the key control. We attended a sample of regional valuation meetings virtually to observe the level of management challenge of the assumptions within the site valuations. For a sample of meetings for a sample of months, we inspected valuation meeting packs to ensure that the appropriate individuals were in attendance at the meeting, that all sites were considered and that aggregate site variances in excess of £10,000 had been appropriately explained. We also inspected action logs for a sample of meetings to ensure that open matters were followed up on a timely basis; • We performed a substantive analytical review for the total cost of sales balance based on an overall group margin expectation; • For a sample of sites completed in the year, we have analysed the margins throughout the site's life so as to evidence management's historic forecasting accuracy; • For a sample of the active sites at year end we have tested a sample of costs to come and expected selling prices to supporting evidence; • For a sample of entries to cost of sales in the year, we have checked that the margin recorded ties to the latest projected margin; • We selected a sample of costs incurred from within inventory and agreed them to source documentation (i.e. purchase invoice), ensuring that the costs had been appropriately allocated to sites; • We performed sensitivity analysis on low margin sites held in WIP at year end; and • For a sample of land assets, we considered their location within the UK and assessed whether there was any impairment risk due to potential flooding. 	<p>Based on our audit procedures we have concluded that the inventory balance and profit recognised in the year are not materially misstated.</p>
<p>Revenue recognition Refer to Accounting policies (page 166); and Note 5 of the Consolidated Financial Statements (page 170).</p> <p>The Group has reported revenues for the year of £3,816m (2021 – £3,611m).</p> <p>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 override.</p>	<p>We performed the following procedures over this risk area:</p> <ul style="list-style-type: none"> • We performed walkthroughs to understand the key processes and identify key controls; • We tested whether revenue was recorded in the correct period by selecting a sample from the housing sales recorded within two weeks either side of the year end and testing that the sales selected had legally completed and settled in cash in the period in which they were accounted for; • 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; and • We tested all material manual journals posted to revenue to assess for any evidence of management override by checking to supporting documentation. 	<p>Based on our audit procedures we have concluded that revenue is appropriately recognised, and that there was no evidence of management override.</p>

Independent auditor's report to the members of Persimmon Plc continued

Risk	Our response to the risk	Key observations communicated to the Audit & Risk Committee
<p>Legacy Buildings Provision Refer to Accounting policies (page 169); and Note 22 of the Consolidated Financial Statements (page 177). At 31 December 2022, the Group holds a legacy building provision of £333m (2021 – £73m).</p> <p>There is estimation uncertainty and subjectivity in determining the most likely costs which will be required to remediate affected properties based on the latest legal interpretation and government guidance.</p> <p>The risk has increased in the current year, due to changes in government guidance and a significant increase in the quantum of the Group's provision.</p>	<p>We performed the following procedures over this risk area:</p> <ul style="list-style-type: none"> • We performed a walkthrough to understand the key processes and identify key controls. We read and understood the relevant laws and regulations including recently published government guidance and gained an understanding of Persimmon's commitments resulting from the Developer Pledge; • We read management's accounting paper to understand the methodology applied and management's rationale for recognising a significant increase in the provision in the current year; • In light of the significant increase in the provision in the year, we challenged management regarding the extent and timing of the increase with respect to the changes in the regulations and the requirements of IAS 37; • We obtained management's provision schedule, which showed the brought forward provision and the current year increases. Increases relate to new sites identified and to various categories of additional costs on sites previously identified as a result of additional scope requirements arising from the Developer Pledge, ongoing discussions with Department for Levelling up, Health and Communities ("DLUHC") as well as higher cost estimates. We understood the basis for significant movements. An immaterial amount of cost has been spent to date; • On a sample basis, we tested the individual development provisions. For those tendered, we agreed the expected cost to supporting third party documentation (i.e. subcontractor tenders). For those untendered, we assessed management's estimate by reference to the cost per square foot of those already tendered; • We involved EY Insurance Risk and Actuarial Specialists to critically assess management's key assumptions regarding the cost of remediation per site, the number of sites to be remediated, the time period for the work to be completed and the discount factor applied; • We performed sensitivity analysis on the provision in order to establish whether these could give rise to material variances; • In order to assess completeness of the property list, we reviewed financial statements for the past 30 years and performed a press search since 2017; and • We assessed the appropriateness of the disclosures included within the financial statements in relation to provision, including the disclosure of the assumptions and associated sensitivities in relation to the key sources of estimation uncertainty. 	<p>Based on our audit procedures we have concluded that Legacy Buildings Provision of £333m is appropriately recognised.</p>

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 £50.3 million (2021: £48.3 million), which is 5% (2021: 5%) of Profit Before Tax adjusted for the exceptional legacy buildings provision charge (2021: Profit Before Tax). We believe that Profit Before Tax adjusted for the legacy buildings provision charge provides us with an appropriate basis for materiality and this measure of underlying profit is the most relevant measure for stakeholders as it is a focus of both management and investors.

We determined materiality for the Parent Company to be £22.3 million (2021: £22.3 million), which is 1% (2021: 1%) of equity.

Starting basis	<ul style="list-style-type: none"> • Profit Before Tax – £730.7m
Adjustments	<ul style="list-style-type: none"> • Add back exceptional legacy building provision – (£275.0m)
Materiality	<ul style="list-style-type: none"> • Totals £1,005.7m

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% (2021: 75%) of our planning materiality, namely £37.7m (2021: £36.3m). 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 & Risk Committee that we would report to them all uncorrected audit differences in excess of £2.5m (2021: £2.4m), 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 154, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Corporate Governance Statement

We have reviewed the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the group and company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 123;
- Directors' explanation as to its assessment of the company's prospects, the period this assessment covers and why the period is appropriate set out on page 77;
- Director's statement on whether it has a reasonable expectation that the group will be able to continue in operation and meets its liabilities set out on page 77;
- Directors' statement on fair, balanced and understandable set out on page 154;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 57 to 63;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 122; and
- The section describing the work of the audit & risk committee set out on page 116 to 122.

Independent auditor's report to the members of Persimmon Plc continued

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 154, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework (UK adopted international accounting standards, the Companies Act 2006 and the UK Corporate Governance Code) tax compliance legislation, employment law and building safety legislation.
- We understood how Persimmon plc is complying with those frameworks by making enquiries of management, Internal Audit, those responsible for legal and compliance procedures and the Company Secretary. We corroborated our enquiries through our review of board minutes and papers provided to the Audit & Risk Committee.

- We assessed the susceptibility of the Group financial statements to material misstatement, including how fraud might occur by meeting with management 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 enquiries about any instances of non-compliance with the Group management and Internal Audit and understanding of the impact of any such non-compliance upon our audit. We engaged internal specialists as required when designing and executing audit procedures. We also performed journal entry testing, with a focus on manual consolidation journals, and journals indicating large or unusual transactions based on our understanding of the business; and focused testing, as referred to in the key audit matters section above. In addition, we completed procedures to conclude on the compliance of the disclosures in the Annual Report and Accounts with the requirements of the relevant accounting standards, UK legislation and the UK Corporate Governance Code.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Other matters we are required to address

- Following the recommendation from the Audit & Risk Committee, we were appointed by the company on 14 April 2016 to audit the financial statements for the year ending 31 December 2016 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is 6 years, covering the years ending 31 December 2016 to 31 December 2022.
- The audit opinion is consistent with the additional report to the audit & risk committee.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Victoria Venning
(Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Leeds

28 February 2023

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2022

	Note	2022 Total £m	2021 Total £m
Revenue	5	3,815.8	3,610.5
Cost of sales		(2,948.3)	(2,526.7)
Gross profit		867.5	1,083.8
Analysed as:			
Underlying gross profit		1,142.5	1,083.8
Legacy buildings provision	6	(275.0)	–
Other operating income		10.3	6.4
Operating expenses		(152.9)	(129.7)
Operating profit	10	724.9	960.5
Analysed as:			
Underlying operating profit		1,006.5	966.7
Legacy buildings provision		(275.0)	–
Impairment of intangible assets	14	(6.6)	(6.2)
Finance income	9	9.9	9.9
Finance costs	9	(4.1)	(3.6)
Profit before tax		730.7	966.8
Analysed as:			
Underlying profit before tax		1,012.3	973.0
Legacy buildings provision		(275.0)	–
Impairment of intangible assets	14	(6.6)	(6.2)
Tax	11.1	(169.7)	(179.6)
Profit after tax (all attributable to equity holders of the parent)	13	561.0	787.2

	Note	2022 Total £m	2021 Total £m
Other comprehensive (expense)/income			
Items that will not be reclassified to profit:			
Remeasurement gain on defined benefit pension schemes	28	5.2	83.3
Tax	11.2	(7.6)	(24.8)
Other comprehensive (expense)/income for the year, net of tax		(2.4)	58.5
Total recognised income for the year		558.6	845.7
Earnings per share			
Basic	13	175.8p	246.8p
Diluted	13	174.3p	245.6p

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 2022

	Note	Group 2022 £m	Group 2021 £m	Company 2022 £m	Company 2021 (Restated)* £m
Assets					
Non-current assets					
Intangible assets	14	173.0	175.6	0.3	0.5
Property, plant and equipment	15	118.6	99.0	4.3	2.8
Investments accounted for using the equity method	16.1	0.3	0.3	–	–
Investments in subsidiaries	16.2	–	–	3,205.7	3,205.7
Shared equity loan receivables	17	29.1	35.7	–	–
Trade and other receivables	19	0.3	0.6	2,015.4	1,940.4
Deferred tax assets	24	10.5	9.7	3.8	4.7
Retirement benefit assets	28	155.9	148.8	155.9	148.8
		487.7	469.7	5,385.4	5,302.9
Current assets					
Inventories	18	3,462.9	2,920.7	–	–
Shared equity loan receivables	17	6.9	9.9	–	–
Trade and other receivables	19	193.2	123.9	13.3	29.4
Cash and cash equivalents	26	861.6	1,246.6	603.3	1,054.9
Current tax assets		21.8	21.4	–	–
		4,546.4	4,322.5	616.6	1,084.3
Total assets		5,034.1	4,792.2	6,002.0	6,387.2
Liabilities					
Non-current liabilities					
Trade and other payables	21	(214.8)	(203.4)	(2.0)	(1.8)
Deferred tax liabilities	24	(72.1)	(54.6)	(45.2)	(37.4)
Partnership liability	29	(19.6)	(23.8)	–	–
Legacy buildings provision	22	(196.8)	–	–	–
		(503.3)	(281.8)	(47.2)	(39.2)
Current liabilities					
Trade and other payables	21	(949.4)	(807.0)	(3,883.0)	(4,133.9)
Partnership liability	29	(5.6)	(5.5)	–	–
Legacy buildings provision	22	(136.5)	(72.7)	–	–
		(1,091.5)	(885.2)	(3,883.0)	(4,133.9)
Total liabilities		(1,594.8)	(1,167.0)	(3,930.2)	(4,173.1)
Net assets		3,439.3	3,625.2	2,071.8	2,214.1

	Note	Group 2022 £m	Group 2021 £m	Company 2022 £m	Company 2021 (Restated)* £m
Equity					
Ordinary share capital issued	25	31.9	31.9	31.9	31.9
Share premium		25.6	24.9	25.6	24.9
Capital redemption reserve		236.5	236.5	236.5	236.5
Other non-distributable reserve		276.8	276.8	–	–
Retained earnings		2,868.5	3,055.1	1,777.8	1,920.8
Total equity		3,439.3	3,625.2	2,071.8	2,214.1

* See note 19 for further details.

The profit for the year dealt with in the accounts of the Company is £604.2m (2021: £665.0m).

The financial statements of Persimmon Plc (Company number: 1818486) on pages 161 to 199 were approved by the Board of Directors on 28 February 2023 and were signed on its behalf by:

D Finch
Group Chief Executive

J Windsor
Chief Financial Officer

Statement of changes in shareholders' equity

For the year ended 31 December 2022

	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 2021	31.9	22.3	236.5	276.8	2,950.9	3,518.4
Profit for the year	–	–	–	–	787.2	787.2
Other comprehensive income	–	–	–	–	58.5	58.5
Transactions with owners:						
Dividends on equity shares	–	–	–	–	(749.6)	(749.6)
Issue of new shares	–	2.6	–	–	–	2.6
Share-based payments	–	–	–	–	8.1	8.1
Balance at 31 December 2021	31.9	24.9	236.5	276.8	3,055.1	3,625.2
Profit for the year	–	–	–	–	561.0	561.0
Other comprehensive expense	–	–	–	–	(2.4)	(2.4)
Transactions with owners:						
Dividends on equity shares	–	–	–	–	(750.1)	(750.1)
Issue of new shares	–	0.7	–	–	–	0.7
Own shares purchased	–	–	–	–	(0.7)	(0.7)
Exercise of share options/share awards	–	–	–	–	(1.0)	(1.0)
Share-based payments	–	–	–	–	5.6	5.6
Satisfaction of share options from own shares held	–	–	–	–	1.0	1.0
Balance at 31 December 2022	31.9	25.6	236.5	276.8	2,868.5	3,439.3

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 2021	31.9	22.3	236.5	1,939.7	2,230.4
Profit for the year	–	–	–	665.0	665.0
Other comprehensive income	–	–	–	58.5	58.5
Transactions with owners:					
Dividends on equity shares	–	–	–	(749.6)	(749.6)
Issue of new shares	–	2.6	–	–	2.6
Share-based payments	–	–	–	7.2	7.2
Balance at 31 December 2021	31.9	24.9	236.5	1,920.8	2,214.1
Profit for the year	–	–	–	604.2	604.2
Other comprehensive expense	–	–	–	(2.4)	(2.4)
Transactions with owners:					
Dividends on equity shares	–	–	–	(750.1)	(750.1)
Issue of new shares	–	0.7	–	–	0.7
Own shares purchased	–	–	–	(0.7)	(0.7)
Exercise of share options/share awards	–	–	–	(1.0)	(1.0)
Share-based payments	–	–	–	6.0	6.0
Satisfaction of share options from own shares held	–	–	–	1.0	1.0
Balance at 31 December 2022	31.9	25.6	236.5	1,777.8	2,071.8

During the year the Company received dividends from wholly owned subsidiary undertakings of £600.0m (2021: £700.0m).

Retained earnings include £0.7m of non-distributable items (2021: £4.4m).

The other non-distributable reserve arose prior to transition to IFRSs.

Cash flow statements

For the year ended 31 December 2022

	Note	Group 2022 £m	Group 2021 £m	Company 2022 £m	Company 2021 £m
Cash flows from operating activities:					
Profit for the year		561.0	787.2	604.2	665.0
Tax charge/(credit)	11.1	169.7	179.6	0.2	(8.2)
Finance income	9	(9.9)	(9.9)	(4.2)	(0.7)
Finance costs	9	4.1	3.6	0.5	0.6
Depreciation charge	15	15.8	14.5	1.0	1.1
Amortisation of intangible assets	14	–	–	0.2	0.2
Impairment of intangible assets	14	6.6	6.2	–	–
Legacy buildings provision	22	275.0	–	–	–
Share-based payment charge		9.0	6.4	9.0	6.4
Net imputed interest income		2.1	6.1	–	–
Other non-cash items		(7.9)	(7.9)	2.2	2.3
Cash inflow from operating activities		1,025.5	985.8	613.1	666.7
Movements in working capital:					
Increase in inventories		(532.5)	(9.8)	–	–
Increase in trade and other receivables		(81.1)	(59.5)	(60.3)	(122.7)
Increase/(decrease) in trade and other payables		141.1	37.4	(250.4)	239.4
Decrease in shared equity loan receivables		13.3	18.9	–	–
Cash generated from operations		566.3	972.8	302.4	783.4
Interest paid		(3.3)	(3.7)	(1.0)	(2.1)
Interest received		3.5	1.9	1.0	0.1
Tax (paid)/received		(164.2)	(186.2)	(2.1)	10.3
Net cash inflow from operating activities		402.3	784.8	300.3	791.7
Cash flows from investing activities:					
Joint venture net funding movement		–	1.8	–	–
Acquisition of subsidiary		(0.2)	–	–	–
Purchase of property, plant and equipment	15	(30.5)	(20.9)	(1.5)	(0.5)
Proceeds from sale of property, plant and equipment		0.9	0.9	–	–
Net cash outflow from investing activities		(29.8)	(18.2)	(1.5)	(0.5)

	Note	Group 2022 £m	Group 2021 £m	Company 2022 £m	Company 2021 £m
Cash flows from financing activities:					
Lease capital payments		(3.3)	(3.3)	(0.3)	(0.2)
Payment of Partnership liability		(4.1)	(3.8)	–	–
Own shares purchased		(0.7)	–	(0.7)	–
Share options consideration		0.7	2.6	0.7	2.6
Dividends paid	12	(750.1)	(749.6)	(750.1)	(749.6)
Net cash outflow from financing activities		(757.5)	(754.1)	(750.4)	(747.2)
(Decrease)/Increase in net cash and cash equivalents	26	(385.0)	12.5	(451.6)	44.0
Cash and cash equivalents at the beginning of the year		1,246.6	1,234.1	1,054.9	1,010.9
Cash and cash equivalents at the end of the year	26	861.6	1,246.6	603.3	1,054.9

Notes to the financial statements

For the year ended 31 December 2022

1 Adoption of new and revised International Financial Reporting Standards (IFRSs) and Interpretations (IFRICs)

The following relevant UK endorsed new amendments to standards are mandatory for the first time for the financial year beginning 1 January 2022:

- Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a First-time Adopter
- Amendment to IFRS 9 Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Financial Liabilities
- Amendment to IAS 14 Agriculture – Taxation in Fair Value Measurements
- Amendment to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract
- Amendment to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use
- Amendment to IFRS 3 Reference to the Conceptual Framework

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 not yet effective:

- Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to IAS 8 Definition of Accounting Estimates
- Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting policies

The Group is currently considering the implication of these amendments with the expected impact upon the Group being limited to disclosures if applicable.

2 Accounting policies

Statement of compliance

The consolidated Group financial statements are prepared in accordance with UK adopted International Accounting Standards ('IAS'). Parent Company financial statements are prepared in accordance with UK adopted IAS in conformity with the requirements of the Companies Act 2006.

Basis of preparation

The financial statements have been prepared on the historical cost basis except for the revaluation of certain financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

In preparing the Group financial statements management has considered the impact of climate change, taking into account the relevant disclosures in the Strategic Report, including those made in accordance with the recommendations of the Taskforce on Climate Related Disclosures. This included an assessment of Inventories and Goodwill and Intangible Assets and how they could be impacted by measures taken to address global warming.

Recognising that the environmental impact on the Group's operations is relatively low, no issues were identified that would impact the carrying values of such assets or have any other impact on the financial statements.

Going concern

The Group has performed well in the twelve months ended 31 December 2022. Persimmon's long-term strategy, which recognises the risks associated with the housing cycle by maintaining operational flexibility, investing in high quality land, minimising financial risk and deploying capital at the right time in the cycle, has equipped the business with strong liquidity and a robust balance sheet.

The Group delivered a strong trading performance in the twelve months to 31 December 2022, completing the sale of 14,868 new homes (2021: 14,551) and generating an underlying profit before tax* of £1,005.7m (2021: £966.8m). At 31 December 2022, the Group's strong financial position included £861.6m of cash (2021: £1,246.6m), high quality land holdings and land creditors of £472.8m (2021: £407.6m). In addition, the Group has an undrawn Revolving Credit Facility of £300m, which extends out to 31 March 2026.

Given the economic turmoil resulting from the "mini budget" in September 2022 and the adverse impact it has had on the UK housing market the Group's forward order book, including legal completions taken so far in 2023, is c.30% weaker year on year with new home forward sales of c.£1.5bn. We have over 2,800 new homes sold forward into the private owner occupier market with an average selling price of over £288,600, which is 11% stronger than a year ago. The cumulative average private sales reservation rate for the first 8 weeks of the year is c.70% stronger than the rate achieved in Q4 2022.

The Directors have carried out a robust assessment of the principal risks facing the Group, as described on page 57. 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 2024, including severe but plausible scenarios based on experience gained by management during the Global Financial Crisis from 2007 to 2010, materialising together with the likely effectiveness of mitigating actions that would be executed by the Directors. For further detail regarding the approach and process the Directors follow in assessing the long-term viability of the business, please see the Viability Statement on page 75.

The scenarios emphasise the potential impact of severe market disruption, including for example the ongoing effect of economic disruption from the cost of living crisis and the war in Ukraine, 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 downside scenario modelled, the combined impact is assumed to cause, when compared to the 2022 outturn, a c.59% reduction in volumes and a c.15% reduction in average selling price in 2023. The combined impact results in a c.65% fall in the Group's 2023 housing revenues. From the lower 2023 position, the scenario then assumes a c.40% increase in housing revenue as a result of a c.34% increase in volume and a c.5% in average selling price.

A second, even more extreme, scenario assumes a significant and enduring depression of the UK economy and housing market in 2023, consistent with the above scenario, causing a reduction of c.59% in new home sales volumes, a c.15% fall in average selling prices and a c.65% fall in the Group's housing revenue in 2023. The scenario then assumes that neither volumes nor revenue recover into 2024.

In each of these scenarios, cash flows were assumed to be managed consistently, ensuring all relevant land, work in progress and operational investments were made in the business at the appropriate time to deliver the projected new home legal completions. Each scenario fully reflects the current estimate of cash outflows, value and timing, associated with the legacy buildings provision.

* Stated before legacy buildings provision charge (2022: £275.0m, 2021: £nil).

Notes to the financial statements continued

For the year ended 31 December 2022

2 Accounting policies continued

In addition the Group has been increasingly assessing climate related risk and opportunities that may present to the Group. During the period assessed for going concern no significant risk has been identified that would materially impact the Group's ability to generate sufficient cash and continue as a going concern.

Having considered the inherent strength of the UK housing market, the resilience of the Group's average selling prices and the Group's scenario analysis as detailed above, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries up to 31 December each year. Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect the returns through its power over the entity. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The subsidiary's identifiable assets, liabilities and contingent liabilities are recognised at their fair value at the acquisition date.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired entity at the date of the acquisition. Goodwill arising on acquisition of subsidiaries and businesses is capitalised as an asset. Goodwill is subsequently measured at cost less any accumulated impairment losses.

Brand intangibles

Internally generated brands are not held on the balance sheet. The Group carries assets on the balance sheet only for brands that have been acquired. Acquired brand values are calculated based on discounted cash flows. No amortisation is charged on brand intangibles as the Group believes that the value of the brands is maintained indefinitely. The factors that result in the durability of the brands capitalised are that there are no material legal, regulatory, contractual, competitive, economic or other factors that limit the useful life of these intangibles. The acquired brands are tested annually for impairment by performing a value in use calculation, using a discount factor based on the Group's pre-tax weighted average cost of capital, on the branded income stream.

Where a brand's life is not deemed to be indefinite it is written off over its expected useful life on a straight-line basis.

Revenue recognition

Revenue 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.

During 2022 the charge of £275.0m (2021: £nil) relating to the increase of the Group's legacy buildings provision has been disclosed as an exceptional item due to the non-recurring nature and scale of the charge. Further details on this provision are found in notes 3 and 22.

Share-based payments

Charges for employee services received in exchange for share-based payment have been made for all options/awards in accordance with IFRS 2 Share-based Payment, to spread the fair value of the grant over the anticipated vesting period.

The fair value of such options has been calculated using generally accepted option pricing models, based upon publicly available market data at the point of grant. Share options include both market and non-market conditions. Market conditions are considered in the establishment of the initial valuation of the options. In the event of failure to meet market conditions share-based payment charges are not reversed. In the event of failure to meet non-market conditions share-based payment charges are reversed.

Where options are net settled in respect of withholding tax obligations, these are accounted for as equity settled transactions. Payments to HMRC are accounted for as a deduction from equity for the shares withheld, except to the extent (if any) that the payment exceeds the fair value of shares withheld, in which case the excess will be charged to the statement of comprehensive income.

Share-based payments are charged wholly in the ultimate Parent Company.

Retirement benefit costs

The Group operates two defined benefit pension schemes. It also operates two defined contribution schemes for employees who are not members of a defined benefit scheme. The asset/liability in respect of the defined benefit schemes is the present value of the defined benefit obligation at the balance sheet date, less the fair value of the schemes' assets, together with adjustments for remeasurement gains and losses. Where a net asset results it is limited to the present value of economic benefits available in the form of future refunds from the scheme or reductions in future contributions, subject to any minimum funding requirements. Further details of the schemes and the valuation methods applied may be found in note 28.

Interest cost on the scheme liabilities and finance returns on scheme assets are recognised at the applicable discount rate as net finance income/costs in the statement of comprehensive income and remeasurement gains and losses via the statement of other comprehensive income.

Subsidiary entities bear a charge for current employees based upon their current pensionable salaries. Differences between this charge and the current service cost are borne by the Company as the legal sponsor, as are all experience gains and losses. There is no contractual arrangement or stated policy for recharging the other Group entities involved in the 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.

Notes to the financial statements continued

For the year ended 31 December 2022

2 Accounting policies continued

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 17.

Inventories

Inventories are stated at the lower of cost and net realisable value. Land with planning includes undeveloped land and land under development and is initially recorded at discounted cost. Where, through deferred purchase credit terms, the carrying value differs from the amount that will ultimately be paid in settling the liability, this difference is charged as a finance cost in the statement of comprehensive income over the period of settlement. Work in progress comprises direct materials, labour costs, site overheads, associated professional charges and other attributable overheads. Net realisable value represents the estimated selling prices less all estimated costs of completion and overheads. Investments in land without the benefit of a planning consent are initially included at cost. Regular reviews are carried out to identify any impairment in the value of the land considering the existing use value of the land and the likelihood of achieving a planning consent and the value thereof. Provision is made to reflect any irrecoverable amounts.

Expenditure relating to forward land, including options and fees, is held at cost. If the option expires or the Directors no longer consider it likely that the option will be exercised prior to the securing of planning permission, the amount is written off on that date.

Impairment of financial assets

The Group recognises an allowance for expected credit losses for all debt instruments not held at fair value through profit and loss. Expected credit losses are based on the difference between the contracted cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

For trade receivables and, in the Parent Company, intercompany receivables, the Group applies a simplified approach in calculating expected credit losses. The Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime expected credit losses at each 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.

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. For further information on the estimates used, please refer to note 14. The carrying amount of goodwill at the balance sheet date was £72.3m with an impairment of £6.6m recognised during the year.

Pensions

The Directors have employed the services of a qualified, independent actuary in assessing pension assets/liabilities. However, they recognise that final liabilities and asset returns may differ from actuarial estimates and therefore the ultimate pension asset/liability may differ from that included in the financial statements. For further information on the estimates used, please refer to note 28.

Land and work in progress

Given the high quality of the Group's inventory asset base, the sensitivity of the assumptions used in assessing the Net Realisable Value ('NRV') of the Group's inventories is relatively low. As such no reasonably possible change in assumptions is likely to result in a material impact to the carrying value of the Group's land and work in progress balance within the next 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 2022, the Group conducted reviews of the NRV of its development land and work in progress carrying values. The reviews were conducted on a site by site basis, using assumptions surrounding anticipated selling prices and the level of future development costs, based on local management and the Board's assessment of market conditions existing at the balance sheet date.

As noted above, the sensitivity of these assumptions to inventory carrying value is relatively low. However, the most sensitive assumption relates to the consideration of the Group's average selling price prognosis – for example, the Directors have modelled a scenario involving an immediate and enduring reduction in Group average selling price of 20% across each plot in the Group's land holdings (it is important to note that the enduring nature of this assumption would present unusually unique circumstances when considered in the context of the UK housing market). Such a scenario would not result in a material adjustment to the carrying value of the Group's inventory. Given these factors, the Board does not believe that a reasonably possible change in the assumptions could result in a material impairment of land and work in progress carrying values in the next 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 holds a provision of £333.3m (2021: £72.7m) 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. Prior years provisions represented management's best estimate of the liability based on the information available at that point. During 2022 we have signed the Building Safety Pledge (England) and worked constructively with the Government to agree the 'Long Form Contract' that turns the pledge into a legal agreement, which we anticipate signing imminently. As we have worked through this process we have identified further eligible multi-storey developments requiring remediation for which we will be liable, and developed a more detailed understanding of remediation costs.

The number of developments we are responsible for has increased and now stands at 73 (of which 33 have now either secured EWS1 certificates or concluded any necessary works). This, along with a broader scope, including reimbursement of any funds already outlaid by the Building Safety Fund, remediation of non-cladding fire related build defects and interim protection measures for residents, set against a background of significant build cost inflation has resulted in our total provision for fire related build remediation works increasing by £275.0m to £350.0m, before spend to date.

These estimates may change over time as further information is assessed, remedial works progress the interpretation of fire safety regulations further evolves and further developments requiring remediation works are potentially identified. This is a highly complex area with judgements and estimates in respect of the costs of remedial works to be incurred. Whilst management have exercised their best judgement in these matters, there remains the potential for variations to this estimate from multiple factors such as material, energy and labour cost inflation, limited qualified contractor availability and abnormal works identified on intrusive surveys. Should a 10% variation in the costs of untendered projects occur then the overall provision would vary by +/- £14.3m.

The following two areas of estimation uncertainty are not presented to comply with the requirements of paragraph 125 of IAS 1, 'Presentation of Financial Statements' as it is not expected there is a significant risk of a material adjustment to the carrying amount of assets within the next financial year. They are presented as an additional disclosure of estimate used in these accounts.

Notes to the financial statements continued

For the year ended 31 December 2022

3 Critical accounting judgements and key sources of estimation uncertainty continued

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 £97.0m, with no impairment recognised during the year ended 31 December 2022.

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 2022 the loan recognised on the balance sheet was £36.0m (2021: £45.6m).

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:

	2022 £m	2021 £m
Revenue from the sale of new housing	3,696.4	3,449.7
Revenue from the sale of part exchange properties	110.6	155.4
Revenue from the provision of internet services	8.8	5.4
Revenue from the sale of goods and services as reported in the statement of comprehensive income	3,815.8	3,610.5
Other operating income	10.3	6.4
Finance income	9.9	9.9
	3,836.0	3,626.8

Sale of goods includes £142.2m (2021: £126.5m) in respect of the value of properties accepted in part exchange by the Group on the sale of new housing.

6 Exceptional items

During 2022 the Group have recognised an exceptional charge of £275.0m (2021: £nil) in relation to the increase in the anticipated costs of the Group's commitments to support leaseholders in buildings we had developed with the costs of removal of combustible cladding and other fire related remediation works. This reflects the extended commitment of the government long form contract, the identification of further developments for which we are now responsible, and a greater understanding of remediation costs. Further detail on this matter is provided in notes 3 and 22.

This has been disclosed as an exceptional item due to the non-recurring nature and scale of the charge, in order to aid understanding of the financial performance of the Group and to assist in the comparability of financial performance between accounting periods.

7 Key management remuneration

Key management personnel, as disclosed under IAS 24 Related Party Disclosures, have been identified as the Board of Directors. Detailed disclosures of individual remuneration, pension entitlements and share options, for those Directors who served during the year, are given in the Annual Report on Remuneration on pages 126 to 153. A summary of key management remuneration is as follows:

	2022 £m	2021 £m
Short-term benefits	3.2	3.1
Termination benefits	–	–
Share-based payments	4.2	2.4
	7.4	5.5

Total gains on exercise of options by key management in the year amount to £1.0m (2021: £nil).

8 Employees Group

The average monthly number of persons (including Executive Directors) employed by the Group during the year was 5,862 (2021: 5,121).

	2022 £m	2021 £m
Staff costs (for the above persons):		
Wages and salaries	249.7	217.1
Social security costs	29.2	23.0
Pensions charge	5.4	6.9
Share-based payments	7.5	6.0
	291.8	253.0

The Group also uses the services of a substantial number of self-employed labour only site operatives.

Company

The average monthly number of persons (including Executive Directors) employed by the Company during the year was 497 (2021: 353).

	2022 £m	2021 £m
Staff costs (for the above persons):		
Wages and salaries	41.1	24.9
Social security costs	5.5	3.0
Pensions charge	0.4	2.3
Share-based payments	7.5	6.0
	54.5	36.2

9 Net finance income

	2022 £m	2021 £m
Recognised in profit after tax		
Interest receivable on bank deposits	2.3	0.2
Gains on shared equity loan receivables	3.9	7.9
Net interest on pension asset	2.8	0.7
Other interest receivable	0.9	1.1
Finance income	9.9	9.9
Interest expense on bank overdrafts and loans	0.5	–
Imputed interest on deferred land payables	1.8	1.8
Interest on Partnership liability	1.3	1.5
Other interest payable	0.5	0.3
Finance costs	4.1	3.6
Net finance income	5.8	6.3

10 Profit from operations

	2022 £m	2021 £m
Profit from operations is stated after charging/(crediting):		
Staff costs (note 8)	291.8	253.0
Profit on sale of land holdings	(5.3)	(2.2)
Government grants	(0.5)	(0.3)
Rent receivable	(3.4)	(2.9)
Profit on sale of property, plant and equipment	(0.8)	(0.9)
Depreciation of owned assets	15.8	14.5
Impairment of intangible assets	6.6	6.2

The Group did not receive any new government grants in either year, however the Group's customers have benefited from the availability of finance through the Government's 'Help to Buy' scheme which has provided indirect assistance to the Group.

Amounts receivable by the auditor, Ernst & Young LLP, and their associates in respect of:

	2022 £'000	2021 £'000
Audit fees		
Audit of the Parent Company and consolidated financial statements	427	335
The audit of the Company's subsidiaries pursuant to legislation	25	25
Total fees for the audit of the Company and its subsidiaries	452	360
Non-audit fees		
Audit related assurance services	70	65
Total non-audit fees	70	65
	522	425

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 & Risk Committee in the context of fees paid by the Group to its other advisors during the year. The Committee also reviews the nature and extent of non-audit services to ensure that independence is maintained.

Fees to major firms of accountants other than Ernst & Young LLP and its affiliated entities for non-audit services amounted to £656,285 (2021: £206,176).

Notes to the financial statements continued

For the year ended 31 December 2022

11 Tax

11.1 Analysis of the tax charge for the year

	2022 £m	2021 £m
Tax charge comprises:		
UK corporation tax in respect of the current year	138.8	181.2
Residential Property Developer Tax (RPDT) in respect of the current year	28.7	–
Adjustments in respect of prior years	(2.8)	(8.3)
	164.7	172.9
Deferred tax relating to origination and reversal of temporary differences	–	5.4
Impact of introduction of RPDT on deferred tax	3.9	–
Adjustments recognised in the current year in respect of prior years deferred tax	1.1	1.3
	5.0	6.7
Tax charge for the year recognised in Statement of Comprehensive Income	169.7	179.6

The tax charge for the year can be reconciled to the accounting profit as follows:

	2022 £m	2021 £m
Profit from continuing operations	730.7	966.8
Tax calculated at UK corporation tax rate of 22% (inclusive of RPDT) (2021: 19%)	160.8	183.7
Accounting base cost not deductible for tax purposes	–	0.2
Goodwill impairment losses that are not deductible	1.2	1.2
Expenditure not allowable for tax purposes	0.8	0.2
Impact of change in rate of corporation tax	–	2.7
Impact of RPDT on deferred tax introduction	3.9	–
Items not deductible for RPDT	6.8	–
Enhanced tax reliefs	(2.1)	(1.3)
Adjustments in respect of prior years	(1.7)	(7.1)
Tax charge for the year recognised in Statement of Comprehensive Income	169.7	179.6

The UK corporation tax rate will increase from 19% to 25% with effect from 1 April 2023. Legislation to increase the corporation tax rate was enacted during the 31 December 2021 accounting period and the impact on deferred tax was taken into account at the previous balance sheet date.

The Finance Act 2022 received Royal Assent on 24 February 2022 introducing a new residential property tax ('RPDT') which was effective from 1 April 2022 and is chargeable at 4% of profits generated from residential property development in excess of an annual threshold. RPDT was introduced by HM Treasury to obtain contributions from the UK's largest residential developers towards the cost of remediating defective cladding in the UK's high-rise housing stock.

11.2 Deferred tax recognised in other comprehensive income (note 24)

	2022 £m	2021 £m
Recognised on remeasurement gain on pension schemes	7.6	24.8

11.3 Tax recognised directly in equity

	2022 £m	2021 £m
Arising on transactions with equity participants		
Current tax related to equity settled transactions	(0.8)	0.1
Deferred tax related to equity settled transactions (note 24)	4.2	(1.8)
	3.4	(1.7)

12 Dividends/Return of capital

	2022 £m	2021 £m
Amounts recognised as distributions to capital holders in the period:		
2020 dividend to all shareholders of 125p per share paid 2021	–	398.7
2020 dividend to all shareholders of 110p per share paid 2021	–	350.9
2021 dividend to all shareholders of 125p per share paid 2022	399.0	–
2021 dividend to all shareholders of 110p per share paid 2022	351.1	–
Total capital return	750.1	749.6

The Directors propose to return 60 pence of surplus capital to shareholders for each ordinary share held on the register on 14 April 2023 with payment made on 5 May 2023 as a final dividend in respect of the financial year ended 31 December 2022. The Directors do not intend to return any further surplus capital in respect of the financial year 31 December 2022. The total anticipated distributions to shareholders is 60 pence per share (2021: 235 pence per share) in respect of the financial year ended 31 December 2022.

The Parent Company received £600.0m dividends from wholly owned subsidiary undertakings during 2022 (2021: £700.0m).

13 Earnings per share

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding those held in the employee benefit trusts (see note 25) and any treasury shares, all of which are treated as cancelled, which were 319.2m (2021: 319.0m).

Diluted earnings per share is calculated by dividing the profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares in issue adjusted to assume conversion of all potentially dilutive ordinary shares from the start of the year, giving a figure of 321.8m (2021: 320.2m).

Underlying earnings per share excludes the legacy buildings provision charge and goodwill impairment. The earnings per share from continuing operations were as follows:

	2022	2021
Basic earnings per share	175.8p	246.8p
Underlying basic earnings per share	247.3p	248.7p
Diluted earnings per share	174.3p	245.6p
Underlying diluted earnings per share	245.3p	247.6p

The calculation of the basic and diluted earnings per share is based upon the following data:

	2022 £m	2021 £m
Underlying earnings attributable to shareholders	789.5	793.4
Legacy buildings provision (net of tax)	(221.9)	–
Goodwill impairment	(6.6)	(6.2)
Earnings attributable to shareholders	561.0	787.2

14 Intangible assets

Group	Goodwill £m	Brand £m	Know-how £m	Total £m
Cost				
At 1 January 2021, 1 January 2022	408.8	60.0	1.9	470.7
Arising in the year	4.0	–	–	4.0
At 31 December 2022	412.8	60.0	1.9	474.7
Accumulated impairment losses/amortisation				
At 1 January 2021	287.0	–	1.9	288.9
Impairment losses for the year – utilisation of strategic land holdings	6.2	–	–	6.2
At 1 January 2022	293.2	–	1.9	295.1
Impairment losses for the year – utilisation of strategic land holdings	6.6	–	–	6.6
At 31 December 2022	299.8	–	1.9	301.7
Carrying amount				
At 31 December 2022	113.0	60.0	–	173.0
At 31 December 2021	115.6	60.0	–	175.6

Goodwill brought forward at the start of the year of £115.6m includes £95.6m (2021: £100.5m) 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 (2021: £37.0m) of this amount represented the brand value of Charles Church, acquired with Beazer Group plc in 2001.

On the 6 May 2022 the Group acquired the entire share capital of Horsebridge Network Systems Limited for a consideration of £1. The fair value of the balance sheet on date of acquisition was a £4.0m net liability. As a result goodwill of £4.0m has arisen on acquisition and recognised in the Group's balance sheet at 31 December 2022.

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 forecasts approved by management to form the basis of the Group's five-year business plan.

Notes to the financial statements continued

For the year ended 31 December 2022

14 Intangible assets continued

When performing the impairment review of the brands, the relevant retraction/growth rates included therein vary between 0% to 17% (2021: 0% to 3%), reflecting the economic uncertainties associated with the ongoing war in Ukraine and the cost of living crisis which is affecting the UK economy and the UK housing industry.

The retraction/growth rates in relation to the impairment review of goodwill allocated to strategic land holdings vary between 0% to 3% (2021: 0% to +3%).

After this period the growth rates applied to calculate the cash flow forecasts vary between 1 and 2% (2021: 1 and 2%) reflecting management's estimate of the forecast recovery in the UK housing market, which do not exceed the long-term average growth rates for the industry.

Management used pre-tax discount factors between 5% and 9% (2021: 2% and 8%) 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 £6.6m (2021: £6.2m). This charge reflects ongoing consumption of the acquired strategic land holdings. The effect of testing goodwill for impairment in the manner set out is that the goodwill will be completely impaired once the final plot for which management expects to receive a satisfactory planning permission is sold. The timescale for full impairment to occur is difficult to calculate however based on current estimates, it is believed this will take over 20 years.

On concluding the annual impairment testing, there remains £53.1m (2021: £58.5m) and £18.9m (2021: £20.1m) of Beazer and Westbury goodwill allocated to strategic land holdings and £37.0m (2021: £37.0m) allocated to the Charles Church brand. In addition, there is £60.0m (2021: £60.0m) of carrying value in relation to the Westbury brand.

No reasonable possible change in any of the assumptions noted above would lead to an impairment charge being required. However, in the event of deterioration in the UK housing market conditions, operating margins reducing, or appropriate discount rates increasing the possibility of impairment losses in the future remains.

Company	Trademarks £m
Cost	
At 1 January 2021, 1 January 2022 and 31 December 2022	5.0
Amortisation	
At 1 January 2021	4.3
Charge for the year	0.2
At 1 January 2022	4.5
Charge for the year	0.2
At 31 December 2022	4.7
Carrying amount	
At 31 December 2022	0.3
At 31 December 2021	0.5

15 Property, plant and equipment

Group	Land and buildings £m	Plant £m	Fixtures and fittings £m	Total £m
Cost				
At 1 January 2021	49.2	116.9	29.7	195.8
Additions	1.1	20.0	2.1	23.2
Disposals	(0.2)	(10.9)	(2.2)	(13.3)
At 1 January 2022	50.1	126.0	29.6	205.7
Additions	5.1	27.1	3.3	35.5
Disposals	(0.6)	(4.5)	(1.0)	(6.1)
At 31 December 2022	54.6	148.6	31.9	235.1
Accumulated depreciation				
At 1 January 2021	8.1	79.7	17.6	105.4
Charge for the year	1.5	9.9	3.1	14.5
Disposals	(0.1)	(10.9)	(2.2)	(13.2)
At 1 January 2022	9.5	78.7	18.5	106.7
Charge for the year	1.7	12.0	2.1	15.8
Disposals	(0.4)	(4.6)	(1.0)	(6.0)
At 31 December 2022	10.8	86.1	19.6	116.5
Carrying amount				
At 31 December 2022	43.8	62.5	12.3	118.6
At 31 December 2021	40.6	47.3	11.1	99.0

At 31 December 2022, the Group had £20.1m contractual commitments for the acquisition of property, plant and equipment (2021: £2.8m).

At 31 December 2022, the Group had £nil held for sale (2021: £nil).

Within additions for the year are £5.4m of 'Right of Use' assets (2021: £2.2m). At 31 December 2022 a 'Right of Use' asset of £10.7m is reported within Property, plant and equipment (2021: £8.6m).

Company	Land and buildings £m	Plant £m	Computer equipment, fixtures and fittings £m	Total £m
Cost				
At 1 January 2021	2.1	0.9	5.2	8.2
Additions	–	0.3	0.5	0.8
Disposals	–	(0.1)	–	(0.1)
At 1 January 2022	2.1	1.1	5.7	8.9
Additions	0.7	0.4	1.4	2.5
Disposals	–	–	–	–
At 31 December 2022	2.8	1.5	7.1	11.4
Accumulated depreciation				
At 1 January 2021	0.7	0.5	3.8	5.0
Charge for the year	–	0.2	0.9	1.1
Disposals	–	–	–	–
At 1 January 2022	0.7	0.7	4.7	6.1
Charge for the year	0.1	0.3	0.6	1.0
Disposals	–	–	–	–
At 31 December 2022	0.8	1.0	5.3	7.1
Carrying amount				
At 31 December 2022	2.0	0.5	1.8	4.3
At 31 December 2021	1.4	0.4	1.0	2.8

16 Investments

16.1 Investments accounted for using the equity method

Group	Investments in joint ventures £m
Cost	
At 1 January 2021 and 1 January 2022	0.3
Distributions	–
At 31 December 2022	0.3

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.

During the year the Group disposed of all its significant joint venture investments.

The Group's share of assets and liabilities of joint ventures is shown below:

	2022 £m	2021 £m
Non-current assets	0.1	0.1
Current assets	0.2	0.2
Current liabilities	–	–
Net assets of joint ventures	0.3	0.3

16.2 Investments in subsidiaries

Company	2022 £m	2021 £m
Cost		
At 1 January 2021, 31 December 2021 and 31 December 2022	3,540.7	3,540.7
Impairment		
At 1 January 2021, 31 December 2021 and 31 December 2022	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 (2021: £nil impairment). Details of Group undertakings are set out in notes 32 and 33.

17 Shared equity loan receivables

Group	2022 £m	2021 £m
At 1 January	45.6	56.2
Settlements	(13.3)	(18.9)
Gains	3.7	8.3
At 31 December	36.0	45.6

All gains/losses have been recognised in the Consolidated Statement of Comprehensive Income. Of the gains recognised in finance income for the period £0.3m (2021: £4.2m) was unrealised.

Shared equity loan receivables, comprise loans, largely with a ten year term and variable repayment amounts, provided as part of sales transactions that are secured by way of a second legal charge on the related property. Loans are repayable at the borrower's option, on sale or transfer of the related property or other redemption of the first legal charge or at the end of the fixed term. The loans are recorded at fair value, being the estimated future amount receivable by the Group, discounted to present day values.

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17 Shared equity loan receivables continued

The fair value of future anticipated cash receipts takes into account the Directors' view of future house price movements, the expected timing of receipts and the likelihood that a purchaser defaults on a repayment.

The Directors revisit the future anticipated cash receipts from the loans at the end of each financial reporting period. The difference between the anticipated future receipt and the initial fair value is credited over the estimated deferred term to finance income, with the loan increasing to its full expected cash settlement value on the anticipated receipt date. Credit risk, which the Directors currently consider to be largely mitigated through holding a second legal charge over the assets, is accounted for in determining fair values and appropriate discount factors are applied. The Directors expect an average maturity profile of between five and ten years from the balance sheet date.

Further disclosures relating to loans are set out in note 23.

18 Inventories

	2022 £m	2021 £m
Land	2,091.7	1,798.2
Work in progress	1,263.9	1,054.1
Part exchange properties	61.0	24.8
Showhouses	46.3	43.6
	3,462.9	2,920.7

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 2022. Our approach to this review has been consistent with that conducted at 31 December 2021. This review gave rise to a reversal of £nil (2021: £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 (2021: £nil). Net realisable provisions held against inventories at 31 December 2022 were £5.5m (2021: £18.6m).

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 2022 review, £2.9m (2021: £4.1m) of inventories are valued at net realisable value rather than at historical cost.

Land with a carrying value of £860.8m (2021: £811.4m) was used as security for land payables (note 21).

The value of inventories expensed in 2022 and included in cost of sales was £2,556.7m (2021: £2,443.6m).

19 Trade and other receivables

	Group 2022 £m	Group 2021 £m	Company 2022 £m	Company 2021 (restated) £m
Non-current assets				
Other receivables	0.3	0.6	–	–
Amounts owed by Group undertakings	–	–	2,015.4	1,940.4
	0.3	0.6	2,015.4	1,940.4
Current assets				
Trade receivables	153.7	87.9	1.3	0.7
Other receivables	17.9	26.0	8.2	27.0
Prepayments and accrued income	21.6	10.0	3.8	1.7
	193.2	123.9	13.3	29.4

Following a review of the Company's historic practice and future plans not to call on all intercompany receivables in the short-term, £1,940.4m of current intercompany receivables at 31 December 2021 have been reclassified to non-current in line with IAS 1. These balances remain repayable on demand, and can be called upon at the sole discretion of the Company if required. This reclassification has no impact on net assets, result for the year or cash flows. The impact on the 31 December 2020 balance sheet would be to reclassify £1,840.5m of current intercompany receivables to non-current intercompany receivables.

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.

	2022 £m	2021 £m
Ageing of overdue but not impaired receivables		
Less than 3 months	29.8	13.7
Over 3 months	7.4	6.3
	37.2	20.0

The carrying value of trade and other receivables are stated after the following allowance for expected credit losses:

	2022 £m	2021 £m
Group		
At 1 January	2.0	2.0
Allowance for expected credit losses charged	0.2	0.1
Amounts written off during the year as uncollectable	(0.2)	(0.1)
Allowance for expected credit losses reversed	–	–
At 31 December	2.0	2.0

20 Borrowings

Detailed disclosure of the Group's usage of financial instruments is included in note 23. There are £nil borrowings at 31 December 2022 (2021: £nil).

The contractual repayment terms of facilities are as noted below.

	Currency	Nominal interest rate	Year of maturity	2022 £m	2021 £m
Bank overdrafts	GBP	Base +1%-3.25%	2023	26.0	31.0
Syndicated loan	GBP	SONIA +0.90%- 0.93%	2026	300.0	300.0
Available facilities				326.0	331.0

The interest rate applicable to the syndicated loan may increase dependent upon the Group's gearing level. The discount rate applies to current and forecast gearing levels.

21 Trade and other payables

	Group 2022 £m	Group 2021 £m	Company 2022 £m	Company 2021 £m
Non-current liabilities				
Land payables	202.8	190.2	–	–
Other payables	12.0	13.2	2.0	1.8
	214.8	203.4	2.0	1.8

	Group 2022 £m	Group 2021 £m	Company 2022 £m	Company 2021 £m
Current liabilities				
Trade payables	368.6	227.2	3.3	0.7
Land payables	270.0	217.4	–	–
Deposits and on account contract receipts	–	25.8	–	–
Other payables	54.8	48.6	16.1	9.2
Accrued expenses	256.0	288.0	6.2	9.9
Amounts owed to Group undertakings	–	–	3,857.4	4,114.1
	949.4	807.0	3,883.0	4,133.9

Trade payables subject to payment terms were 35 days (2021: 14 days), based on the ratio of year end trade payables (excluding retentions and unagreed claims) to amounts invoiced during the year by trade creditors. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed terms. The Directors consider that the carrying amount of trade payables approximates to their fair value.

Land payables are reduced for imputed interest, which is charged to the statement of comprehensive income over the credit period of the purchase contract.

22 Legacy buildings provision

	Group 2022 £m	Group 2021 £m
At 1 January	72.7	75.0
Additions to provision in the year	275.0	–
Provisions utilised in the year	(14.4)	(2.3)
At 31 December	333.3	72.7

In 2020 the Group made an initial commitment that no leaseholder living in a building we had developed should have to cover the cost of removal of combustible cladding. During 2022 we have signed the Building Safety Pledge (England) and worked constructively with the government to agree the 'Long Form Contract' that turns the pledge into a legal agreement, which we anticipate signing imminently. As we have worked through this process we have identified further eligible multi-storey developments requiring remediation for which we will be liable, and developed a more detailed understanding of remediation costs. The number of developments we are responsible for has increased and now stands at 73 (of which 33 have now either secured EWS1 certificates or concluded any necessary works). This, along with a broader scope, including reimbursement of any funds already outlaid by the Building Safety Fund, remediation of non-cladding fire related build defects and interim protection measures for residents, set against a background of significant build cost inflation has resulted in our total provision for fire related build remediation works increasing by £275.0m to £350.0m, before spend to date.

Notes to the financial statements continued

For the year ended 31 December 2022

22 Legacy buildings provision continued

It is assumed the majority of the work will be completed over the next 3 years and the amount provided for has been discounted accordingly.

The charge of £275.0m in the year has been separately disclosed on the face of the Consolidated Statement of Comprehensive Income.

This is a highly complex area with judgments and estimates in respect of the cost of the remedial works, with investigative surveys ongoing to determine the full extent of those required works. Where remediation works have not yet been fully tendered we have estimated the likely scope and costs of such works based on experience of other similar sites. Whilst management have exercised their best judgement of these matters, there remains the potential for variations to this estimate from multiple factors such as material, energy and labour cost inflation, limited qualified contractor availability and abnormal works identified on intrusive surveys. Should a 10% variation in the costs of untendered projects occur then the overall provision would vary by +/- £14.3m.

The financial statements have been prepared on the latest available information, however there remains the possibility that despite managements endeavours to identify all such properties, including those constructed by acquired entities well before acquisition, further developments requiring remediation may emerge.

The Company has no provisions.

23 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Market risk
- Liquidity risk
- Capital risk
- 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 the assessment and effective management of the Group's risks. Comprehensive processes are in place to identify, monitor, mitigate and control risks, through the work of the Audit & Risk Committee, Group Internal Audit department and operational management teams. This includes a wide-ranging annual survey of Board and senior management in order to assess key risk issues and emerging risks. Collectively, these processes provide the Board with visibility of the Group's full risk landscape, while remaining focused on the most significant threats and trends, and allow for the effective deployment of supporting controls.

Market risk

Market risk represents the potential for changes in foreign exchange prices and interest rates to affect the Group's profit and the value of its financial instruments. It also incorporates the effect of the overall UK housing market on the Group. The Group's objective in market risk management is to minimise its exposures to fluctuations within such variables whilst optimising returns.

The Group has no significant direct currency exposures.

Interest rate risk

The Group currently holds no fixed interest borrowings. This reflects 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 2022 UK interest rates had been 1.0% higher/lower than the Group's pre-tax profit would have increased/decreased by £5.1m (2021: increased/decreased by £10.6m). The Group's post-tax profit would have increased/decreased by £4.0m (2021: increased/decreased by £8.6m).

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 2022, if UK house prices had been 10% higher/lower, and all other variables were held constant, the Group's house price linked financial instruments, which are solely shared equity loan receivables, would increase/decrease in value, excluding any effects of current or deferred tax, by £3.6m (2021: £4.6m).

Liquidity risk

Liquidity risk reflects the risk that the Group will have insufficient resources to meet its financial obligations as they fall due. The Group's strategy in relation to managing liquidity risk is to ensure that the Group has sufficient liquid funds to meet all its potential liabilities as they fall due.

This is true not only of normal market conditions but also of negative projections against expected outcomes, so as to avoid any risk of incurring contractual penalties or damaging the Group's reputation, which would in turn reduce the Group's ability to borrow at optimal rates. Therefore the Group remains confident of its continued compliance with financial covenants under the 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 75 to 77.

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.

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 2026. These committed facilities are sufficient to meet projected liquidity requirements to this date. Undrawn committed facilities at the reporting date amount to £300m (2021: £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 20 offset by cash and bank balances) and equity of the Group (comprising issued capital, reserves and retained earnings as detailed in the statement of changes in shareholders' equity). The Group's objective in managing capital is primarily to ensure the continued ability of the Group to meet its liabilities as they fall due whilst also maintaining an appropriate balance of equity and borrowings and minimising costs of capital. Close control of deployment of capital is maintained by detailed management review procedures for authorisation of significant capital commitments, such as land acquisition, capital targets for local management and a system of internal interest recharges, ensuring capital cost impact is understood and considered by all management tiers.

Decisions regarding the balance of equity and borrowings, dividend policy and all major borrowing facilities are reserved for the Board. The Group is currently pursuing a strategy of capital return to shareholders, whilst at the same time building a stronger, larger business. Full details are available in the Strategic Report on pages 53 to 55.

The following are the contractual maturities of financial liabilities, including interest payments (not discounted):

	2022 Carrying amount £m	Contractual cash flows £m	Less than 1 year £m	1–2 years £m	2–5 years £m	Over 5 years £m
Group						
Trade and other payables	691.2	694.4	683.8	2.7	2.8	5.1
Land payables	477.3	481.7	269.2	142.3	62.2	8.0
Partnership liability	25.1	28.2	5.6	5.6	17.0	–
Financial liabilities	1,193.6	1,204.3	958.6	150.6	82.0	13.1

	2021 Carrying amount £m	Contractual cash flows £m	Less than 1 year £m	1–2 years £m	2–5 years £m	Over 5 years £m
Group						
Trade and other payables	577.0	580.0	565.4	7.7	2.7	4.2
Land payables	407.6	409.6	218.7	105.3	81.8	3.8
Partnership liability	29.3	33.7	5.5	5.6	16.9	5.7
Financial liabilities	1,013.9	1,023.3	789.6	118.6	101.4	13.7

	2022 Carrying amount £m	Contractual cash flows £m	Less than 1 year £m	1–2 years £m	2–5 years £m	Over 5 years £m
Company						
Trade and other payables (including intercompany balances)	3,885.1	3,885.1	3,884.3	0.3	0.5	–
Financial liabilities	3,885.1	3,885.1	3,884.3	0.3	0.5	–

It is noted that £3,857.1m (2021: £4,114.1m) of other payables refer to amounts owed to subsidiary undertakings. Whilst generally repayable upon demand, in practice it is unlikely there will be any required repayment in the short-term.

	2021 Carrying amount £m	Contractual cash flows £m	Less than 1 year £m	1–2 years £m	2–5 years £m	Over 5 years £m
Company						
Trade and other payables (including intercompany balances)	4,135.7	4,135.7	4,133.9	0.3	1.5	–
Financial liabilities	4,135.7	4,135.7	4,133.9	0.3	1.5	–

Notes to the financial statements continued

For the year ended 31 December 2022

23 Financial risk management continued

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 £0.3m requirement for a charge in relation to credit impairment in the year (2021: £0.3m).

The maximum total credit risk is as follows:

	2022 £m	2021 £m
Group		
Trade and other receivables	164.9	114.5
Shared equity loan receivables	36.1	45.6
Cash and cash equivalents	861.6	1,246.6
	1,062.6	1,406.7
Company		
Loans and receivables (including intercompany balances)	2,024.9	1,968.1
Cash and cash equivalents	603.3	1,054.9
	2,628.2	3,023.0

The maximum credit exposure of the Group to overseas parties is £nil (2021: £nil) (Company: £nil (2021: £nil)). The Group's credit risk is widely distributed. The maximum credit risk should any single party (excepting financial institutions) fail to perform is £56.6m (2021: £20.4m) and is not yet due (Company: £1,414.5m (2021: £1,339.5m) being a subsidiary debtor). The Directors consider these financial assets to be of high quality and the credit risk is assessed as low. The maximum credit risk associated with a financial institution in respect of short-term cash deposits is £188.7m (2021: £216.1m).

Fair value

The fair value of financial assets and liabilities is as follows:

	2022		2021	
	Fair value £m	Carrying value £m	Fair value £m	Carrying value £m
Group				
Trade and other receivables	164.9	164.9	114.5	114.5
Shared equity loan receivables	36.1	36.1	45.6	45.6
Cash and cash equivalents	861.6	861.6	1,246.6	1,246.6
Trade and other payables	(691.7)	(691.7)	(577.0)	(577.0)
Land payables	(472.8)	(472.8)	(407.6)	(407.6)
Partnership liability	(24.1)	(25.2)	(30.1)	(29.3)
	(126.0)	(127.1)	(392.0)	(392.8)

In aggregate, the fair value of financial assets and liabilities are not materially different from their carrying value.

	2022		2021	
	Fair value £m	Carrying value £m	Fair value £m	Carrying value £m
Company				
Trade and other receivables (including intercompany balances)	2,024.9	2,024.9	1,968.1	1,968.1
Cash and cash equivalents	603.3	603.3	1,054.9	1,054.9
Trade and other payables (including intercompany balances)	(3,885.1)	(3,885.1)	(4,135.7)	(4,135.7)
	(1,256.9)	(1,256.9)	(1,112.7)	(1,112.7)

Income and expense in relation to financial instruments is disclosed in note 9.

Financial assets and liabilities by category:

	Group		Company	
	2022 £m	2021 £m	2022 £m	2021 £m
Financial assets designated fair value through statement of comprehensive income	36.1	45.6	—	—
Trade and other receivables	164.9	114.5	2,024.9	1,968.1
Cash and cash equivalents	861.6	1,246.6	603.3	1,054.9
Financial liabilities at amortised cost	(1,189.7)	(1,013.9)	(3,883.0)	(4,135.7)
	(127.1)	392.8	(1,254.8)	(1,112.7)

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:

	2022 Level 3 £m	2021 Level 3 £m
Group		
Shared equity loan receivables	36.0	45.6

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 (2021: ten years) and discount rate 7% (2021: 5%) based on current observed market interest rates offered to private individuals on secured second loans.

The discounted forecast cash flow calculation is dependent upon the estimated future value of the properties on which the shared equity loans are secured. Adjustments to this input, which might result from a change in the wider property market, would have a proportional impact upon the fair value of the loan. Furthermore, whilst not easily assessable in advance, the resulting change in security value may affect the credit risk associated with the counterparty, influencing fair value further.

Detail of the movements in shared equity loan receivables in the period are disclosed in note 17.

24 Deferred tax

The following are the deferred tax assets and liabilities recognised by the Group and the movements thereon during the current and prior year:

	Note	Accelerated tax depreciation £m	Retirement benefit obligation £m	Share-based payment £m	Intangible assets £m	Other temporary differences £m	Total £m
At 1 January 2021		2.0	(9.6)	3.7	(11.4)	0.1	(15.2)
(Charge)/credit to income statement	11.1	(1.7)	(2.8)	2.1	(3.6)	(0.7)	(6.7)
Credit to other comprehensive income	11.2	–	(24.8)	–	–	–	(24.8)
Amounts taken directly to equity	11.3	–	–	1.8	–	–	1.8
At 1 January 2022		0.3	(37.2)	7.6	(15.0)	(0.6)	(44.9)
(Charge)/credit to income statement	11.1	(7.2)	(0.4)	1.5	(2.4)	3.7	(4.8)
Charge to other comprehensive income	11.2	–	(7.7)	–	–	–	(7.7)
Amounts taken directly to equity	11.3	–	–	(4.2)	–	–	(4.2)
At 31 December 2022		(6.9)	(45.3)	4.9	(17.4)	3.1	(61.6)

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:

	2022 £m	2021 £m
Share-based payments	4.9	7.6
Other items, including accelerated capital allowances	5.6	2.1
Deferred tax assets	10.5	9.7
Brands	(17.4)	(15.0)
Other items, including accelerated capital allowances	(54.7)	(39.6)
Deferred tax liabilities	(72.1)	(54.6)
Net deferred tax liability	(61.6)	(44.9)

The Group has recognised deferred tax liabilities of £45.3m (2021: liabilities of £37.2m) on retirement benefit assets of £155.9m (2021: assets of £148.8m).

Notes to the financial statements continued

For the year ended 31 December 2022

24 Deferred tax continued

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 2021	0.3	(9.6)	1.7	0.9	(6.7)
Credit/(charge) to income statement	(0.5)	(2.8)	1.2	–	(2.1)
Credit to other comprehensive income	–	(24.8)	–	–	(24.8)
Amounts taken directly to equity	–	–	0.9	–	0.9
At 1 January 2022	(0.2)	(37.2)	3.8	0.9	(32.7)
(Charge)/credit to income statement	0.2	(0.4)	2.3	0.3	2.4
Charge to other comprehensive income	–	(7.7)	–	–	(7.7)
Amounts taken directly to equity	–	–	(3.4)	–	(3.4)
At 31 December 2022	–	(45.3)	2.7	1.2	(41.4)

No deferred tax assets and liabilities have been offset (2021: £nil).

25 Share capital

	2022 £m	2021 £m
Allotted, called up and fully paid		
319,323,432 (2021: 319,206,474) 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 116,958 ordinary shares (2021: 135,213) 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 2022, the Trustee transferred 53,988 (2021: 0) to employees. At 31 December 2022 the trust held 88,635 shares (2021: 105,523) on which dividends have been waived. The market value of these shares at 31 December 2022 was £1,078,688 (2021: £3,013,737).

Own shares

Own shares held at cost are reconciled as follows:

	Group £m
Balance at 31 December 2021	0.4
Disposed of on exercise/vesting to employees	(0.3)
Balance at 31 December 2022	0.1

26 Reconciliation of net cash flow to net cash and analysis of net cash

Group	2022 £m	2021 £m
Cash and cash equivalents at 1 January	1,246.6	1,234.1
(Decrease)/increase in net cash and cash equivalents in cash flow	(385.0)	12.5
Cash and cash equivalents at 31 December	861.6	1,246.6
IFRS 16 lease liability	(10.9)	(8.8)
Net cash at 31 December	850.7	1,237.8

Net cash is defined as cash and cash equivalents, bank overdrafts, finance lease obligations and interest bearing borrowings.

27 Contingent liabilities

As disclosed in note 22 the Group has undertaken a review of all of its legacy buildings that used cladding on their facades.

The financial statements have been prepared on the latest available information, however there remains the possibility that despite managements endeavours to identify all such properties, including those constructed by acquired entities well before acquisition, further developments requiring remediation may emerge. There is also the possibility that estimates based on preliminary assessments regarding the scale of remediation works relating to buildings yet to be fully surveyed may prove incorrect. Cost of remedial works will remain under review and be updated as works progress.

In the normal course of business the Group has given counter indemnities in respect of performance bonds and financial guarantees. Management estimate that the bonds and guarantees amount to £386m (2021: £372m), 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 32.

28 Retirement benefit assets

As at 31 December 2022 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 £5.7m (2021: £4.9m) are expensed through the statement of comprehensive income as incurred.

Persimmon Plc Pension & Life Assurance Scheme

The Persimmon Plc Pension & Life Assurance Scheme (the 'Persimmon Scheme') is a defined benefit scheme which was closed to new members in 2001. Active members of the Persimmon Scheme accrue benefits on a career average revalued earnings basis. The assets of the Persimmon Scheme are held separately from those of the Group.

On 12 December 2012 Persimmon Plc made a one-off cash contribution of £57.8m to the Persimmon Scheme. The Persimmon Scheme used these funds to invest in Persimmon Scottish Limited Partnership, which has undertaken to provide fixed cash payments to the Persimmon Scheme to meet its liabilities over a 15 year period. See note 29 for further details.

Prowting Pension Scheme

The Group also operates the Prowting Pension Scheme (the 'Prowting Scheme'), a defined benefit scheme. Benefits accrue on a career average revalued earnings basis. The assets of the Prowting Scheme are held separately from those of the Group.

Role of Trustees

Both the Persimmon Scheme and the Prowting Scheme (jointly 'the Pension Schemes') are managed by Trustees who are legally separate from the Company. The Trustees are composed of representatives appointed by both the employer and employees. The Trustees are required by law to act in the interest of all relevant beneficiaries and are responsible in particular for the asset investment policy plus the day-to-day administration of the benefits. They are also responsible for jointly agreeing with the employer the level of contributions due to the Pension Schemes (see below).

Funding requirements

UK legislation requires that pension schemes are funded prudently i.e. to a level in excess of the current expected cost of providing benefits. The last funding valuation of the Persimmon Scheme was carried out by a qualified actuary as at 1 January 2020 and as at 31 March 2021 for the Prowting Scheme. The next funding valuation will be as at 1 January 2023 for the Persimmon Scheme and as at 31 March 2024 for the Prowting Scheme. Subsequent valuations will be at intervals of no more than three years thereafter.

Following each valuation, the Trustees and the Company must agree the contributions required (if any) to ensure the Pension Schemes are fully funded over time on a suitable prudent measure. Contributions agreed in this manner constitute a minimum funding requirement.

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 are payable for the Persimmon Scheme.

Under the governing documentation of the Pension Schemes, any future surplus in either scheme would be returnable to the Group by refund, assuming gradual settlement of the liabilities over the lifetime of the Pension Schemes. As a result the Group does not consider there to be an asset ceiling in respect of the Pension Schemes.

Both Pension Schemes are in a strong funding position. The Group remains committed to the continuity of this position and will review future contribution levels in the event of any significant deficit arising.

The Pension Schemes investment strategy is to maintain a portfolio of suitable assets of appropriate liquidity which will generate investment returns to meet, together with future contributions, the benefits of the members as they fall due.* The Pension Schemes do not invest directly in complex financial instruments, though there may be limited indirect investment through investment funds.

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.

* Given the current financial strength of the pension schemes net asset position a low risk investment strategy is applied.

Notes to the financial statements continued

For the year ended 31 December 2022

28 Retirement benefit assets continued

Risks associated with the Pension Schemes

The Pension Schemes expose the Group to a number of risks, the most significant of which are:

Risk	Description
Volatile asset returns	The defined benefit obligation (DBO) is calculated using a discount rate set with reference to corporate bond yields. If assets underperform this discount rate, this will create an element of deficit. The Persimmon Scheme holds a significant proportion (c.20%) of assets in growth assets (such as equities) which, although expected to outperform corporate bonds in the long-term, create volatility and risk in the short-term. The allocation to growth assets is monitored to ensure it remains appropriate given the Pension Schemes' long-term objectives.
Changes in bond yields	A decrease in corporate bond yields will increase the value placed on the DBO for accounting purposes, although this will be partially offset by an increase in the value of the Pension Schemes' bond holdings.
Inflation risk	A significant proportion of the DBO is indexed in line with price inflation and higher inflation will lead to higher liabilities (although, in most cases, this is capped at an annual increase of 5%).
Life expectancy	The majority of the Pension Schemes' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the liabilities.

There are a number of other risks of running the Pension Schemes including operational risks (such as paying out the wrong benefits), legislative risks (such as the Government increasing the burden on pension through new legislation) and other demographic risks, such as a higher proportion of members having a dependant eligible to receive a survivor's pension.

Net Pension Asset

The amounts included in the Balance Sheet arising from the Group's obligations in respect of the Pension Schemes are as follows:

	2022 £m	2021 £m
Fair value of Pension Scheme assets	555.6	751.9
Present value of funded obligations	(399.7)	(603.1)
Net pension asset	155.9	148.8

A deferred tax liability totalling £45.2m (2021: £37.2m) 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:

	2022 £m	2021 £m
As at 1 January	148.8	50.6
Total gain recognised in the period	5.5	81.4
Company contributions paid in the period	1.6	16.8
Net pension asset	155.9	148.8

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.

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:

	2022 £m	2021 £m
Current service cost	1.9	2.0
Administrative expense	0.6	0.6
Pension cost recognised as operating expense	2.5	2.6
Interest cost	11.3	8.9
Return on assets recorded as interest	(14.1)	(9.6)
Pension cost recognised as net finance credit	(2.8)	(0.7)
Total defined benefit pension (credit)/cost recognised in profit or loss	(0.3)	1.9
Remeasurement gain recognised in other comprehensive income	(5.2)	(83.3)
Total defined benefit scheme gain recognised	(5.5)	(81.4)

The net remeasurement gain in the year of £5.2m (2021: £83.3m) reflects the net effect of a loss in asset values of £189.5m, offset by a reduction in liability obligations of £194.7m, largely arising from an increase in discount rates.

Assets

The assets of the Pension Schemes have been calculated at fair value and are invested in the following asset classes:

	2022 £m	2021 £m
Equity		
– UK	4.5	31.3
– US	26.5	124.0
– Eurozone	19.3	40.3
– Other	14.1	21.8
Bonds		
– Government	397.4	174.3
– sub-investment grade	4.9	105.7
Asset backed funding	24.1	30.1
Diversified Growth Fund	49.0	155.6
Cash	15.8	68.8
Total	555.6	751.9

All assets have a quoted market value in an active market, with the exception of Asset backed funding of £24.1m (2021: £30.1m), which related to secured cash flows.

The Persimmon Scheme holds 94% (2021: 93%) of the gross assets of the Pension Schemes and 94% (2021: 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:

	2022 £m	2021 £m
As at 1 January	751.9	694.4
Return on assets recorded as interest	14.1	9.6
Remeasurement (losses)/gain on assets	(189.5)	53.6
Contributions	1.6	16.8
Benefits and expenses paid	(22.5)	(22.5)
As at 31 December	555.6	751.9

Defined Benefit Obligation

The liabilities of the Pension Schemes, at each balance sheet date, have been calculated on the following financial assumptions:

	2022 % p.a.	2021 % p.a.
Discount rate	4.8	1.9
General pay increases	3.0	3.1
RPI Inflation assumption	3.0	3.1
CPI Inflation assumption	2.5	2.6

Post retirement life expectancy for retirement aged members are as follows:

	2022 Years	2021 Years
Male current pensioner	22.6	22.6
Male future pensioner	23.3	23.2

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.

	2022 £m	2021 £m
Total value of current employees' benefits	21.5	39.8
Deferred members' benefits	139.6	244.0
Pensioner members' benefits	238.6	319.3
Total defined benefit obligation	399.7	603.1

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 17 years.

Notes to the financial statements continued

For the year ended 31 December 2022

28 Retirement benefit assets continued

Changes in the defined benefit obligation were as follows:

	2022 £m	2021 £m
As at 1 January	(603.1)	(643.8)
Current service cost	(1.9)	(2.0)
Interest cost	(11.3)	(8.9)
Remeasurement gain on liabilities	194.7	29.7
Benefits paid	21.9	21.9
As at 31 December	(399.7)	(603.1)

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.

	2022 £m	2021 £m
Present value of defined benefit obligation (DBO)	399.7	603.1
– DBO following a 0.25% decrease in the discount rate	413.0	628.7
– DBO following a 0.25% increase in the discount rate	387.0	579.2
– DBO following a 0.25% decrease in the inflation assumption	392.9	591.1
– DBO following a 0.25% increase in the inflation assumption	406.4	617.4
– DBO following a 1 year decrease to life expectancy	386.5	575.6
– DBO following a 1 year increase to life expectancy	413.0	630.8

The sensitivity information shown above has been prepared using the same methodology as the calculation for the current DBO.

29 Partnership Liability to the Persimmon Plc Pension & Life Assurance Scheme

Persimmon Scottish Pension Trustees Limited, a wholly owned Group subsidiary, is general partner in Persimmon Scottish Limited Partnership ('the Partnership'). Persimmon Pension Trustees Limited, the Trustee of the Persimmon Plc Pension & Life Assurance Scheme ('the Persimmon Scheme') is a limited partner. The Partnership is included in the consolidated results of the Group. The Partnership has taken advantage of the exemptions in the Partnerships (Accounts) regulations 2008 not to file separate accounts on this basis.

The terms of the Persimmon Scheme's interest in the Partnership give the pension scheme obligatory rights to cash returns but insignificant operational control over the Partnership. The interest has been classified as a financial liability and is accounted for on an amortised cost basis. During the year the Group has made payments in relation to the Partnership liability (including interest) totalling £5.6m (2021: £5.5m).

Under IAS 19 the partnership interest of the Persimmon Scheme is included within the UK pension scheme assets. For further details see note 28.

The Partnership is the beneficial owner of a bond secured on a proportion of the Group's shared equity loan receivables and guaranteed by Persimmon Plc, which will support the Partnership investment return to the Persimmon Scheme.

30 Share-based payments

The Group operates a number of share option schemes, the details of which are provided below. All schemes were equity settled, 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 £nil (2021: £nil). 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 between 2019 and 2021 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:

Group and Company	2022 Savings-Related Share Option Scheme		2021 Savings-Related Share Option Scheme	
	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	935,105	1,908.5p	946,876	1,804.6p
Granted during the year	1,266,190	1,080.0p	284,985	2,197.0p
Forfeited during the year	(448,958)	1,935.4p	(161,543)	1,808.9p
Exercised during the year	(37,559)	1,877.4p	(135,213)	1,908.2p
Outstanding at the end of the year	1,714,778	1,290.4p	935,105	1,908.5p
Exercisable at the end of the year	181,484	1,692.1p	38,212	1,888.0p

Group and Company	2022 Bonus Share Scheme		2021 Bonus Share Scheme	
	Number of shares under option		Number of shares under option	
Outstanding at the beginning of the year	13,694		–	
Granted during the year	69,798		13,694	
Exercised during the year	(15,109)		–	
Outstanding at the end of the year	68,383		13,694	
Exercisable at the end of the year	–		–	

Group and Company	2022 Buy Out Award		2021 Buy Out Award	
	Number of shares under option		Number of shares under option	
Outstanding at the beginning of the year	–		–	
Granted during the year	209,381		–	
Exercised during the year	(37,054)		–	
Outstanding at the end of the year	172,327		–	
Exercisable at the end of the year	–		–	

Group and Company	2022 Long Term Incentive Plan 2007 HMRC Approved		2021 Long Term Incentive Plan 2007 HMRC Approved	
	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	–	–	–	–
Exercised during the year	–	–	–	–
Outstanding at the end of the year	–	–	–	–
Exercisable at the end of the year	–	–	–	–

Group and Company	2022 Long Term Incentive Plan 2012*		2021 Long Term Incentive Plan 2012*	
	Number of shares under option		Number of shares under option	
Outstanding at the beginning of the year	12,000		12,000	
Forfeited/waived during the year	(8,491)		–	
Exercised during the year	(3,509)		–	
Outstanding at the end of the year	–		12,000	
Exercisable at the end of the year	–		12,000	

* 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.

Group and Company	2022 2017 Performance Share Plan		2021 2017 Performance Share Plan	
	Number of shares under option		Number of shares under option	
Outstanding at the beginning of the year	1,770,343		1,261,754	
Granted during the year	1,113,250		680,515	
Forfeited during the year	(316,758)		(171,926)	
Exercised during the year	(85,613)		–	
Outstanding at the end of the year	2,481,222		1,770,343	
Exercisable at the end of the year	386,479		126,544	

The weighted average share price at the date of exercise for share options exercised during the period was 2,344.9p (2021: 2,835.0p). The options outstanding at 31 December 2022 had a range of exercise prices from nil to 2,197.0p and a weighted average remaining contractual life of 1.6 years (2021: 1.3 years).

Notes to the financial statements continued

For the year ended 31 December 2022

30 Share-based payments continued

The inputs into the Black Scholes option pricing model for options that were granted in the year were as follows:

Option Valuation Assumptions	PSP 2022 Tranche 1	PSP 2023 Tranche 2	SAYE 2022
Grant date	8 March 2022	20 September 2022	21 October 2022
Risk free interest rate	1.34%	3.31%	3.82%
Exercise price	—	—	£10.80
Share price at date of grant	£22.28	£13.37	£12.19
Expected dividend yield*	0%	0%	6%
Expected life	3.0 years	2.4 years	3.1 years
Holding period	2.0 years	2.0 years	n/a
Date of vesting	28 February 2025	28 February 2025	1 December 2025
Expected volatility	27.8%	28.1%	28.5%
Fair value of option	£18.02	£9.85	£0.65

* At the discretion of the Remuneration Committee a cash bonus may be paid to holders of 2021 PSP grants equivalent to the value of any dividend which might have been paid on the shares held under option had those instead been issued. For purposes of valuation it has been assessed that such a payout will be made and the 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 2022, the Group recognised total expenses before tax of £9.0m (2021: £6.4m) 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 2022 the total credit recognised in relation to equity settled share-based payments was £23.4m (2021: £16.9m) of which £6.4m (2021: £0.1m) related to options currently vested awaiting exercise. All share-based payments are expensed by the Company.

31 Related party transactions

The Board and certain members of senior management are related parties within the definition of IAS 24 Related Party Disclosures. Summary information of the transactions with key management personnel is provided in note 7. Detailed disclosure of the individual remuneration of Board members is included in the Remuneration Report on pages 128 to 153. 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:

	2022 £m	2021 £m
Interest charges on intra-group funding	(47.2)	(52.8)
Group services recharges	113.1	54.5
	65.9	1.7

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 2022 totalled £2,015.4m (2021: £1,969.8m). Amounts owed to subsidiary undertakings by the Company at 31 December 2022 totalled £3,857.4m (2021: £4,114.1m).

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 2022 is £24.1m (2021: £30.1m).

Certain subsidiary undertakings have entered into guarantees of external bank loans and overdrafts of the Company. The total value of such borrowings at 31 December 2022 was £nil (2021: £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 2022 was £nil (2021: £nil).

The Company has suffered £nil expense in respect of bad or doubtful debts of subsidiary undertakings in the year (2021: £nil).

32 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 2022. 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 33.

Major subsidiary undertakings	
Persimmon Homes Limited ^o	Charles Church Developments Limited ^Δ
Persimmon Holdings Limited*	Persimmon Shared Equity Limited**
Persimmon Scottish Limited Partnership***	

^o The shares of this company are held by Persimmon Holdings Limited and Persimmon Plc.

^Δ 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).

33 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 Prowing 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*

Name of undertaking	Description of shares held
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*

Notes to the financial statements continued

For the year ended 31 December 2022

33 Details of all subsidiary undertakings continued

Name of undertaking	Description of shares held
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
Cresswellshaw 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*

Name of undertaking	Description of shares held
Ferry Quay Developments Limited	A Ordinary*, B Ordinary* and C Ordinary*
Flex Fibre Limited	Ordinary*
FibreNest Limited	Ordinary*
FibreScale Limited	Ordinary*
Frays Property Management (No.1) Limited	Ordinary*
Frays Property Management (No.2) Limited	Ordinary*
Frays Property Management (No.6) Limited	Ordinary*
Friary Homes Limited	Ordinary*
Galliford Developments Limited	Ordinary*
Galliford Homes (London) Limited	A Ordinary* and B Ordinary*
Galliford Homes Holdings Limited	A Ordinary*, B Ordinary* and Preference*
Galliford Homes Limited	Ordinary*
Galliford Properties Southern Limited	Ordinary*
Galliford Southern Limited	Ordinary*
Geo. Wright & Co. (Contractors Wolverhampton) Limited	Deferred*, A Deferred* and A Ordinary*
Glamford Building Company Limited	Ordinary*
Gomersal Mills Limited	Deferred* and Ordinary*
Gosforth Business Park Management Company (No.2) Limited	Ordinary*
Haven Retirement Homes Limited	Ordinary*
Hazels Development Company Limited	A Ordinary* and B Ordinary*
Hillreed Developments Limited	Ordinary*
Hillreed Holdings Limited	Ordinary*, Management Shares* and Cumulative Preference*
Hillreed Homes Limited	Ordinary*
Hillreed Properties Limited	Ordinary*
Horsebridge Network Systems Limited	A Ordinary*
Ideal Developments Limited	Ordinary*
Ideal Homes (UK) Limited	Ordinary*
Ideal Homes Anglia Limited	Ordinary*
Ideal Homes Central Limited	A Non Voting Ordinary* and B Ordinary*
Ideal Homes Holdings Limited	Deferred and Ordinary
Ideal Homes Limited	Ordinary*
Ideal Homes Midlands Limited	Ordinary*
Ideal Homes North West Limited	Ordinary*
Ideal Homes Northern Limited	Ordinary*
Ideal Homes Scotland Limited	Ordinary*
Ideal Homes Services Limited	Ordinary*
Ideal Homes Southern Limited	Ordinary*
J.W. Liptrot & Company Limited	Ordinary*

Name of undertaking	Description of shares held
Jaboulet Limited	Ordinary*
John Maunders Group Limited	Ordinary*
Kenton Contracting (Yorkshire) Limited	Ordinary*
Kenton Contractors (Yorkshire) Limited	Ordinary*
Kenton Homes (Builders) Limited	Ordinary*
Kenton Homes (Developments) Limited	Ordinary*
Kenton Homes (Estates) Limited	Ordinary*
Knightsmoor Homes Limited	Ordinary*
Lady's Lane Property Co. Limited	Ordinary*
Lansdown Homes Limited	Ordinary*
Lazy Acre Investments Limited	Ordinary*
Leech Homes (Showhouses) Limited	Ordinary*, 0.1% Non-Cumulative Preference A* and 1% Non-Cumulative Preference B*
Leech Homes (Wales) Limited	Ordinary*
Leech Homes (Yorkshire) Limited	Ordinary*
Leech Homes Limited	Deferred* and A Ordinary*
Leech Northumbria Limited	Ordinary*
Leech Partnership Homes Limited	Ordinary*
Leisurama Homes Limited	Ordinary*
Linkway Properties Limited	Ordinary*
Locking Castle Limited	A Ordinary*, B Ordinary* and C Ordinary*
Magnus Design Build Limited	Ordinary*
Magnus Holdings Limited	A Ordinary*, B Ordinary*, C Ordinary*, Enduring Ordinary* and Cumulative Redeemable Preference*
Mapleleight 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*

Name of undertaking	Description of shares held
Merewood Investments Limited	Ordinary*
Mightover Limited	Ordinary
Milton Keynes Housing Group Limited	Ordinary*
Mitrebuild Limited	Ordinary* and Deferred Ordinary*
Monk Homes Limited	Ordinary*
Monseil Youell Construction Limited	Ordinary*
Monseil Youell Limited	Deferred* and A Ordinary*
Montague Developments Limited	Ordinary*
Mount Row Finance Limited	Ordinary*
Mount Row Securities Limited	Ordinary*
NGP Management Company Residential (Cell C) Limited ²	Ordinary*
Pacemaker Developments Limited	Ordinary*
Park House Developments (Petersfield) Limited	Ordinary*
Partnership Homes Limited	Ordinary*
Pennant Developments Limited	Ordinary* and 5% Non-Cumulative Preference*
Pentra Limited	Ordinary*
Perlease Limited	Ordinary*
Persimmon (City Developments) Limited	Ordinary*
Persimmon (Eccleshall) Limited	Ordinary*
Persimmon (Share Scheme Trustees) Limited	Ordinary
Persimmon (SHL) Limited	Ordinary*
Persimmon (Strensall) Limited	Ordinary*
Persimmon Brickworks Limited	Ordinary*
Persimmon Developments (No 1) Limited	Ordinary*
Persimmon Developments (No 2) Limited	Ordinary*
Persimmon Developments (Didcot) Limited	Ordinary*
Persimmon Developments (No 5) Limited	Ordinary*
Persimmon Developments (No 6) Limited	Ordinary*
Persimmon Developments (No 7) Limited	Ordinary*
Persimmon DN Limited (Incorporated in Ireland) ³	Ordinary*
Persimmon Finance (Jersey) Limited (Incorporated in Jersey) ⁴	Ordinary
Persimmon Finance (No 2) Limited	Ordinary
Persimmon Finance Limited	Ordinary
Persimmon Harts Limited	Ordinary
Persimmon GR (No 4) Limited	Ordinary*
Persimmon GR (No 11) Limited	Ordinary*
Persimmon GR (No 12) Limited	Ordinary*
Persimmon GR (No 13) Limited	Ordinary*

Notes to the financial statements continued

For the year ended 31 December 2022

33 Details of all subsidiary undertakings continued

Name of undertaking	Description of shares held
Persimmon GR (No 14) Limited	Ordinary*
Persimmon GR (No 15) Limited	Ordinary*
Persimmon GR (No 16) Limited	Ordinary*
Persimmon GR (No 17) Limited	Ordinary*
Persimmon Holdings Limited	Ordinary and A Ordinary*
Persimmon Homes (Anglia) Limited	Ordinary*
Persimmon Homes (Doncaster) Limited	Ordinary*
Persimmon Homes (East Midlands) Limited	Ordinary*
Persimmon Homes (East Scotland) Limited	Ordinary*
Persimmon Homes (East Yorkshire) Limited	Ordinary*
Persimmon Homes (Edmonstone) Limited	Ordinary
Persimmon Homes (Essex) Limited	Deferred* and A Ordinary*
Persimmon Homes (Lancashire) Limited	Ordinary*
Persimmon Homes (Mercia) Limited	Ordinary*
Persimmon Homes (Midlands) Limited	Ordinary*
Persimmon Homes (North East) Limited	Ordinary*
Persimmon Homes (North Midlands) Limited	Ordinary*
Persimmon Homes (North West) Limited	Ordinary*
Persimmon Homes (Partnerships) Limited	Ordinary
Persimmon Homes (South Coast) Limited	Ordinary*
Persimmon Homes (South East) Limited	Ordinary*
Persimmon Homes (South Midlands) Limited	Deferred* and A Ordinary*
Persimmon Homes (South West) Limited	Ordinary*
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*

Name of undertaking	Description of shares held
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*
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*

Name of undertaking	Description of shares held
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) ⁵	Ordinary*
Wenshaw Limited	Ordinary*
Wescott Holdings Limited	Ordinary*
Wescott Homes Limited	Ordinary*
Wescott Land Limited	Ordinary*
Westbury Direct Limited	Ordinary*
Westbury Homes (Holdings) Limited	Irredeemable Preference*, Ordinary*, Deferred* and 9.25% Preference*
Westbury Homes (Midlands) Limited	Ordinary*
Westbury Homes (Oval) Limited	Ordinary*
Westbury Homes (Sevenside) Limited	Ordinary*
Westbury Homes (Somerset) Limited	Ordinary*
Westbury Homes (South West) Limited	Ordinary*
Westbury Homes (Stadium) Limited	Ordinary*
Westbury Homes (Venymore) Limited	A Ordinary* and B Ordinary*
Westbury Homes (Wales) Limited	Ordinary*
Westbury Homes (West Midlands) Limited	Ordinary*
Westbury Homes Limited	Ordinary*
Westbury Housing Investments Limited	Ordinary*
Westbury Limited	Ordinary
William Leech Builders (North West) Limited	Ordinary*
William Leech Limited	Ordinary* and 6.5% Cumulative Preference*

Joint Arrangements

Name of undertaking	Description of shares held	Proportion of nominal value of share class held	Proportion of all share classes
Beechpath Limited	Ordinary	50%	50%
Bentwaters Housing Limited	Ordinary	50%	50%
Bentwaters Nominees Limited	Ordinary	50%	50%
Coton Park Consortium Limited ⁶	WD	50%	25%
Cramlington Developments Limited	A Ordinary	100%	50%
Genesis Estates (Manchester) Limited ⁷	Ordinary	50%	50%
Gosforth Business Park Management Company Limited	A Ordinary	100%	33.3%
Haydon Development Company Limited ⁸	Ordinary	20.5%	20.5%
Leebell Developments Limited	A Ordinary	100%	50%
Newcastle Great Park (Estates) Limited ²	A Ordinary	100%	50%
North Haven Developments (Sunderland) Limited	B Ordinary	100%	50%
North Swindon Development Company Limited ⁹	Ordinary	15%	15%
Oxfordshire Land Limited	Ordinary	33.3%	33.3%
Quedgeley Urban Village Limited ⁹	C Ordinary	100%	25%
Rothley Temple Estates Limited ¹⁰	Ordinary	28.5%	28.5%
Sociedade Torre de Marinha Realizacoes Turisticas SA (Incorporated in Portugal) ¹¹	Ordinary	50%	50%
Trafalgar Metropolitan Homes Limited	A Ordinary	100%	50%
Triumphdeal Limited ¹²	Ordinary	50%	50%
Wick 3 Nominees Limited	B Ordinary	100%	33.3%

* Share class held by another Group company, but ultimately held by Persimmon Plc.

** A Scottish Limited Partnership.

1. 180 Findochty Street, Garthamlock, Glasgow, G33 5EP

2. 3rd Floor Citygate, St. James' Boulevard, Newcastle upon Tyne, Tyne & Wear, NE1 4JE

3. 10 Earlsfort Terrace, Dublin 2, D02 T380, Ireland

4. 44 Esplanade, St Helier, JE4 9WG, Jersey

5. 3 Bell Lane, Gibraltar

6. The Office, 12 Westfield Close, Gravesend, Kent, DA12 5EH

7. 6 Europa Court, Sheffield Business Park, Sheffield, S9 1XE

8. 6 Drakes Meadow, Penny Lane, Swindon, Wiltshire, SN3 3LL

9. 250 Aztec West, Almondsbury, Bristol, BS32 4TR

10. 137 Scalby Road, Scarborough, North Yorkshire, YO12 6TB

11. Av. Duque de Loulé 47-2, 1050-086, Lisbon, Portugal

12. Gate House, Turnpike Road, High Wycombe, Buckinghamshire, HP12 3NR

Notes to the financial statements continued

For the year ended 31 December 2022

33 Details of all subsidiary undertakings continued

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 Limited¹
Abbot Walk (Chatteris) Residents Management Company Limited
Ackton Pastures (Castleford) Management Company Limited
Agusta Park Flats Yeovil Management Company Limited
Agusta Park Yeovil Management Company Limited
Aldenharn 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
Amherst Hill (Brompton) Management Company Limited²
Appledore Grove Management Company Limited
Arisdale (Phase 2) Residents Management Company Limited³
Arnold Way (Grove) Management Company Limited
Arnold Way No. 2 (Grove) Management Company Limited
Arnold Way No. 3 (Grove) Management Company Limited
Ashworth Place (Phase 2) Management Limited
Augusta Park (Dinnington) Management Company Limited
Avalon (Mansfield) Management Company Limited⁴
Aveley Village (Aveley) Residents Management Company Limited
Aveley Village (Thurrock) Management Company Limited
Avon Fields (Durrington) Management Company Limited
Awel Afan (Port Talbot) Management Company Limited
Ayckley Woods (Durham) Management Company Limited
Aylesham Village Phase 1b (Aylesham) Residents Management Company Limited
Aylesham Village Phase 2 (Aylesham) Residents Management Co Ltd
Backbridge (Malmesbury) Management Company Limited
Badbury Park (Swindon) Management Company Limited

Badbury Park (Swindon) No 2 Management Company Limited
Badbury Park (Swindon) No 3 Management Company Limited
Bannerbrook Management Company Limited⁵
Bannerbrook Park Phase II (Coventry) Management Company Limited
Barber Court (Birmingham) Management Company Limited
Barrington Park Management Company Limited⁶
Barry Waterfront Residents Management Company Limited⁷
Beauchamp Grange (Caister) Residents Management Company Limited
Beckets Grove Management Company Limited
Beckets Grove Phase 2 (Wymondham) Residents Management Company Limited
Beckford Road (Alderton) Management Company Limited
Belgrave Court (Cheltenham) Management Company Limited⁷
Bell Lane (Little Chalfont) Management Company Limited
Bells Hill Management Company Limited⁸
Berrow Court Management Company Limited⁷
Bishops Green (Coundon) Management Company Limited
Bishops Mead (Lydney) Management Company Limited
Bishops Meade (Downton) Management Company Limited
Blossom Meadows (Buttershaw) Management Company Limited
Bluebell Meadow (Bradwell) Management Company Limited
Bluebell Wood (Willenhall) Management Company Limited⁹
Bootham Crescent (York) Residents Management Company Limited
Boulton Moor (Derby) Properties Limited
Boyton Place (Haverhill) Residents Management Company Limited
Bracknell Leigh (Carlisle) Management Company Limited
Bradley Barton View Management Company Limited
Bramble Rise (Hetton) Management Company Limited
Bramblewood (Old Basing) Residents Management Company Limited
Branshaw Park (Keighley) Management Company Ltd

Company Name

Bridgefield (Ashford) Management Company Limited
Bridgefield Nine Management Company Limited
Brindle Park (Bamber Bridge) Management Company Limited⁸
Broadway (Rainham) Residents Management Company Limited
Brokeridge Road (Twynning) Resident Management Company Limited³
Brookfield (Golborne) Management Company Limited⁶
Buckton Place (Leiston) Residents Management Company Limited
Bugbrooke Road (Kislingbury) Management Company Limited¹⁰
Burfield Valley Estate Management Limited¹¹
Buttercup Leys (Boulton Moor) Residential Management Company Limited
Buzzard Meadows (Leighton Buzzard) Residents Management Company Limited¹⁰
Calder Grange (Dewsbury) Management Company Limited
Canalside (Burton Upon Trent) Residential Management Company Limited
Canonbury Rise (Berkeley) Management Company Limited
Carleton Meadows Management Company Limited
Carn Y Cefn RMC Ltd¹²
Carpenters Field (Denmead) Management Company Limited
Castellum Grange (Colchester) Residents Management Company Limited
Castle Hill (Cottingham) Management Company Limited
Castle Park (West Durrington) Management Company Limited¹³
Castle View (Netherton) Management Company Limited
Castlemead (953) Trowbridge Management Company Limited
Castlemead (Persimmon 950) Town Trowbridge Limited
Castlemead (Persimmon 964) Town Trowbridge Limited
Castleton Court (Haverfordwest) Management Company Limited
Cathedral Court (Salisbury) Management Company Limited
Cathedral Gate (Salisbury) No.2 Management Company Limited⁷
Cathedral View (Durham) Management Company Limited
Cayton Meadows (Scarborough) Management Company Limited
Central Square (Stroud) Management Company Limited⁷
Century Rise (Emersons Green) Management Company Limited
Chancery Park (Exning) Residents Management Company Limited
Charlton Place (Keynsham) Management Company Limited
Chaucers Meadow (North Petherton) Management Company Limited
Chilmark Glade Management Company Limited
Chorley G 1 Management Company Limited⁸
Chosen View (No. 2) Management Company Limited⁷
Church Lane (Deal) Residents Management Company Limited
Clarence Place (Bracknell) Residents Management Company Limited
Cloatley Crescent Management Company Limited
Clock Tower (Wolverhampton) Management Company Limited⁸

Clos Ty Gwyn (Hendy) Management Company Limited
Clover Chase (Lingwood) Residents Management Company Limited
Coastal Dunes (Lytham St Annes) Management Company Limited
Coatham Vale And Berrymead Gardens Residents Management Company Limited¹⁴
Coed Darcy (Llandarcy) Management Company Limited
College Park (Thurston) Residents Management Company Limited
Colliers Walk (Nottingham) Management Company Limited⁸
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 Limited³
Coverdale Paignton Management Company Limited¹
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 Limited¹⁵
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) Limited¹⁶
De Vere Grove (Colchester) Residents Management Company Limited
Deerwood Park (Colne) Management Company Limited
Dol Yr Ysgol (Bridgend) Management Company Limited
Douglas Gardens (Hesketh) Management Company Ltd⁸
Downs View (Swanley) Residents Management Company Limited
Dukes Meadow (Tangmere) Management Company Limited
D'urton Heights (Preston) Management Company Limited
Dyffryn Management Limited¹²
Earlesmead (Framingham Earl) Residents Management Company Limited
East Benton Rise (Benton) Management Company Limited
Eclipse House (Andover) Management Company Limited
Edinburgh Park (Liverpool) Management Company Limited⁸
Eldon Whins (Middridge) Management Company Limited
Elkas Rise (Ilkeston) Management Company Limited

Company Name

Ellesmere Park (The Oaks) Management Company Limited ⁶	Greenfields (Narberth) Management Company Limited
Ellis Mews (Micheldever) Management Company Limited ¹¹	Greetwell Fields (Lincoln) Residents Management Company Limited
Elm Farm (Wymondham) Residents Management Company Limited	Griffin Wharf (Ipswich) Residents Management Company Limited
Emily Fields (Swansea) Management Company Limited	Grove Street (Raunds) Residents Management Company Limited
Eton Place (Bracknell) Management Company Limited	Hailes Wood (Elsenham) Residents Management Company Limited
Eve Parc (Falmouth) Management Company Limited	Hamilton Gate (Frinton) Residents Management Company Limited
Fair Mile Rise (Blandford St Mary) Management Company Limited	Hampton Gardens Phase 3 (Peterborough) Residents Management Company Ltd
Fairfax Mews Crediton Management Company Limited ¹	Hampton Park (Littlehampton) Residents Management Company Limited
Fairmoor (Morpeth) Management Company Limited	Hansons Reach (Stewartby) Residents Management Company Limited
Fairways (Retford) Management Company Limited	Hanwell Chase (Banbury) Residents Management Company Limited
Fallow (Benton) Residents Management Company Limited	Harbourside View (Portchester) Management Company Limited
Farley Fields South Petherton Management Company Limited ¹	Harbury Lane (Warwick) Management Company Limited
Fatherford View (Okehampton) Management Company Limited	Hardings Wood (Kids Grove) Residents Management Company Limited ⁶
Festival Park (Easton) Residents Management Company Limited	Harebell Meadows And Hartburn Grange Residents Management Company Limited ⁶
Field Place (Faversham) Management Company Limited ¹⁶	Harford Mews Ivybridge Management Company Limited ¹
Fleckney Road Management Company Limited	Harlands Park (Uckfield) Residents Management Company Limited
Flint Grange (Clacton) Residents Management Company Limited	Harlow Fields (Mackworth) Residential Management Company Limited
Foley Gardens (Newent) Residential Management Company Limited ³	Harlow Hill Grange (Harrogate) Management Company Limited
Folly Grove (Hockley) Residents Management Company Limited	Harpur Hill (Buxton) Residents Management Company Limited ⁶
Forest View (Calverton) Management Company Limited	Harrow View West (Harrow) Residents Management Company Limited
Forge Wood (Crawley) Management Company Limited ¹⁷	Hartley Grange (Whitlesey) Residents Management Company Limited
Foundry Meadows (Bexhill) Residents Management Company Limited	Hartnells Farm Management Company Limited
Foxes Chase (Anlaby) Residents Management Company Limited	Hastings Place (Bentley) Management Company Limited
Foxfields (Stoke-On-Trent) Management Company Limited ⁷	Hatchwood Mill (Winnersh) Management Company Limited
Foxley Park (Dereham) Residents Management Company Limited	Hatfield Lane Armthorpe Management Company Limited ¹⁸
Friarwood Park (Pontefract) Management Company Limited	Hathern Road (Shepshed) Management Company Limited ³
Garden Valley (Aylesham) Residents Management Company Limited ¹¹	Hauxley Grange (Amble) Residents Management Company Limited
Garendon Park Residents Management Company Ltd	Hawthorn Chase (Aston Clinton) Residents Management Company Limited
George Ward Gardens (Melksham) Management Company Limited	Haybridge (Wells) Management Company Limited ⁷
Germany Beck (Fulford) Management Company Limited	Haywards Gardens (Kegworth) Man Co. Limited ¹⁹
Gilden Park (Old Harlow) Resident Management Company Limited ⁸	Haywood Heights (Writhlington) Management Company Limited
Gipping Mill (Great Blakenham) Residents Management Company Limited	Hazel Brook Management Company Limited ²⁰
Glan Yr Afon (Swansea) Management Company Limited	Hazelmere (Flockton) Management Company Limited
Golwg Y Glyn (Fforest) Management Company Limited ⁷	Heathfield Gardens (Phase 7) Management Company Limited
Golwg Y Mynydd (Mountain Ash) RMC Ltd ¹²	Heathpark Wood (Windlesham) Management Company Limited
Gotherington Grange Resident Management Company Limited	Hellingly 415 Residents Management Company Limited
Grangewood Park (Burnham On Crouch) Residents Management Company Limited	Hellingly 416 Management Company Limited
Grays Court (Orpington) Residents Management Company Limited ¹¹	Hellingly 418 Management Company Limited
Great Western Park (Didcot) No 1 Management Company Limited	Hepburn Chase Management Company Limited ²¹
Great Western Park (Didcot) No 2 Management Company Limited	Heritage Gate (Llantwit Major) Residents Management Company Limited
Great Western Park (Didcot) No 3 Management Company Limited	Heritage Green (Newbottle) Management Company Limited ²²
Great Woodcote Park Exeter Management Company Limited	Heritage Park (Shinfield) Residents Management Company Limited
Greenacres (Easington) Management Company Limited	

Company Name

Heritage Park (Sutton Courtenay) Residents Management Company Limited	Lakeside Edge (Peterborough) Residents Management Company Limited
Herne Vale Ilminster Management Company Limited	Lambourn Meadow (Thatcham) Management Company Limited ¹³
Heron's Park (Angmering) Management Co Ltd ¹¹	Larkbear Management Company Limited ⁷
Herrington Grange (Philadelphia) Management Company Limited	Lauder Mews Crediton Management Company Limited
Hethersett Residents Management Company Limited ⁸	Launds Field (Galgate) Management Company Limited
Heugh Hall (Coxhoe) Residents Management Company Limited	Laureate Heights Sidmouth Management Company Limited
Higham Lane Management Company Limited	Lavender Fields (South Wootton) Residents Management Company Ltd
Highfield Farm (West Melton) Residents Management Company Limited	Lime Tree Court Derby Management Company Limited
Hill Barton Vale Exeter Management Company Limited	Limes Place (Upper Harbledown) Residents Management Company Limited
Hill Barton Vale Flats Exeter Management Company Limited	Lindale Park (Alverthorpe) Management Company Limited
Hillfield Meadows (Sunderland) Management Company Limited	Lindley Moor Meadows (Huddersfield) Management Company Limited
Hillies View (Wombwell) Management Company Limited	Lingfield Meadows (Houghton) Management Company Limited
Holdingham Grange (Sleaford) Residents Management Company Limited	Llanilid Management Company Limited
Homington Avenue (Swindon) Local Centre Management Company Limited	Llanilid Apartments RMC Ltd ¹²
Horsbere Mews (Longford) Management Company Limited	Llanilid Village RMC Ltd ¹²
Horseshoe Meadows (Westbury) Management Company Limited	Llys Ystrad (Bridgend) Management Company Limited
HRC (Ware) Residents Management Company Limited	Lodmoor Sands (Weymouth) Management Company Limited ⁷
Hunters Edge (Eaglescliffe) Residents Management Company Limited	Longbridge Place (Longbridge) Management Company Limited
Hurdle Court (Andover) Management Company Limited	Longlease Management Company Limited
Hydro (St Neots) Number One Management Company Limited	Low Moor Meadows (Morley) Management Company Limited
Imperial Park (Bristol) Management Company Limited	Low Street (Sherburn In Elmet) Management Company Limited ²²
Ingleby (Barwick) Management Company Limited	Lowen Bre Truro Management Company Limited
Iwade Meadows (Iwade) Management Company Limited	Lucknam Crescent (Swindon) Management Company Limited
Iwade Meadows (Yalding Apartments Plots 74-79) Management Company Limited	Lythalls Lane (Coventry) Management Company Limited
James Avenue (Calne) Management Company Ltd	Maes Dyfed Management Company Limited
Jasmine Gardens Management Company Limited	Maes Y Parc (Cross Hands) Management Company Limited
Jubilee Gardens (Warminster) Management Company Ltd	Maiden Vale (Ryhope) Management Company Limited
Kennedy Place (Ulverston) Management Company Limited	Malvern Rise (Malvern) Management Company Limited
Kings Grove Cranbrook Management Company Limited	Malvern Vale (Malvern) Management Company Limited ³
Kingsbridge Court (Gorseinon) Management Company Limited	Manor Farm (Doncaster) Management Company Limited
Kingsbridge Fields Management Company Limited	Manor Farm (Micklefield) Management Company Limited
Kingsbury Gardens (St Albans) Residents Management Company Limited	Manor Gardens (Selsey) Management Company Limited ⁷
Kingsbury Meadows (Wakefield) Management Company Limited	Manor Park Residents Company Ltd ²⁰
Kingsmead (Gloucester) Management Company Limited	Manor Park Sprowston Residents Management Company Limited ⁸
Knights Court (Old Sarum) Management Company Limited	Manor Place (Maidenhead) Residents Management Company Limited
Knightswood Place (Rainham) Residents Management Company Limited	Maple (221) Limited ⁷
Kyngshouton (Houghton Regis) Residents Management Company Limited	Maple Oak (Alton) Management Company Limited ⁷
Ladgate Woods (Middlesbrough) Management Company Limited	Mariners Walk (Swansea) Apartment Management Company Limited ⁴
Lakedale Whiteley Meadows (North Whiteley) Management Company Limited	Mariners Walk (Swansea) Management Company Limited ⁴
	Marshfoot Lane (Hailsham) Residents Management Company Limited
	Martello Park (Pembroke) Management Company Limited
	Martineau Gardens Harborne Management Company Limited ⁹

Notes to the financial statements continued

For the year ended 31 December 2022

33 Details of all subsidiary undertakings continued

Company Name		
Mascalls Grange (Paddock Wood) Residents Management Company Limited	Oakwood Park (Wymondham) Residents Management Company Limited	Quantock View Management Company Limited
Meadow View (Oundle) Management Company Limited	Oakwood View (Brackla) Management Company Limited	Quinta Mews Management Company Limited ²⁹
Meadow View (Redditch) Resident Management Company Limited	Oakwood View (Weston-Super-Mare) Management Company Limited	Rackheath Residents Management Company Limited
Mendip Chase Management Company Limited ⁷	Oast Court Farm Management Company Limited ²⁶	Radstone Road (Brackley) Management Company Limited
Meon Way Gardens Management Company Limited ³	Old Road (Churwell) Management Company Limited	Rainton Gardens (Chilton Moor) Management Company Limited
Merchants Walk Cullompton No 2 Management Company Limited	Open Space Management Limited ¹⁵	Rainton Meadows (Chilton Moor) Management Company Limited ²²
Mercians Place Management Company Limited	Orchard Croft (Diss) Residents Management Company Limited	Ramsdell (Ashford Hill) Management Company Limited
Meridian Place (Hertford) Residents Management Company Ltd	Orchard Grove (Coxheath) Residents Management Company Ltd	Rectory Lane (Standish) Management Company Limited
Merlins Lane (Scarrowscant) Management Company Limited	Orchard Leaze Management Company Limited ²⁰	Redhayes Management Company Limited ³⁰
Mersey View (Bromborough Pool) Management Company Limited ²³	Orchard Manor (Cheddington) Residents Management Company Limited	Redland Grange (Cottenham) Residents Management Company Limited
Mill Gardens (Cullompton) Management Company Limited	Orchard Meadows (Iwade) Residents Management Company Limited	Regent Park (Caine) Management Company Limited
Mill Valley (Pevensey) Residents Management Company Limited	Orchard Mews Pershore Management Company Limited ³	Regents Place (Chellaston) Management Company Limited
Mill View (Willingdon) Management Company Limited	Otterham Park (Rainham) Residents Management Company Limited	Repton Park 18 (Ashford) Residents Management Company Limited
Millbeck Grange (Bowburn) Management Company Limited	Oxley Springs (Milton Keynes) Management Company Limited	Repton Park 19-23 (Ashford) Residents Management Company Limited
Millennium Farm (New Waltham) Management Company Limited	Oxley Springs 8b (Milton Keynes) Management Company Limited	Repton Park 8 & 10 (Ashford) Residents Management Company Ltd
Monkswood (Sacriston) Management Company Limited	Paddocks 21 (Andover) Management Company Limited	Rivendell (Gedling) Management Company Limited
Montague Park Residents Management Company Limited ²⁴	Palmerston Heights Plymouth Management Company Limited	Riverbourne Fields Management Company Limited
Montfort Place (Odiham) Management Company Limited ⁸	Paragon Park (Coventry) Management Company Limited	Roseberry Park (Pelton) Management Company Limited
Moorfield (Easington) Management Company Limited	Parc Brynderi (Llanelli) Management Company Limited	Salterns (Terrington) Residents Management Company Limited
Moorfield Park Management Company Limited ⁸	Parc Yr Onnen (The Limes) Management Company Limited	Saltram Meadow Plymouth Management Company Limited
Moorlands Walk (Sherburn) Management Company Limited	Park Farm (South East) Management Company Limited ²⁷	Samford Gardens (Capel St Mary) Residents Management Company Limited
Mulberry Grange (Castleford) Management Company Limited	Parklands (Hessle) Residents Management Company Limited	Sandfield Walk (Nottingham) Management Company Limited
Mulberry Grove (St Fagans Cardiff) Management Company Limited	Parrett Gardens (Langport) Management Company Limited	Sandgate Drive (Kippax) Management Company Limited
Nelson's Park (North Walsham) Residents Management Company Limited	Pavilion Gardens (Monkton Heathfield) Management Company Limited	Sandpipers (Minster) Residents Management Company Limited
NGP Management Company (Cell E) Limited ^{*25}	Pedlars Meadow (Swaffham) Residents Management Company Limited	Saxon Fields (Bridgwater) Management Company Limited
NGP Management Company (Cell F) Limited ^{*25}	Pembridge Court (Cleghongor) Residents Management Company Limited	Saxon Gate (Chelmsford) Management Company Limited
NGP Management Company (Commercial) Limited ^{*25}	Penny Pot Lane (Harrogate) Management Company Limited	Saxon Gate (Shaftesbury) Management Company Limited
NGP Management Company (Town Centre) Limited ^{*25}	Perry Park View (Perry Barr) Management Company Limited ³	Saxon Grove (Purton) Management Company Limited
NGP Management Company Residential (Cell G) Limited ^{*25}	Persimmon Gardens (Hindley) Management Company Limited ⁶	Saxon Meadow (Sutton On Trent) Residents Management Company Limited
Norton Gardens Residents Management Company Limited	Persimmon Gardens (Martham) Residents Management Company Limited	Saxons Chase (Headcorn) Residents Management Company Limited
Norton Hall Meadow Management Limited ³	Persimmon Grange Framlingham Residents Management Company Limited	Scholar's Green (Northampton) Residents Management Company Limited
Oak Heights (Northiam) Residents Management Company Limited ¹⁸	Persimmon Homes The Oaks (Selly Oak) Management Company Limited	Seaside Lane (Easington) Management Company Limited
Oak Tree Gardens (Audley) Management Company Limited ¹⁵	Phoenix Park (Dunstable) Residents Management Company Limited	Seaton Vale (Ashington) Residents Management Company Limited
Oakcroft Chase (Stubbington) Management Company Limited	Phoenix Wharf (West Bromwich) Management Company Limited ³	Sharpes Meadow (Heybridge) Residents Management Company Limited
Oakhurst Village (Shirley) Management Company Limited	Picket 20 Management Company Limited	Sherborne Fields (Basingstoke) Management Limited
Oakland Gardens (Wilthorpe) Management Company Limited	Picket Twenty Two (Andover) Management Company Limited	Sherborne Fields Apartments Ph6 (Basingstoke) Management Company Limited
Oakley Grange & Eden Villas (Cheltenham) Management Company Limited	Port Marine Management Limited ²⁸	Shilton Place (Coventry) Management Company Ltd ³¹
Oakwood Meadows (Colchester) Residents Management Company Limited	Portland Park (Ashington) Management Company Limited	Shirewood (Beighton Road) Management Company Limited
Oakwood Meadows Phase 4 (Stanway) Residents Management Company Limited	Pottery Gardens (Cheadle) Residents Management Company Limited ⁶	Silver Hill (Preston) Management Company Limited
	Priory Green (Chilton Polden) Management Company Limited ¹	Silverwood (Garforth) Management Company Limited
	Priory Meadows (Bodmin) Management Company Limited	Solway View (Workington) Management Company Limited
		Sovereign Quarter (Gillingham) Management Company Limited
		Speckled Wood (Carlisle) Management Company Limited
		Spring Meadows (Darwen) Management Company Limited ⁸
		St Andrews (Uxbridge) Management Company Limited ³
		St Andrews Park (Phase 3c Uxbridge) Management Company Limited
		St Andrews Park (Vine Lane 1a) Management Company Limited ³
		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 ³
		St Andrews Ridge (Swindon) Management Company Limited
		St Dunstons Place (Burbage) Management Company Limited
		St Edeyrs Apartments (Cardiff) RMC Limited
		St Edeyrs Village (Cardiff) Residents Management Company Limited
		St Edmunds (Frome) Management Company Limited
		St George (Lancaster) Management Company Limited
		St Georges Keep Management Company Limited
		St James Park (Bramley) Residents Management Company Limited
		St Johns (Lichfield) Management Company Limited
		St Michaels Place (Colchester) Residents Management Company Limited
		St Michaels Way (South Ryhope) Residents Management Company Limited
		St 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
		Staynor Hall 4 (Selby) Residents Management Company Limited
		Staynor Hall K (Selby) Management Company Limited
		Stephenson Park (Wallsend) Residents Management Company Limited
		Stortford Fields (Bishops Stortford) (Persimmon) Resident Management Company Limited
		Strawberry Fields Penryn Management Company Limited
		Stream View Management Limited ²⁹
		Swan Park (Dawlish) Management Company Limited
		Sycamore Gardens (Oakdale) RMC Ltd ¹²
		Sycamore Rise (Thame) Residents Management Company Limited
		Tanners Meadow (Brockham) Management Company Ltd ¹¹
		Tarraby View (Carlisle) Management Company Limited
		Teasdale Place (Carlisle) Management Company Limited
		The Acorns (Shirley) Management Company Limited ³
		The Alders (Gilwern) Residents Management Company Limited
		The Blossoms (Blackburn) Management Company Limited ⁸
		The Boulevards (East Tilbury) Residents Management Company Limited
		The Boulevards (Newport) Residents Management Company Limited

Company Name

The Bridge (Dartford) 29 And 31a Residents Management Company Limited

The Bridles (Ffos Las) Management Company Limited²

The Carriages (Burscough) Management Company Limited

The Copse (Bridgwater) Management Company Limited²⁰

The Cottons (Holmes Chapel) Management Company Limited

The Croft (Burgess Hill) Residents Management Company Limited

The Edge (Hempstead) Management Limited

The Gateway (Colchester) Residents Management Company Limited

The Goldings Newquay Management Company Limited

The Grange (Chalfont St Peter) Management Company Ltd

The Grange (Chepstow) Limited

The Grange (Wellesbourne) Management Company Limited

The Hamptons (Newcastle) Resident Management Company Limited⁶

The Haven (Swansea) Management Company Limited

The Heath (Sandbach) Management Company Ltd⁸

The Hedgerows (Alsager) Management Company Ltd⁶

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 Limited⁷

The Maples (NGP) Management Company Limited

The Maples (Weston) Residents Management Company Limited

The Middles (Stanley) Management Company Limited

The Mile (Pocklington) Management Company Limited

The Oaklands (NGP) Residents Management Company Limited

The Oval (Selly Oak) Management Company Limited⁶

The Paddocks (Aintree) Management Company Limited⁶

The Paddocks (Farcet) Residents Management Company Limited

The Paddocks (Highworth) Management Company Limited⁶

The Pastures (Lowton) Management Company Limited⁶

The Pinnacles Management Company (Thamesmead) Limited

The Poppies (Harleston) Management Company Limited

The Poppies Management Company Limited

The Priory (Llandough) Residents Management Company Limited²²

The Quadrant (Whitney Crescent) Management Limited²⁰

The Reeds Lower Halstow Management Ltd²⁹

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 Ltd⁸

The Swallows Management Company Limited²⁰

The View (Redditch) Management Company Limited

The Village, Aveley Phase II Residents Management Company Limited

The Weald (Easingwold) Management Company Limited

The Whinmoor (Leeds) Management Company Limited²³

The Wickets (Penenden Heath) Residents Management Company Limited

The Willows Earlestown (Newton Le Willows) Management Company Limited²³

The Windmills (Kilton) Residents Management Company Limited

Thornley Woods (Gateshead) Management Company Limited

Tilbury Fields (Oxford) Management Company Limited⁸

Tir Y Bont (Bridgend) Management Company Limited

Towcester Grange (Towcester) Residents Management Company Limited¹⁹

Trelawny Place (Felixstowe) Residents Management Company Limited

Trevelyan Grange (Morpeh) Residents Management Company Limited

Trevethan Meadows Liskeard Management Company Limited

Trinity Pastures (Calvert Lane Hull) Residents Management Company Limited

Tundra Point (Emersons Green) Management Company Limited

Urban Central (Grays) Residents Management Company Limited

Valley Heights (Frome) Management Company Limited²¹

Village Mews (Southowram) Management Company Limited

Walmsley Park (Leigh) Management Company Ltd⁶

Watercress Way Management Company Limited²⁹

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 Ltd

Weavers Meadow Estates Management Company Limited

Weavers Meadow Phase 2 (Hadleigh) Residents Management Company Limited

Weavers Place (Skelmanthorpe) Management Company Limited

Weavers View (Pleasley Hill) Residents Management Company Limited

Weavers Wharf Apartments (Coventry) Management Company Limited

Wellington Gate (Grove) Management Company Limited

Wellington Gate (Maresfield) Management Company Limited

Wellswood Park (Reading) Residents Management Company Limited

Wentworth Green Management Company Limited

West Gate House (Machynys East) Management Company Limited⁷

Westhaven Apartments (Barry) Residents Management Company Limited

Westhoughton (Lee Hall) Residents Management Company Limited⁶

Weston Park Limited

Westwood Park (Churwell) Management Company Limited

White House Farm (Emersons Green) Management Company Limited⁷

White Rose Park (Norwich) Residents Management Company Ltd

Whiteford Mews Management Company Limited

Company Name

Whitewood Park (Bristol) Management Company Limited

Whittington Walk (Worcester) Management Company Limited³

Whitworth Dale Management Company Limited

Willow Court (Abergavenny) RMC Limited

Willow Park (Aylsham) Management Company Limited

Windmill View (Stanground) Residents Management Company Limited

Windrush Place Witney Management Company Limited

Wombwell (Barnsley) Management Company Limited

Woodbridge House Management Company Limited

Woodhorn Meadows (Ashington) Residents Management Company Limited

Woodland Gardens (Pyle) Management Company Limited

Woodland Rise (Great Cornard) Residents Management Company Limited

Woodlark Place (Newbury) Residents Management Company Limited

Worcester Gate (Worcester) Management Company Limited³

Yew Tree Farm (Droitwich) Management Company Limited

Yew Tree Gardens (Tuffley) Management Company Limited

1. Pembroke House, Torquay Road, Paignton, Devon, TQ3 2EZ
2. Homer House, 8 Homer Road, Solihull, B91 3QQ
3. Whittington Hall, Whittington Road, Worcester, Worcestershire, WR5 2ZX
4. Fountain House, Southwell Road West, Mansfield, Nottinghamshire, NG18 4LE
5. Persimmon House, Birmingham Road, Studley, Warwickshire, B80 7BG
6. Unit 7, Portal Business Park, Eaton Lane, Tarporley, Cheshire, CW6 9DL
7. Fisher House, 84 Fisherton Street, Salisbury, SP2 7QY
8. RMG House, Essex Road, Hoddesdon, Hertfordshire, EN11 0DR
9. 2nd Floor, 154 Great Charles Street, Queensway, Birmingham, B3 3HN
10. Persimmon Homes, 3 Waterside Way, Northampton, NN4 7XD
11. 94 Park Lane, Croydon, Surrey, CR0 1JB
12. 46 Whitchurch Road, Cardiff, CF14 3LX
13. 250 Aztec West, Almondsbury, Bristol, BS32 4TR
14. Cheviot House, Beaminster Way East, Newcastle Upon Tyne, NE3 2ER
15. North Point, Stafford Drive, Battlefield Enterprise Park, Shrewsbury, Shropshire, SY1 3BF
16. 1 Georges Square, Bath Street, Bristol, BS1 6BA
17. Unit 8, The Forum, Minerva Business Park, Peterborough, PE2 6FT
18. 1 Featherbank Court, Horsforth, Leeds, West Yorkshire, LS18 4QF
19. 2 Hills Road, Cambridge, CB2 1JP
20. Unit 1,2 & 3 Beech Court, Wokingham Road, Hurst, Reading, RG10 0RU
21. Queensway House, 11 Queensway, New Milton, Hampshire, BH25 5NR
22. 4335 Park Approach, Thorpe Park, Leeds, LS15 8GB
23. Gateway House, 10 Coopers Way, Southend On Sea, Essex, SS2 5TE
24. 20 King Street, London, EC2V 8EG
25. 3rd Floor Citygate, St. James' Boulevard, Newcastle Upon Tyne, NE14JE
26. Acorn Estate Management, 9 St. Marks Road, Bromley, Kent, BR2 9HG
27. Foundation House, Coach & Horses Passage, Tunbridge Wells, TN2 5NP
28. Castlewood Business Park, Tickenham Road, Clevedon, BS21 6FW
29. Scholars House, 60 College Road, Maidstone, Kent, ME15 6SJ
30. Woodwater House, Pynes Hill, Exeter, Devon, EX2 5WR
31. 1st Floor Lancaster House, 67 Newhall Street, Birmingham, B3 1NQ
32. Avon House, Stanwell Road, Penarth, Wales, CF64 2EZ

* Private Limited Company

Other information

Shareholder information

Band analysis as at 31 December 2022

Size of shareholding	Number of shareholders	% of shareholders	Number of shares	% of shares
1 – 5,000	6,662	86.67	4,096,605	1.60
5,001 – 50,000	606	7.88	10,738,474	4.11
50,001 – 250,000	234	3.04	27,974,668	10.89
250,001 – 999,999,999	185	2.41	276,513,685	83.40
Total	7,687	100.00	319,323,432	100.00

Share price year ended 31 December 2022

Price at 31 December 2022	£12.17
Lowest for year	£11.39
Highest for year	£28.83

The above share prices are the closing share prices as derived from the London Stock Exchange Daily Official List.

Financial Calendar 2023

Ex-Dividend Date of 60p final dividend	13 April 2023
Record Date of 60p final dividend	14 April 2023
Annual General Meeting	26 April 2023
Trading Update	26 April 2023
Payment of final dividend of 60p	5 May 2023
Announcement of Half Year Results	10 August 2023
Trading Update	7 November 2023

Five Year Record

	2022	2021	2020	2019	2018
Unit sales	14,868	14,551	13,575	15,855	16,449
Housing revenue	£3,696.4m	£3,449.7m	£3,129.5m	£3,420.1m	£3,545.8m
Average selling price	£248,616	£237,078	£230,534	£215,709	£215,563
Profit from operations	£1,006.5m	£966.7m	£862.8m	£1,036.7m	£1,091.9m
Profit before tax	£1,012.3m	£973.0m	£863.1m	£1,048.1m	£1,100.0m
Basic earnings per share	247.3p	248.7p	220.7p	269.1p	286.3p
Diluted earnings per share	245.3p	247.6p	219.9p	268.6p	283.7p
Cash return/dividend per share	235.0p	235.0p	110.0p	235.0p	235.0p
Net assets per share	1,077.0p	1,135.7p	1,102.7p	1,021.7p	1,006.0p
Total shareholders' equity	£3,439.3m	£3,625.2m	£3,518.4m	£3,258.3m	£3,194.5m
Return on capital employed	30.4%	35.8%	29.4%	37.0%	41.3%

All figures stated before exceptional items, goodwill amortisation/impairment, legacy buildings provision and includes land creditors where applicable.

Directors

Roger Devlin

Chairman

Dean Finch

Group Chief Executive

Jason Windsor

Chief Financial Officer

Nigel Mills

Senior Independent Director

Simon Litherland

Non-Executive Director

Joanna Place

Non-Executive Director

Annemarie Durbin

Non-Executive Director

Andrew Wyllie CBE

Non-Executive Director

Shirine Khoury-Haq

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 BANCO S.A.
Investec Bank Plc

Financial PR Consultants

Citigate Dewe Rogerson
8th Floor, Holborn Gate
26 Southampton Buildings
London WC2A 1AN
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This report is printed on Amadeus Silk which is a FSC® certified paper. This report was printed by Pureprint Group, a CarbonNeutral® company and ISO 14001 certified printer using vegetable oil based inks and the paper is Carbon Balanced with the World Land Trust.

Balancing is delivered by World Land Trust, an international conservation charity, who offset carbon emissions through the purchase and preservation of high conservation value land.

Through protecting standing forests, under threat of clearance, carbon is locked in that would otherwise be released. These protected forests are then able to continue absorbing carbon from the atmosphere, referred to as REDD (Reduced Emissions from Deforestation and forest Degradation). This is now recognised as one of the most cost-effective and swiftest ways to arrest the rise in atmospheric CO₂e and global warming effects. Additional to the carbon benefits is the flora and fauna this land preserves, including a number of species identified at risk of extinction on the IUCN Red List of Threatened Species.



Persimmon Plc

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