TO WHOM IT MAY CONCERN

21 June 2022

Dear Sirs

The Berkeley Group Holdings plc: Directors' Remuneration Policy Review

I am writing to you in my capacity as Chairman of the Remuneration Committee of The Berkeley Group Holdings plc (the "**Company**"). We are consulting with our broader shareholder base to set out our proposals for a change in Executive remuneration arrangements for the Company from 2022 onwards, following positive initial discussions with our largest shareholders.

Background

Our current Directors' Remuneration Policy (the "**Current Policy**") was approved by shareholders in 2019, and therefore we are due to seek shareholder approval for a new policy (the "**New Policy**") this year.

The 2011 LTIP has been the primary incentive for the Executive Directors since its adoption in 2011. It has had a number of revisions and amendments over its life to ensure it remains relevant and aligned to the Company's strategy and evolving shareholder sentiment around executive remuneration. This has included the introduction of remuneration caps, performance hurdles, and the prolongation of the scheme by four years. The 2011 LTIP will terminate with the final portion of this award due to vest in September 2025.

The Board wishes to ensure it has suitable arrangements in place to continue to retain and motivate a highly experienced, proven management team that have delivered significant returns to shareholders over the long-term coupled with a Policy that is also flexible enough to recruit externally and/or promote employees who do not currently participate in the 2011 LTIP.

In this context, the Remuneration Committee has undertaken a thorough review of remuneration arrangements and their alignment to the Company's strategy and uniquely long-term operating model, with reference to the external market. The remainder of this letter sets out the proposed changes and their rationale.

Proposed changes to the Executive remuneration arrangements

We are proposing that the following elements are introduced to the remuneration packages for Executive Directors:

(i) Annual restricted share awards, vesting after 4 years, with a further 1 year holding requirement, with underpins based on long term Return on Equity and strategic performance.

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(ii) A one-off option award, vesting in equal tranches between 4 years and 8 years from grant. The exercise price will be set at the higher of £48.50[*] and the share price at grant. Annual upward ratchets will apply to the exercise price for the tranches vesting 5 years from grant onwards.

[*] *£48.50 represents a 15% premium to today's share price and is the price at which the 2021 B share consolidation factor was struck.*

Alongside these changes to the incentive arrangements, we are also proposing significant increases to shareholding requirements for Executive Directors, from 400% of salary for CEO and 200% of salary for other Executive Directors, to 1,000% of salary to be achieved within a 10 year period. An interim target equal to 400% of salary should be achieved within 5 years. These requirements would apply from the later of the New Policy coming into force and appointment to the Board.

As we have already communicated in the 2021 Directors' Remuneration Report, the pension provision for Executive Directors will reduce to 6% of salary with effect from 31 December 2022, in line with the pension available to the wider workforce.

No changes are proposed to the existing 2011 LTIP, which will continue to vest subject to performance in annual tranches up to September 2025. The existing Total Remuneration Caps will remain in place under the New Policy.

Rationale for the New Policy and link to Strategy

Berkeley's purpose is to create quality homes, strengthen communities and improve lives, using its sustained commercial success to make valuable and enduring contributions to society, the economy and natural world. To achieve this, the Company's long-term strategy is to invest in opportunities with the right risk-adjusted returns, while ensuring that its financial strength reflects the prevailing macro environment, and to make returns to the shareholders who support the Company to achieve its purpose, through either dividends and/or share buy-backs.

Berkeley is the only large UK homebuilder focused on the regeneration of complex large-scale brownfield projects at scale. We have built up the breadth of expertise, financial strength and holistic place-making approach needed to patiently transform these challenging sites into highly connected, accessible and welcoming neighbourhoods, where homes are conveniently served by a high concentration of new and existing local infrastructure and amenities. Reviving these under-used spaces is vital to re-energising our cities and town centres and creates an increasingly sustainable, socially inclusive and lower carbon model of modern living, in which land, energy, resources and infrastructure are used more efficiently and responsibly.

The current management team has proved that it can deliver long term performance, including superior returns to shareholders, and we therefore want to retain and motivate them to deliver as the business transitions to the next generation beyond 2025. The Board has always striven to ensure the remuneration policy is as closely aligned to the Company's strategy as possible and rewards executives for enhancing value for shareholders over the long term. This has been successfully achieved through putting in place a reward structure that spans multiple years, reflective of Berkeley's uniquely long-term operating model and its focus on sustainable value creation, ahead of short-term annual profits.

The Current Policy provides for the run-off of the existing 2011 LTIP which is due to end in September 2025. This was a plan which allowed management to build up their shareholding through the delivery of strong shareholder returns over a sustained period. However, following a review of the remuneration policy it was felt it was the appropriate time to put in place an incentive scheme which rebalances the executive pay structure at Berkeley and creates the necessary flexibility to develop the next generation of leaders in the business.

These policy proposals are aligned to Group's strategy with a clear focus on achieving long-term, sustained shareholder value through the restricted shares and options, underpinned by driving progress on strategic priorities and maintenance of strong return on equity. In particular:

- The approach retains the overall remuneration philosophy of a lower quartile "base level" of pay, through salary (with some incremental increases over time to recognise the current modest market positioning) and pension.

- The Committee remains of the view that annual bonus is not an appropriate way to incentivise management where annual profits in any single year is not an appropriate reflection of the way to generate long term value creation from the Group's regeneration activities.

- As a consequence of the above, it is proposed to introduce a restricted share element which rewards sustained maintenance of return on equity, with an additional underpin that measures performance against strategic progress and our ESG agenda. The quantum of restricted shares reflects the absence of annual bonus opportunity (in order to drive longer-term rather than in-year performance) and together with fixed pay delivers remuneration that is aligned with market levels for market competitive performance.

- The share option element rewards long term returns to shareholders, granted with an exercise price that is at a 15% premium to the current share price and with an annual ratchet on the exercise price for the final four tranches to ensure that exceptional pay is possible only for exceptional performance. This is a stretch element which provides leverage for participants to incentivise above market long term growth in value. The initial exercise price and subsequent increases to the exercise price have been set relative to market levels of TSR. As an illustration, the Total Remuneration Cap is estimated to be reached for the final three tranches in FY28 to FY31 inclusive if Berkeley's Total Shareholder Return is around the upper quartile TSR of the FTSE 100 over the 8 year term of the plan.

- The significant increase in shareholding requirements to 1,000% of salary to be achieved over 10 years further demonstrates our commitment to long-term alignment of Executive Directors' remuneration with shareholder value. While the existing Executive Directors currently hold shares in excess of the new requirement, the higher levels will encourage accelerated alignment of new appointees to the Board funded from the vesting of long term incentives.

All of the incentive pay is aligned with longer term investor value given delivery in shares (i.e. no cash other than base pay and pension allowance), with release after a minimum of 5 years from grant.

Details of the New Policy

Restricted shares

- Restricted shares will be granted annually with the first grant expected in September 2022, vesting after 4 years with an additional 1 year post vesting holding period.

- The restricted shares will only vest to the extent that a Return on Equity ("**ROE**") underpin is met, with this being measured from the beginning of the financial year prior to grant, to the end of the financial year prior to vesting e.g. for the awards granted in September 2022, the ROE underpin would apply over 4 financial years from 1 May 2022 to 30 April 2026

- There will also be a strategic underpin under which the vesting of restricted shares will be adjusted downwards by up to 20% in the event of unsatisfactory progress against strategic and ESG priorities, to be assessed by the Committee following the end of the 4 year ROE period. Specific measures within the underpin will be determined for each grant, and the Committee will report on performance against the underpin measures on vesting.

- Awards of 175% of salary per annum are proposed for the CEO, with 150% of salary per annum being awarded to other Executive Directors.

Option award

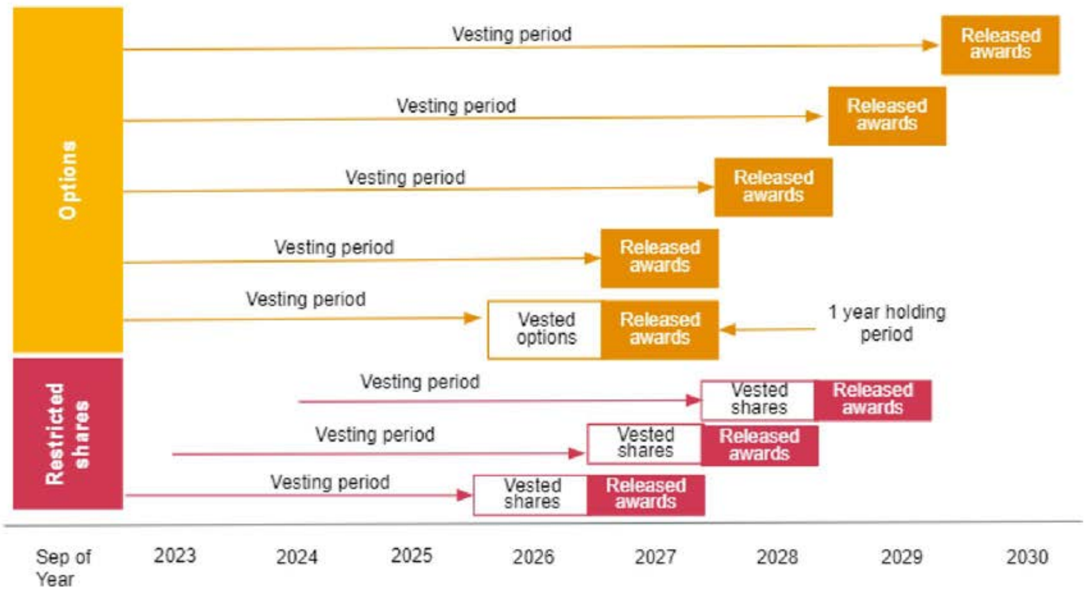
- The one-off option award is expected to be granted in September 2022, with vesting in five equal tranches from September 2026 to September 2030 inclusive.

- A total of 1,000,000 options are proposed to be granted to the CEO, with 350,000 options being granted to other Executive Directors.

- The exercise price will be set at the higher of £48.50 and the share price at grant (expected to be in September 2022), and the exercise price will increase over time by £2.50 per year, with the first annual increase applied for the tranche due to vest in September 2027. £48.50 is the share price at which the 2021 B share consolidation factor was struck and represents a premium of 15% to today's share price. It should be noted that in order to align to shareholder returns, dividends and other shareholder distributions over the life of the award will reduce the exercise price, consistent with the approach used under the 2011 LTIP. For the avoidance of doubt, like the 2011 LTIP, the exercise price will not be reduced for share buy-backs.

- A post-vesting holding period applies to the first tranche, until 5 years from grant, so that none of the option can be released for sale until at least the fifth anniversary from award. The diagram below shows this, with the first two tranches both being restricted from being sold until 2027, which is 5 years after grant.

The key features of how the incentives will operate under the New Policy are as follows:



Assuming an initial exercise price of £48.50, the resulting exercise prices for each tranche of the option award are as follows, prior to any reduction due to payment of dividends:

Exercise price (prior to reduction for dividends) for tranche vesting in:				
September 2026	September 2027	September 2028	September 2029	September 2030
£48.50	£51.00	£53.50	£56.00	£58.50

Shareholding requirements

- Increased from 400% of salary for CEO and 200% of salary for other Executive Directors, to 1,000% of salary to be achieved within a 10 year period.
- An interim target equal to 400% of salary should be achieved within 5 years.
- This requirement would be expected to be met from long term incentive vestings and would apply from the later of the New Policy coming into force and appointment to the Board.

Other features of the New Policy

- Vesting of incentive awards will be subject to Remuneration Committee discretion, as well as being subject to malus and clawback.
- The annual total remuneration caps established under the existing Policy will continue to apply, which are £8m for the CEO, £3.25m for the CFO and between £2.4m and £3.25m for other Executive Directors.
- We recognise the need for a new joiner policy that is flexible enough to accommodate internal promotes and/or external hires onto the Board. The proposed policy provides for new hires to participate in annual restricted share awards and the option award, with quantum and other terms being flexible to accommodate the circumstances and timing of the appointment.

A summary of the key elements of the New Policy is provided in the Appendix.

Conclusion

The proposals have the full support of the Board as we believe the incentives are the right ones with which to ensure our Executive Directors remain aligned with the Company's uniquely long-term operating model.

They have been carefully designed in this context, to provide the opportunity for Berkeley's experienced management team to continue operating in the best interests of shareholders over the long-term in a cyclical environment; be this investing in and growing the business or returning capital to shareholders, depending upon the prevailing operating environment. As set out in the appendices to this letter:

- If the 15% ROE and ESG underpins are not hit, then the Executive Directors will only earn lower decile salary and pension;
- If the 15% ROE and ESG underpins are met and shareholders receive broadly median shareholder returns, the Executive Directors will earn below median remuneration; and
- Only if the underpins are met and shareholders receive upper quartile to upper decile shareholder returns can the Executive Directors earn at the upper end of the total potential reward.

I should very much welcome your feedback on the proposals, either by email or by setting up a call to discuss. If you would like to engage with me please contact me via our Company Secretary, Ann Dibben, via email at Ann.Dibben@berkeleygroup.co.uk or via 01932 868555.

Yours sincerely

Andy Kemp
Chairman of the Remuneration Committee

Appendix 1

Summary of proposed changes to Policy

Element	Summary of Current Policy	Proposed changes to Current Policy
Salary	• Base salaries are reviewed annually or when there is a change in position or responsibility. • In general, salary increases for Executive Directors will be in line with the increase for colleagues.	• No changes proposed.
Benefits	• The Group offers a range of benefits in line with competitive market practice.	• No changes proposed
Pension	• Payments in lieu of pension are currently between 15% and 17% of salary. • From 31 December 2022, the pension for Executive Directors will be reduced to 6% of base salary. • This is aligned with eligibility for the majority of the workforce.	• No changes proposed.
Annual Bonus	• No annual bonus opportunity.	• No changes proposed.
Restricted shares	• Not currently part of the Current Policy.	• Restricted shares will be granted annually with awards vesting after 4 years. • The restricted shares will only vest to the extent that a Return on Equity underpin is met, with this being measured from the beginning of the financial year prior to grant, to the end of the financial year prior to vesting. • There is also a strategic underpin under which the vesting of restricted shares will be adjusted downwards by up to 20% in the event of unsatisfactory progress against strategic and ESG priorities. Specific measures within the underpin will be determined for each grant, and the Committee will report on performance against the underpin measures on vesting. • Awards of 175% of salary per annum are proposed for the CEO, with 150% of salary per annum being awarded to other Executive Directors.
Option award	• Not currently part of the Current Policy.	• The one-off option award is expected to be granted in September 2022, with vesting in five equal tranches from September 2026 to September 2030 inclusive. • A total of 1,000,000 options are proposed to be granted to the CEO, with 350,000 options being granted to other Executive Directors. • The exercise price will be set at a minimum of £48.50 and the share price at grant (expected to be in September 2022), and the exercise price will increase over time by £2.50 per year, with the first annual increase applied for the tranche due to vest in September 2027. • A post-vesting holding period applies to the

Element	Summary of Current Policy	Proposed changes to Current Policy
		first tranche, until 5 years from grant, so that none of the option can be released for sale until at least the fifth anniversary from award. ● Dividends and other shareholder distributions over the life of the award will reduce the exercise price, consistent with the approach used under the 2011 LTIP. For the avoidance of doubt, like the 2011 LTIP, the exercise price will not be reduced for share buy-backs.
Total Remuneration Cap	● Total Remuneration Caps are as follows: ○ RC Perrins: £8m ○ R J Stearn: £3.25m ○ K Whiteman: £3.25m ○ J Tibaldi: £2.4m ○ P Vallone: £2.4m	● No changes proposed.
Shareholding requirements	● A minimum shareholding requirement is in place for Executive Directors to build and maintain a value of shares over a five-year period from appointment equal to 400% of base salary for CEO and 200% for other Executive Directors, with a condition that 50% of vested incentive shares (post-tax) will be retained until the requirement has been met. ● A post-cessation shareholding requirement of 100% of the shareholding requirement (or full actual holding if lower) is applicable for two years post-cessation.	● Increased from 400% of salary for CEO and 200% of salary for other Executive Directors, to 1,000% of salary for all Executive Directors to be achieved within a 10 year period. ● An interim target equal to 400% of salary should be achieved within 5 years. ● No change to post-cessation requirement.

Legacy arrangements that will continue to apply until September 2025

Element	Summary of current Policy	Proposed changes to Policy
Long Term Incentive Plan (2011)	● The maximum number of shares which can be granted under The Berkeley Group Holdings plc 2011 Long-Term Incentive Plan (the "**2011 LTIP**") is 19,616,503 shares. ● Shares earned but not vested at 30 September 2021 have to be re-earned by management over 4 years in equal instalments to 2025 subject to £280 million of return being provided to shareholders each year through either dividends or share buy-backs. ● Additional conditions were introduced in 2020 based on enhanced returns to shareholders, cumulative Return on Equity and cumulative Profit before Tax. ● The number of awards vesting is limited by the Total Remuneration Cap. ● Any shares acquired through the exercise of options under the 2011 LTIP are subject to a restriction that no more than 10% of these shares are eligible to be sold each year until 30 September 2025 at which point the sale restriction falls away. ● No additional awards can be made.	● No changes proposed.

Appendix 2

Illustration of CEO remuneration under the New Policy

Performance assumption	Total remuneration					
	FY27	FY28	FY29	FY30	FY31	Average
0% share price growth p.a. + nil dividend per share (RoE and ESG underpins not met)	**£0.6m**	**£0.6m**	**£0.6m**	**£0.6m**	**£0.6m**	**£0.6m**
0% share price growth p.a. + dividends of £2.50 per share (RoE and ESG underpins met)	**£1.9m**	**£1.9m**	**£1.9m**	**£1.9m**	**£1.9m**	**£1.9m**
5% share price growth p.a. + dividends of £2.50 per share (RoE and ESG underpins met)	**£3.9m**	**£4.4m**	**£4.9m**	**£5.4m**	**£6.0m**	**£4.9m**
10% share price growth p.a. + dividends of £2.50 per share (RoE and ESG underpins met)	**£6.1m**	**£7.3m**	**£8.0m**	**£8.0m**	**£8.0m**	**£7.5m**

Share price growth assumption	**Projected share price at FY31 vesting**	**Equivalent TSR over 8 years (including £2.50 dividend per share p.a.)**	**Position vs FTSE 100 long term TSR**	**Average total remuneration (FY27 to FY31)**	**Position vs FTSE 100 total remuneration**
0% p.a. + dividends of £2.50 per share	£40	**5%**	**Just below median of 5.6%**	**£1.9m**	**Below median of £3.0m**
5% p.a. + dividends of £2.50 per share	£59	**9%**	**Between median and upper quartile**	**£4.9m**	**Above upper quartile of £4.6m**
10% p.a. + dividends of £2.50 per share	£86	**13%**	**Just below upper quartile of 13.6%**	**£7.5m**	**Just above upper decile of £7.4m**