

10 August 2022

Dear Shareholder

The Berkeley Group Holdings plc: Directors' Remuneration Policy Review

I am writing to you in my capacity as Chair of the Remuneration Committee of The Berkeley Group Holdings plc (the "**Company**"). As I described in the attached letter, over the last few months we have been undertaking an extensive consultation with our shareholder base, to set out our proposals for a change in Executive remuneration arrangements for the Company from 2022 onwards.

The purpose of this letter is to give you a brief update on this consultation process and next steps ahead of our AGM on 6 September 2022 following publication of the Notice of Meeting.

Overview of changes to Directors' Remuneration Policy and their rationale

As a reminder, the proposed Directors' Remuneration Policy incorporates two new elements:

- (i) An annual grant of restricted shares, vesting after 4 years with an additional one year holding period, subject to return on equity and strategic underpins.
- (ii) A one-off grant of options at a significant premium to market price, vesting annually 4 to 8 years after grant, with the exercise price increasing annually by £2.50 for the tranches vesting 5 years from grant onwards.

The Remuneration Committee strongly believes that the arrangements are the right ones with which to incentivise a highly experienced management team for the following reasons:

- We are a unique business operating in a cyclical environment, and therefore "traditional" incentive arrangements such as an annual bonus with a predominantly short term focus do not support and motivate long term performance.
- We continue our philosophy of a lower quartile "base level" of pay, through low salary (with some incremental increases over time to recognise the current modest market positioning), pension and no annual bonus.
- The restricted share element 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.

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- The share option element rewards long-term returns to shareholders, granted with an exercise price that is at a significant 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.

Consultation process

We understand that our approach is bespoke to the Company and therefore we wanted to engage fully with shareholders to explain the rationale and operation of the elements of the proposed Directors' Remuneration Policy. We therefore set out to speak individually to a broad cross-section of our shareholder base, listening to feedback and engaging in genuine two-way conversation around how the proposals align with the Company's strategy.

I have personally been very pleased that the majority of the shareholders we have spoken to have been supportive of our plans, and understand the rationale for taking a non-standard approach. On the basis of the discussions I have had and the feedback received, I am pleased to put forward the policy for shareholder approval as originally proposed.

Next steps

The 2022 Notice of AGM was published on 3 August 2022, and contains the new Directors' Remuneration Policy in full (available at <https://www.berkeleygroup.co.uk/about-us/investors/corporate-governance>).

I appreciate that being non-standard in nature, our proposals are likely to draw attention from the major representative institutional shareholder bodies. I would be grateful if you could ensure that those responsible for voting at your organisation are made fully aware of our correspondence including my letters.

Finally, I would like to express my gratitude for all of the time that shareholders have spent in discussions with me during the consultation process. I remain available for any further follow up discussions should this be helpful ahead of casting your vote.

If you would like to speak with me please contact our Company Secretary, Ann Dibben via email at ann.dibben@berkeleygroup.co.uk or at 01932 868555.

Yours sincerely



Andy Kemp
Chairman of the Remuneration Committee