Dear Shareholder,

As we approach Berkeley's Annual General Meeting scheduled for 4 September 2020, I wanted to take this opportunity to provide you with an update and some context on what has been an unprecedented year for all of us. Like all businesses in the UK, Covid-19 has had a significant impact on our staff, customers, sub-contractors and the communities in which we work. At all times their health, safety and well-being has been our first priority. As set out in the Annual Report, the resilience of Berkeley's unique operating model has ensured that the Company is in a strong position to withstand such challenges, continue to deliver for all its stakeholders and help the country rebound from the impact of the pandemic.

Tony Pidgley, CBE

On 26 June 2020, it was with great sadness that we announced the sudden and unexpected death of Berkeley's co-founder and Chairman, Tony Pidgley, CBE. It was a privilege and an honour to work with Tony, and he will be deeply missed by all at Berkeley and across the industry.

In the interests of ensuring continuity and stability, I have been asked by the Board to assume the role of Non-Executive Chairman for a period of two years, which will facilitate orderly succession planning. I was appointed to the Board on 3 January 2012 and, in accordance with Provision 9 of The 2018 UK Corporate Governance Code (the "Code"), was independent upon appointment as Chairman. However, the Board recognises that I may remain in post for a period of more than nine years from my first appointment as a director of the Company due to this transition period. The board is satisfied that, taking into account the circumstances, this is a situation permitted by Provision 19 of the Code.

Adrian Li

In addition to the search for a long-term successor to Tony, Berkeley has commenced the process to identify a successor for independent non-executive director Adrian Li, who does not intend to seek re-election at the 2021 Annual General Meeting of the Company. Adrian has made a substantial contribution during his seven years of service since joining the Board in 2013 and is a valuable and effective independent non-executive director, who consistently demonstrates sustained commitment and availability. As a Hong Kong national and resident with global banking experience as well as legal and financial qualifications, Adrian brings a uniquely diverse insight to the Board. Additionally, Adrian provides invaluable insight into Far Eastern and emerging markets and supply chains due to his day to day experience on the ground across the region.

Adrian devotes significant time to Berkeley outside Board meetings and continues to contribute strongly during ad hoc periods of increased activity, as has been notably evident during recent times of unprecedented challenge when he, like other Board members, has made himself available for telephone conferencing as events have developed. Despite the great diversity of thought and perspective that Adrian brings to the Board and his unerring commitment to the business, several proxy advisors have previously opposed Adrian's re-election due to what some would describe as a binary approach to his total aggregate external time commitments. Whilst these external commitments have reduced over time, Adrian Li does not currently meet the proxy advisors' criteria in this regard.

It is Berkeley's view that the Covid-19 crisis and the recent passing of the Group's Chairman are precisely the sort of scenarios of additional challenge and activity anticipated by proxy advisors' rules around directors' time commitments and these rules will, I am sure, effectively hold to account directors that are indeed over-committed. However, during this period Adrian has at all times remained committed and available to the Company. Indeed, as we have reiterated for several years, Adrian has attended and fully participated in all Board meetings and calls since he joined the group. We do hope that in what will be Adrian's final re-election to the Board, shareholders will recognise the current unique circumstances, together with the significant contribution he has brought, and continues to bring, to the company over his tenure, when voting on his re-election, alongside his agreement to step down in 2021.

Committee Changes

As a result of the above Board changes and in line with Corporate Governance best practice, Berkeley has made a number of adjustments to the current Board members' roles and committee memberships, as follows:

- Diana Brightmore-Armour has been appointed as the Senior Independent Director;
- Peter Vernon has succeeded me as Chair of the Remuneration Committee;
- I have become Chair of the Nomination Committee and have stepped down as a member of the Audit Committee.
- Diana Brightmore-Armour and Sir John Armitt have been appointed to the Audit Committee and Nomination Committee, respectively.

Financial strength

Despite the unprecedented challenges of 2020, the fundamental strength of Berkeley's business model and caution exercised during the year in relation to the enhanced shareholder returns has left Berkeley in good shape to tackle a sustained period of disruption caused by Covid-19. In particular, the strength of the business is exemplified as follows:

- Unlike many of the FTSE100, Berkeley maintained its FY20 dividend and its commitment to its ongoing annual £280 million shareholder returns;
- Berkeley did not receive any financial aid from the UK Government in response to the Covid-19 crisis;
- Berkeley has not furloughed any staff.

Furthermore, and as announced in our full year results on 17 June 2020, during the last financial year Berkeley has:

- Delivered 2,723 homes (plus 435 in joint ventures) - including some 10% of London's new private and affordable homes, supporting approximately 32,000 UK jobs directly and indirectly throughout the supply chain;

- Reaffirmed its commitment to £280 million per annum Shareholder Returns up to 30 September 2025, with the next £140 million on track for payment by 30 September 2020, as previously announced;
- Generated £503.7 million of pre-tax profit;
- Net cash of £1,138.9 million (April 2019: £975.0 million), with total liquidity of £1.9 billion via banking facilities of £750 million in place to November 2023;
- Seen the net asset value per share increase by 7.2% to £24.72 (April 2019: £23.05)

Remuneration

At the Company's Annual General Meeting on 6 September 2019 the Company's new Remuneration Policy received a vote for of 56.99%. In line with the Code we included within our AGM Statement a commitment to engage with our shareholders to understand the concerns of those shareholders who voted against the Policy and consider how to address them.

Following this commitment, meetings and calls were held over the early part of 2020, in which I, as Remuneration Committee Chair at the time, consulted extensively with shareholders (representing over 80% of the Company's issued share capital) and proxy advisers.

The Chair's Annual Statement in the Remuneration Report on pages 106 to 116 of the 2020 Annual Report & Accounts provides full details of the concerns identified during the consultation and the Committee's approach to addressing them.

In summary, the main issues raised by shareholders related to the narrowing of performance conditions and degree of challenge in the remaining condition for awards granted under The Berkeley Group Holdings plc 2011 Long-Term Incentive Plan (the "2011 LTIP").

The Committee made a number of proposed changes to strengthen and add additional performance conditions to existing awards under the 2011 LTIP in response to this feedback. The Committee consulted with shareholders and the main proxy advisors on these changes. The feedback from shareholders was strongly supportive.

As the changes proposed were detrimental to the existing rights of the participants in the 2011 LTIP they can be made within the 2019 Remuneration Policy and the rules of the 2011 LTIP without shareholder approval.

The Company was intending to have a general meeting on 18 March 2020 for shareholders to approve the proposed enhanced returns through a B and C share mechanism. These enhanced returns were reflected in the new performance conditions for existing 2011 LTIP awards.

The Committee was keen to ensure that it had fully addressed shareholders concerns on remuneration and given the opportunity of the general meeting on 18 March 2020 at which a vote on these changed performance conditions could be included; the Committee added a resolution to amend the 2019 Remuneration Policy despite no requirement to do so under the Directors Disclosure Regulations or the Listing Rules.

When the general meeting on 18 March 2020 was adjourned due to COVID-19 uncertainties, the Company had received votes representing 68.16% of the issued share capital, with 94.96% voting in favour of the amendment to the 2019 Remuneration Policy which reflected the changes to the 2011 LTIP performance conditions. ISS and Glass Lewis also recommended a vote in favour of the changed performance conditions.

Given the clear indication by shareholders and endorsement from their representative bodies of their support for the changes to the performance conditions for existing LTIP awards; the Committee determined to implement them in substance despite the general meeting remaining adjourned.

Full details of the changes are set out on pages 106 to 116 of the Chair's Annual Statement in the Remuneration Report. In summary:

- In addition to the existing cash returns hurdle, the two new performance conditions included in the proposed March 2020 amendments for subsisting awards under the 2011 LTIP have been introduced. These are:

  (i) For the Company to deliver a cumulative pre-tax return on equity ("ROE") of 15% (to be calculated from 1 May 2019). 30% of the annual LTIP vesting was to be at risk if this condition were not met.

  (ii) For the Company to be on target to deliver a pre-tax profit of £3 billion in the six years ending 30 April 2025. 20% of the annual LTIP vesting was to be at risk if this condition were not met. This condition is to be implemented with the clarification that it will be satisfied if, for a particular year, the Company delivers £500 million of profit in that year or if the Remuneration Committee is satisfied that the Company is on target to deliver £3 billion of pre-tax profit over the six years.

- In addition, the proposed March 2020 amendments, increased the cash returns hurdle to include the proposed return of £455 million of surplus capital by 31 March 2021. As previously announced, the proposed return of surplus capital is being deferred for up to two years, providing the Company with the flexibility to use the surplus capital to either make these enhanced cash returns to shareholders or to invest in incremental land interests, over and above normal land replacement, should opportunities arise which would lead to enhanced shareholder value over the cycle. The performance condition will be deemed to have been satisfied if this surplus capital is used for either of these purposes over the period of deferral.

Shareholders will have an opportunity to vote on these changes through the vote on the Annual Report on Remuneration at the 2020 AGM.

I hope my statement in the Remuneration Committee Report fully explains the journey that the Committee has been on with shareholders since the 2019 AGM.

Please do not hesitate to contact me through ann.dibben@berkeleygroup.co.uk if you would like to discuss any aspect of the Company's Annual Report or Remuneration Report.

Kind regards,

G. Barker

Glyn Barker
Chairman