THE BERKELEY GROUP HOLDINGS PLC
("Berkeley" or the "Company")

The Company is appreciative of the support it received from its shareholders at the Annual General Meeting ("AGM") held on 6 September 2019. However, it notes that 43.01% of votes were cast against the Directors' Remuneration Policy and 42.48% of votes were cast against the proposed amendments to The Berkeley Group Holdings plc 2011 Long Term Incentive Plan (the "2011 LTIP"), reflecting concerns raised by some shareholders on amendments to the 2011 LTIP as part of the renewal of the Company's Remuneration Policy at the 2019 AGM.

Both before and after the Company's 2019 AGM, the Company consulted extensively with shareholders and with the main proxy advisory agents to discuss their concerns. During consultation in advance of the approval of the 2019 Remuneration Policy (which included amendments to the 2011 LTIP), issues were raised by proxy advisers and a significant minority of shareholders in respect of the 2011 LTIP, more specifically concerning:

- whether the £280 million shareholder cash returns hurdle was a sufficiently challenging performance condition, when considered in the context of the Company's cash position;

- the removal of the prior annual incentive structure, which was subject to ROE and NAV growth conditions, which was seen to be narrowing the incentive structure resulting in total shareholder return as the sole performance condition; and

- the overall quantum payable under 2011 LTIP both in absolute terms and comparative to the performance delivered.

The Company seeks to ensure that the concerns and views of Berkeley's shareholders are heard and given appropriate attention at Board level. Accordingly, in line with the commitment made to shareholders following Berkeley's 2019 AGM and at the interim results for the six months to 31 October 2019, the Board undertook to consult on the Remuneration Policy to ensure alignment to Berkeley's strategy, including in respect of capital allocation. Following this commitment, meetings and calls were held over the early part of 2020, in which the Board consulted extensively with shareholders (representing over 80% of the Company's issued share capital) and proxy advisers.

Revised proposals in respect of changes to the 2019 Remuneration Policy and terms and conditions of the 2011 LTIP, alongside a proposed increase in shareholder returns, were announced in a circular released on 24 February 2020 (the "Circular"). A copy of the Circular is available on the Company's website at www.berkeleygroup.co.uk/investor-information/corporate-governance.

The 2020 proposals asked the Executives to agree to a set of changes that would further restrict and limit their existing awards to reflect shareholder concerns. The Company is pleased that at the end of the consultation process a significant majority of shareholders were supportive of the proposed changes, which included:

- an increase in the shareholder cash returns hurdle to reflect the then proposed increased capital return;

- notwithstanding the Company's view that total shareholder return is the holistic output of a number of successful inputs (including ROE, profit and cash), the inclusion of cumulative pre-tax ROE targets and new on-target cumulative PBT performance conditions for each tranche of the 2011 LTIP, to apply to all tranches from September 2020 to September 2025, with a total of up to 50% of each year's award at risk to the extent these new performance conditions were not met; and

- further noted the steps already taken to significantly reduce quantum from the amount that would have vested under the original 2011 LTIP since the initial grant in 2011..

One of the key principles of the 2018 UK Corporate Governance Code is that *'remuneration policies and practices should be designed to support strategy and promote long-term sustainable success. Executive remuneration should be aligned to company purpose and values and be clearly linked to the successful delivery of the company's long-term strategy*."

The Company has always been able to draw a direct link between its corporate strategy and reward strategy. Along with addressing the use of surplus capital in the Circular, the proposed increase in return performance conditions and changes to the operation of the LTIP addressed concerns raised by some shareholders at the 2019 AGM, whilst continuing to maintain a direct link between Company strategy and reward strategy.

The Company continues to proactively manage on an ongoing basis the remuneration of the Executive Directors to ensure that evolving shareholder sentiment is anticipated and that changes in remuneration are made in advance. This proactive management of shareholder sentiment is underlined by the proposed amendments set out in the Circular.

The Company notes shareholders' and proxy advisers' positive support for the Company's response to shareholder concerns through the proposed return of surplus capital to shareholders and the introduction of additional performance criteria for each future tranche of awards under the 2011 LTIP, both of which were seen to mitigate concerns about a perceived narrowing of the remuneration structure.

The Board was grateful to its major shareholders who participated in the consultation on the amendments for their positive response and for the feedback received in respect of the proposed amendments to the Company's Remuneration Policy.

However, due to the escalating challenges and uncertainty surrounding COVID-19, and the corresponding Board judgement to adopt a reduced risk appetite and heightened sense of caution at the current time, the general meeting at which the Company's response to shareholder concerns was due to be considered and voted upon was adjourned. Accordingly, on 12 March 2020, the Board announced the postponement of the proposed increase in shareholder returns and amendments to the remuneration policy and LTIP.

The Company recognises and appreciates the time taken by shareholders in considering the Company's proposals and rationale for the amendments and notes that, as well as positive recommendations from leading proxy advisory agencies Glass Lewis, ISS and IVIS, investors were supportive of the Board's measures to address the issues raised and that the Company's proposals received near unanimous support.

The Board will reconsider appropriate amendments to be made to the Remuneration Policy in light of the postponement of the proposed capital return and will reassess the position in its full year Results announcement in June 2020, by when it has been indicated the effect of COVID-19 should be more measurable and certain. It is currently expected that any updated proposals in respect of the Remuneration Policy would be put to shareholders for consideration at the time of the September 2020 AGM.

The Company will continue to engage with shareholders and with the main proxy advisory agents on this and other matters as appropriate.

20 April 2020