



## Annual General Meeting 2021 – Frequently Asked Questions

### 1. Why are you not holding a hybrid AGM?

The health and wellbeing of the Company's shareholders, employees and our wider communities are of utmost importance to the Board. We decided, as is permitted by the Corporate Insolvency and Governance Act 2020 (as amended), that the meeting would be held as a closed meeting and shareholders must not attend in person.

Following last year's experience and feedback, we considered the following approach is more suited to our shareholders. We have enabled shareholder participation in the following ways:

- **Voting at the AGM** – shareholders' votes are important to us and all shareholders are encouraged to vote ahead of the AGM. This year, alongside our paper forms of proxy, electronic methods are provided for shareholders to appoint a proxy and provide voting instructions ahead of the AGM.
- **Listening to the meeting** – shareholders are invited to listen to the formal proceedings of the AGM via conference call.
- **Shareholder questions** – despite the exceptional circumstances, arrangements have been made so that shareholders can participate in the AGM by submitting questions in advance, with answers being responded to on our website ahead of the voting deadline.

Further detail can be found in the [Notice of 2021 AGM](#).

### 2. What are your Sustainability targets?

The Board recognises the importance placed by our stakeholders on environmental, social and governance (ESG) matters and we are committed to adapting our operations to help tackle climate change.

We recently launched the following Sustainability targets to achieve by 2025 (versus FY19 comparatives):

- Reduce scope 1 and 2 carbon emissions intensity (tonnes CO<sub>2</sub>e per 100 sq. m) by 25%
- Purchase 100% renewable electricity
- Reduce waste intensity (tonnes per 100 sq. m) by 15%

During the year, we established a Sustainability Committee, which is chaired by Peter Truscott, Chief Executive. The Sustainability Committee has delegated authority from the Board to

provide oversight of ESG matters, to ensure continuous improvement in this area and to guide our longer-term ambitions.

For more information on our Sustainability initiatives please see pages 48 to 52 within our [Annual Integrated Report](#).

**3. Why is there not a resolution for approval of a dividend?**

As the COVID-19 pandemic started to unfold, the Board had to take swift and decisive action to maintain a robust balance sheet and to preserve cash.

In March 2020 we announced the difficult decision to cancel our final FY19 dividend of 21.8 pence per share otherwise payable on 9 April 2020. The Board considered this decision very carefully, balancing its stated commitment to maintain the dividend policy in place at the time, with the economic uncertainty presented by the crisis and the need to safeguard liquidity until that uncertainty had passed.

However, in recognition of the excellent progress we have made in strengthening our balance sheet during the second half of FY20, our opportunities and our confidence in future trading forecasts, the Board was pleased to announce it will reinstate a dividend effective from the HY21 results, on a two and a half times cover basis.

**4. Why do you have a resolution for holding General Meetings on only fourteen days' notice?**

As is customary for UK listed companies, we are renewing the authority we had in previous years, requesting shareholders to approve General Meetings to be held on 14 clear days' notice. The Board would only use this shorter notice period in circumstances where the need of a General Meeting is time sensitive and would advantage Crest Nicholson in the long term. We would make electronic voting available to shareholders to enable them to indicate their voting intentions as easily and conveniently as possible.

It should be noted that this authority only applies for General Meetings, and not AGMs, which must be held with at least 21 days' notice. We strive to go beyond this and follow the FRC's Guidance on Board Effectiveness, which has a further requirement for a notice period of at least 20 working days' for AGMs. As in prior years, we have complied with this guidance.

**5. How have you responded to COVID-19 from a business perspective?**

As the scale of the pandemic came into view, the Board's three immediate priorities were:

- To safeguard the health and safety of our employees and customers
- To protect our balance sheet, which included the difficult decision of cancelling our FY19 final dividend, and
- To assess and plan for what the landscape might look like beyond the crisis and how the business would need to evolve to succeed.

Further detail can be found on pages 8 to 9 within our [Annual Integrated Report](#).

**6. Did you repay the Job Retention Scheme monies?**

We furloughed 75% of our employees between April 2020 and May 2020 under the Government's Job Retention Scheme (JRS). All employees received their full pay and benefits entitlement and they were encouraged to volunteer in their local communities. All employees had returned to work by 31 May 2020 and no further use of the JRS was made. The JRS income was subsequently repaid in December 2020.

**7. What actions were taken in respect of Directors' pay during 2020, in response to COVID-19?**

During the period employees were on furlough, the Board donated 20% of their gross salary/fees to charity. Furthermore, although a number of FY20 bonus targets were met, the Executive Directors waived entitlement to a bonus under the FY20 bonus plan, due to the significant impact that COVID-19 had on the business. Accordingly, no bonus payments were made to the Executive Directors, an approach which the Remuneration Committee supported.

Further details can be found in the Directors' Remuneration Report contained within our [Annual Integrated Report](#)

**8. Why have you used exceptional items in the disclosure of your results?**

Exceptional items are those which, in the opinion of the Directors, are material by size and/or non-recurring in nature and require separate disclosure within the consolidated income statement to enable shareholders to understand the underlying business performance of the Group.

Detail on why we have reported exceptional items can be found within the Financial Review and Note 4 within the Consolidated Financial Statements of the [Annual Integrated Report](#). 2020 was an exceptional year with the impact from COVID-19 disruption, restructuring activities and developments in respect to Government Guidance with combustible materials and fire risk.

**9. Why do you not use fully-recycled paper for your Annual Integrated Report?**

Unfortunately, recycled paper stocks are made up of shorter fibres, which can prove problematic for printing. We are working with our printers to investigate the use of alternative papers and inks. It should be noted that this year, we have made efforts to reduce significantly our print numbers.

While we have not used 100% post-consumer waste paper, we have used FSC Mix which contains recycled content, material from FSC certified forests, and FSC controlled wood. FSC support responsible forest management, safeguarding forests for future generations while protecting the people and wildlife that depend on them. Further information on their core principles can be found on their website: <https://fsc.org/en/about-us>.

We only send and print a minimum number of Annual Integrated Reports and utilise the Companies Act opt-out process to the fullest extent available, enabling shareholders to be notified by email, or via letter that shareholder documents are available on the website.

**10. Firstly can I say how good it is that you are seeming to be coming through the pandemic in good order. Today's AGM update was very encouraging, well done to all concerned.**

Thank you for your feedback and we appreciate your supportive comments.

**11. You have a Chief Executive and Chief Operating Officer on the Board. This is very unusual. Why do we have this structure, and what is the division of responsibilities between the two roles?**

Practice among housebuilders does vary, and Crest has had periods with and without a COO as have other housebuilders.

Tom Nicholson joined the Group as Chief Operating Officer in May 2019, as a member of the Executive Leadership Team.

We launched an updated strategy in 2020, and the strategy has significant importance placed on improving operational efficiency. Accordingly, the Board agreed it was appropriate to make this position a Board-level appointment.

Peter Truscott, our Chief Executive, is responsible for the leadership of the Group and implementing its strategy. Peter leads the Executive Leadership Team and manages the overall performance of the Group.

Tom Nicholson provides direction to our divisional businesses, including providing a strong control environment and delivering operational efficiencies across the divisions.

Further detail on the division of responsibilities of the Chief Executive and Chief Operating Officer is summarised on page 80 of the [Annual Integrated Report](#). Tom's appointment process is outlined on page 88 of the [Annual Integrated Report](#).

**12. I note there have been substantial exceptional costs in the year. Much of this relates to impairments due to anticipated sales price reductions. I am not sure why these elements are exceptional as sales prices are frequently volatile, and fluctuations in building profits for that reason are a normal part of business for a housebuilder. Can you help me understand the logic please?**

We regularly review the sales price assumptions within our portfolio. We hold our sites on our balance sheet at (what is termed) the lower of cost and 'net realisable value' (i.e. its current market value). In most cases the sites are worth more than what we paid for them and their value is based predominantly on expected build costs and expected sales prices. When we made certain sales price deflection assumptions across our portfolio during 2020, most of our sites were still valued above the price we paid and an impairment was not necessary. However, a small number of our more complex legacy sites became valued lower than the price we paid for them having already been affected by much higher build costs. This generated an impairment in respect to a small number of sites. These costs have been deemed exceptional because they are a material and one-off in nature - triggered by a COVID-19. All mainstream forecasts in place at the time of recording the charge were predicting a strong decline in house prices as a result of the pandemic's economic impact.

**13. I note you chose to repay the UK Government's Job Retention Scheme subsidy in December 2020. How much was this please? Is that included in the profit numbers you signalled today, or are you treating it as exceptional?**

The total JRS repayment was £2.5m and is not being treated as an exceptional item. It will be accounted for within the admin expense line in FY21 and has been included in our forecast Adjusted Profit Before Tax expectations.

**14. I would like to ask the Board for an overview of Crest Nicholson's position in regards to the Living Wage for both directly employed and third-party subcontracted staff?**

While we have not signed up to the Living Wage Foundation we do pay the Living Wage to employees (other than apprentices who are covered by other wage rates). We regularly review this annually as the published figures change. This is not explicitly disclosed in our Annual Integrated Report but is referenced in our Anti Slavery and Human Trafficking Statement <https://www.crestnicholson.com/legal-information/anti-slavery-and-human-trafficking-statement>.