

Climate Change Position Paper

As one of the UK's leading housebuilders, Persimmon plc acknowledges that climate change is a significant issue and presents a number of risks to our business. We must ensure that we manage these risks in a pragmatic and robust manner.

We also recognise that we have a role to play in minimising our contribution to climate change. As a housebuilder, we believe that our primary responsibility is to build homes and communities that are sustainable, inherently energy efficient and which encourage our customers to live in a way that minimises their contribution to climate change.

Introduction

Climate change is a significant issue facing business today, and regardless of the science and uncertainty over the causes of climate change, there is an overwhelming consensus that the earth is warming. This could have impacts of global and local significance.

Understanding the risks and impacts of climate change is playing a growing role in business. Greenhouse gas emissions are becoming more and more regulated, analysed and priced. It is important that we stay abreast of these changes and their meaning for us as one of the UK's leading housebuilders. Moreover, our stakeholders have an expectation of us to explain clearly how climate change may affect our business and how we are tackling this issue.

This statement sets out Persimmon's position with regard to climate change and outlines the basic principles of our approach to measure our contribution and adapt our business.

Understanding the risks from climate change

Climate change presents a number of risks to our business. These can be broadly categorised into the following areas, which we have considered when developing our approach:

- *Physical risks:* Changes in weather and frequency of extreme weather events, particularly storms and flooding may increase the likelihood of disruption to the construction process.
- *Regulatory risks:* Increasing national regulation relating to more stringent environmental standards is likely to cause additional planning delays, increase our construction costs, administrative burden and the costs associated with carbon pollution.
- *Financial risks:* As financial institutions take account of impacts relating to climate change, such as flooding, this may affect insurance and mortgage availability and therefore consumer demand.
- *Product risk:* Meeting increased Government and customer demands for 'eco housing', whilst taking account its relationship with other buying considerations such as location and affordability.
- *Supply chain risk:* Increasing regulation aimed at energy intensive manufacturers could increase the cost of materials, and potentially limit their supply.
- *Competitive risk:* Meeting the expectation of stakeholders, protecting our reputation and ensuring our ability to adapt to changing consumer and regulatory needs.

The medium to long term implications of these risks could be highly significant for the house building industry and for Persimmon. It is important that we take them into account during our business planning, whilst identifying potential opportunities for us.

However, given the level of uncertainty that still exists, particularly in terms of how the impacts of climate change will manifest themselves, we must also be prudent in the belief that poorly timed or poorly executed early action on this issue could be as costly as late action.

Our responsibilities

Whilst this approach may appear conservative, we are not complacent and we are committed to responding in a pragmatic and robust way to this evolving issue. We will review our position on at least an annual basis.

We are fully supportive of the UK Government's targets for energy use reduction. Although we have yet to set any public targets, we are continually increasing the sustainability of our new homes, as evidenced by our increasing *SAP ratings*, increasing experience of *EcoHomes* and the use of *Space4* technology.

We believe our responsibilities fall into three key areas:

1. *Promoting efficient living:* Building quality sustainable homes and communities for our customers, that are inherently energy efficient and that encourages them to live in a way that minimise their contribution to climate change. We believe this is our primary responsibility.

This means we will continually seek to improve the sustainability and energy efficiency of the houses we build by:

- Seeking opportunities, when practical and cost effective, to incorporate modern methods of construction and technologies, including proven renewables, to improve energy efficiency.
- Sharing best practice of energy efficient building methods and materials across our Group operating businesses.
- Only installing electrical appliances with an energy rating of B or above where possible.
- Developing the communities we build in a way that promotes environmentally efficient and sustainable living, including transport planning.
- Providing practical advice to our customers on how to use energy efficiently.

2. *Building for the future:* Building homes that take into consideration the potential need to adapt to changes in our climate and subsequent impacts to the local environment in which they are built.

This means we will:

- Build homes and communities effectively and sensitively to these issues through diligent planning, assessment of their environmental impact and the use of appropriate construction methods and materials.
- Take account of the thermal and energy security needs of our houses for their entire lifetime.

- Adhere to planning and building regulation with regard to appropriate adaptation techniques and technologies.
- Maintain a watching brief and use new methods of construction that will allow us to take account of changes in our climate and meet consumer demands.
- Select our suppliers and contractors based on their ability to meet these demands and expectations.

3. Reducing emissions: Minimising our contribution to climate change through the reduction of emissions from our operational use of energy and fuel.

This means we will:

- Measure and monitor our operational energy use and emissions.
- Set performance objectives and targets for energy and fuel use improvements.
- Promote energy efficiency awareness amongst our employees.
- Seek opportunities to implement cost effective measures to reduce our energy and fuel consumption.

Balancing our priorities

Persimmon operates under four main brands: Persimmon Homes, Charles Church, Westbury Partnerships and Space4, from regional offices across the UK, with a substantial number of active construction sites around the UK. We also operate a substantial vehicle fleet.

Throughout these operations we use energy and fuel, and consequently we generate carbon dioxide emissions, a greenhouse gas and contributor to climate change. We are in the process of measuring our own emissions and setting appropriate targets for their reduction.

However, our initial assessment has indicated that our carbon footprint is very small when compared to the collective emissions of all the homes we build each year. Moreover, as the houses we build are lived in for many years, the carbon emissions associated with them over this period is far greater than our own operational emissions.

Whilst we will continue to seek ways to reduce our operational emissions, we believe that the most significant way in which we can contribute to reducing the impact of climate change is to build houses that are efficient and that encourage their occupants to live in a way that minimises their contribution to climate change. Therefore, the main thrust of our approach will focus on the *promoting efficient living* element of our responsibilities in this area.

Understanding a policy context

We support a balanced approach to regulation that takes into account the need for minimum standards of efficiency and regulation within the house building industry, whilst promoting innovation and flexibility for companies to define their own approach.

We are committed to ensuring that all the houses we build meet Building Regulations, and support the Governments desire to achieve new housing stock that is 70% more efficient than pre-1990 standards. Indeed where it is appropriate for us to do so, we will exceed these standards in the homes we build.



Persimmon welcomes the introduction of the *Code for Sustainable Homes*, and we recognise the improvement in the approach to building assessment compared to the previous EcoHomes standard. We will promote the Code across our business seeking to improve standards where most appropriate.

We also promote the introduction of the *Energy Performance Certificate*, and other initiatives aimed at raising awareness of the energy efficiency of our new homes amongst our customers.

The Government's proposals with regard to the definition of zero-carbon housing have recently been published and we will be responding to the consultation via the Home Builders' Federation. We also look forward to receiving further details on the draft Planning Policy Statement (PPS): *Planning and Climate Change*.

Roles and Responsibilities

Responsibility for the development of our approach to climate change rests with the CR Committee. It is their role to promote this approach to our operating businesses, who are consequently charged with implementing local arrangements to meet our aims in this area.

The Group's activities will be reviewed on a regular basis by the CR Committee and supported by the development of objectives and targets for the business when appropriate. The Committee will also maintain an overview of the issues outlined in this position statement and adjust our response according to new initiatives and developments within our industry on at least an annual basis.

**Persimmon Corporate Responsibility Committee
4 February 2009**