



GROUP CHIEF EXECUTIVE'S STATEMENT

Overview

The Group delivered a strong performance during the year, as long-term social trends continued to underpin demand for our premium homes and places. Customers attached additional value to our larger, mainly detached family homes designed to offer flexible and modern living. COVID-19 also highlighted the growing desire of homeowners to live within our prime locations, created with our own market-leading placemaking principles.

This high level of differentiation was key as we successfully navigated the end of the original Help to Buy scheme and the Government's temporary Stamp Duty changes. Total legal completions increased by 39% to 5,620 from 4,032 in the previous year with revenues increasing by 45% to £1.94bn (2020: £1.34bn).

We ended the financial year with another record forward order book of £1.43bn (2020: 1.42bn) of which 73% was exchanged. This provides the business with an excellent foundation for the future with over £1.3bn of our turnover secured for 2022.

We welcomed the introduction of the Government's Stamp Duty holiday, which helped homeowners and the wider market at a time when market stimulation was required. We have now been selling beyond the cut-off date for the holiday for well over six months without any negative impact on reservation levels, as demonstrated by our record order book.

The number of homes sold with Help to Buy reduced considerably. Following the introduction of the new regional price caps, the scheme represented just 13% of private reservations in the second half and 28% across the full financial year. As the scheme draws to a close, and the market continues to adapt, we expect a negligible impact on reservations.

Redrow capitalised on some excellent land opportunities in the financial period under review. Achieving above average hurdle rates, we added c8,300 plots in the year with a GDV of over £3bn. Our award winning Heritage Collection accounted for 79% of private homes revenue, which enables us to satisfy demand at scale and deliver efficiencies. The desirability of our product, combined with our aesthetically pleasing designs, means planners across England & Wales are happy to see our homes incorporated within their communities.

As we continue to build in prime locations, our products and places are within reach of many families aspiring to a larger home. Our average reservation rate for the year was 0.70 (2020: 0.67) and, more importantly, the reservation value per outlet increased to £288K per week (2020: £259k), excluding private rented sector, as we delivered an industry leading reservation rate on a revenue basis.

In the year, we saw considerable house price inflation across England & Wales with the exception of London. In the regional businesses, due to a combination of house price inflation and geographical mix, reservation prices increased on average by c5% across the financial year, particularly in the final quarter, which was more than enough to offset build cost inflation of c5%.

We have continued to work largely uninterrupted across all our sites during the year. However, there have been some supply interruptions and specific shortages in steel, timber and cement-based products. In conjunction with our supply partners, we have mitigated the impact of these interruptions and we are confident that our close working relationships will allow us to continue to build unhindered. We expect that supply pressures will ease as more capacity is brought on stream to deal with high demand for materials.

As announced in June 2020 we made the strategic decision to exit the London market on all the sites where we hadn't commenced build. Our scaled-down London operation is now concentrating on our large redevelopment site at Colindale. During the year we successfully received planning for a further 1,100 homes at Colindale ensuring that we will be developing this successful site for some considerable time.



We have completed the exit of the six London sites we decided not to build out. Our owned interest in three of these were sold, albeit one was at the start of the current financial year, and the other three were not acquired. The proceeds of the London site disposals are being reinvested in our strong divisional network across England & Wales, including the new Southern division, which will be based in Crawley and is expected to make a contribution to turnover in the 2023 financial year.

People Making the Difference

Keeping our colleagues and customers safe is our first priority. During COVID-19, we have continued to adopt secure protocols for our customers and colleagues. Despite no longer being mandatory, we will continue to encourage mask wearing where appropriate, alongside a thorough cleaning regime. This approach has been supported by comprehensive training from our in-house team. The availability of online modules has ensured new and existing colleagues have access to training on our COVID-19 secure working protocols, regardless of their location.

We have also introduced flexible working and many colleagues have been working from home during the pandemic. This has proved to be very effective and, going forward; colleagues will be able to work from where they are most efficient, whether that be at home, site or within divisional offices. Based on the feedback we have received, these steps have improved colleagues' general mental health and we have extended our wellbeing offering to colleagues, and their families, during the year.

Our people – whether they are directly or indirectly employed – are key to us maintaining a competitive advantage. Therefore, during the year, I was pleased to see us become a Real Living Wage employer and to extend this benefit to our subcontractor partners.

Furthermore we are committed to 'inspiring the next generation to build' as one of the central aims within our Valuing People strategy. In May 2021, I was delighted to attend the opening of the first NHBC brickwork Training Hub at our Amington Garden Village development in Tamworth. Officially opened by Chris Pincher, the Minister of State for Housing and MP for Tamworth, it is a great example of partnership working and will enable applicants from other home builders, as well as Redrow, to complete a bricklaying apprenticeship within an accelerated 18 month period, making it attractive to those looking to move into construction from another sector.

Investing in Places

As I stated in my 2020 Chief Executive review, at the onset of COVID-19 we temporarily postponed the purchase of new land as part of measures to protect cash flow and also renegotiated favourable deferment terms on our existing obligations. Post the initial lockdown we returned to the market, taking a sensible and balanced view with regard to land acquisition.

This resulted in some constraints on our active outlet numbers and, together with the strength of the market, has seen the number of outlets reduce over the last 12 months. We closed the year working from 120 outlets and expect to remain at a reduced level for the forthcoming year until new land acquisitions come on-stream.

As stated above, we capitalised on strong land opportunities in the financial period under review. Achieving above average hurdle rates, we added 8,290 current land plots in the year with a total GDV of over £3bn. Therefore, our owned and contracted land holdings with planning totalled 29,460 plots (2020: 27,000). Pull through from Forward Land accounted for 3,539 of the plots added.

Housing Secretary Robert Jenrick officially launched the Building Beautiful Places plan in July 2021. Whilst we support the broad intentions of the new code and framework, we believe that opportunities have been missed. The report's recommendations have failed to take into account underlying lifestyle changes, which have been accelerated as a result of the pandemic.

In a survey we commissioned of c.2,000 consumers, an overwhelming majority (77%) said they aspired to live in a two storey detached home. Only 3% and 4% of respondents stated they would choose to



live in a terraced home or townhouse respectively. This is contrary to the central ethos of the National Model Design Code (NMDC), which supports higher density development.

A positive outcome of the NMDC launch is the focus on community consultation. This is essential to delivering places where people want to live. For a number of years we have been extending our reach via social media and digital methods to ensure all members of the community have an opportunity to input their views into developments. Given that c80% of our product is standard and adopted by planning authorities across England & Wales, we are confident we are meeting the needs of both customers and planning authorities.

Innovation across Redrow

Since my appointment as Chief Executive, I have set a clear direction of evolving, rather than revolutionising, our successful strategy. Alongside this approach, I have launched Redrow 2025. It is an ambitious vision, which is focused on accelerating innovation across the business.

The process began with the biggest team consultation in Redrow's history, with over 2,000 colleagues inputting their thoughts via a combination of virtual conferences, surveys, focus groups and one to one meetings. All the ideas have been collated within our three strategic themes: Thriving Communities, Building Responsibly and Valuing People.

This approach is ensuring new projects are efficiently implemented throughout the business and embraced by all teams. Initiatives include a completely new approach to flexible working with colleagues actively involved in developing collaborative workspaces; a Green Academy to ensure colleagues have the right skills to meet the climate challenge; volunteering and delivering digital programmes to create efficiencies for customers and Redrow.

This culture of constant innovation extends across all our day-to-day business operations. During the financial year, we reviewed and refreshed the Redrow brand, in tandem with our sales centre visitor experience.

New sales outlets have been re-named as 'Customer Experience Suites' reflecting their new role supporting customers throughout their whole journey, whether they are visiting Show Homes or meeting with customer service and site colleagues to undertake Hard Hat and Home Preview visits.

We are the first major house builder in the market to remove paper from our sales outlets. We have been able to take this important step by connecting great people with integrated digital technology. Key features of the new suites include digital screens throughout - all of which can be updated remotely to ensure consistent messaging across all outlets. There are also interactive site plans and iPads, where customers can view choices and upgrades, and even complete their reservation online.

Our new, refreshed brand focuses on our 'better way to live' purpose, highlighting in equal measure our product, placemaking and service credentials. These steps are part of our constant innovation of the customer journey to create an excellent online and offline experience.

Customers & Quality

Innovation is about constantly raising standards, and we have continued to make progress across all aspects relating to customers & quality.

We have once again secured a Home Builders Federation Five Star award following thousands of positive customer reviews. At the time of writing, Redrow is also the only volume house builder to be rated as 'excellent' on Trustpilot. Any feedback is carefully analysed and fed into our root cause process, which aims to iron out any recurring issues.

We were delighted that 24 of our site managers received a Pride in the Job Quality Award this year. The accolade, established by the National House Building Council, celebrates the exceptional contribution-winning site managers make in creating homes of outstanding quality. Pride in the Job



first launched over forty years ago and is the most highly regarded competition in the house-building industry.

In the period under review, we launched our Homeowner Support Portal. Part of My Redrow, it contains over 50 self-help videos along with the ability for customers to submit their warranty issues online.

Our core systems have been created in-house, enabling warranty items to be seamlessly integrated into our back-end systems. This creates efficiencies for customers and the business as we reduce the administrative burden, freeing up more time to proactively develop customer relationships.

This technology will play an important role as we prepare for a seamless transition into a New Homes Ombudsman (NHO) regime. At Redrow, we see the NHO's introduction as an opportunity. It will provide another way of demonstrating our differentiation and set us apart from competitors.

Redrow is predominantly a housebuilder, however, we have historically built a small number of high-rise buildings mostly on a design & build basis by main contractors. Ten schemes have now been identified as potentially not conforming to the current government regulations. Each development is unique and was designed in accordance with the building regulations and accepted practices at the time.

We are very aware of the stress and burden on residents of high-rise apartments across the country that have remedial issues based on the new standards and guidance set by government. We are encouraging management companies, where appropriate, to apply directly to the Building Safety Fund and we will continue to engage with government, contractors, leaseholders and all other parties to help identify solutions to this complex industry issue.

Meeting the Climate Challenge

The success of Redrow and the overall contribution we make to wider-society is dependent on how we manage the environmental and social factors that influence our business model. Our approach connects social, environmental and economic value across the business and is underpinned by good governance, which leads to better long-term decisions.

In the spring, we undertook a comprehensive review of our Environmental, Social and Governance (ESG) performance. We have prioritised those issues that are most material to our business and we have, for the first time, published our comprehensive ESG scorecard to reflect this review.

Climate change, together with biodiversity loss, is the most urgent environmental issue we face. The UK government has set a target to achieve Net Zero Carbon by 2050. We believe that whilst this presents significant challenges, there is also great opportunity to learn from the science; to innovate and to future-proof the homes and communities we build.

In the last year, we have reduced overall emissions by 6%. In particular, we have made great progress in improving the energy-efficiency of our building fabric specification, along with improving the integrity of our data and collaborating with our supply-partners to drive innovation.

We were excited to see the trial of a pioneering low-carbon heating solution get underway at our site in Scissett, Yorkshire. The solution offers a smart home and energy management system that seeks to deliver net zero electricity use in the home. We are also collaborating with several major manufacturers to assess the practical and design implications of air-source-heat-pumps. These trials form part of our wider product development and specification strategy to meet the forthcoming Future Homes Standard and the phasing out of gas boilers from 2025, and as we look beyond to deliver genuine net zero carbon homes that are both comfortable and affordable.

In recognition of our progress on mitigating climate change, we were delighted to secure a position as one of the Financial Times Europe's Climate Leaders in the year.



Looking forward we have committed to sign-up to the Science Based Targets initiative (SBTi) and partner's Business Ambition for 1.5°C campaign. In making this commitment, we are demonstrating the highest level of ambition as set by the SBTi in the short and longer term. We have also committed to reach science-based net zero emissions no later than 2050. We will set interim science-based targets across scopes 1, 2 and 3, in-line with the criteria and recommendations of the SBTi. In doing this we also join the UNFCCC Race to Zero. Furthermore, we will advocate for ambitious government policies that align to 1.5°C to support the transformational change that the UK's net zero target requires.

The publication of our Nature for People strategy in partnership with the Wildlife Trusts has given Redrow the solid foundation blocks to ensuring that we leave a positive environmental legacy. The next phase of our plan will see the implementation of our 15 commitments, establishing the right assurance processes, and the measurement and reporting of our impact on both wildlife and people.

In preparation for the forthcoming requirement to achieve a Biodiversity Net Gain (BNG), we undertook eight pilot projects to understand what changes we need to make to our design approach. The results are positive with on-site net gains achievable on 63% of the test projects. During the year, we held BNG training workshops with all of our delivery teams and further work is underway to establish a blueprint for achieving gains for nature on all new developments.

This year we have seen some great examples of how we are delivering Nature for People in-practice and enhancing habitats in line with the mitigation hierarchy. At our new development in Haverhill, we have retained and improved existing hedgerows to achieve a forecast 18% net gain in these important habitats, as well as creating cycle routes and footpaths through extensive green corridors and wildflower meadows.

This year saw the conclusion of our 'Reduce the Rubble' research project - a pioneering initiative that captured both the quantity and the root-cause for every element of construction waste generated during the build of our most popular house type. The study identified more than thirty opportunities for eliminating and reducing waste, several of which have now been implemented.

Overall, we are making important strides forward in ESG and I am looking forward to seeing that progress continue.

Board Changes

I'd like to place on record my thanks and appreciation to John Tutte who will be retiring and leaving the Group in September after nearly 20 years of outstanding service. During John's time at Redrow, he has held the position of CEO and latterly as Chairman. On behalf of the whole Redrow team, we wish John a long and happy retirement.

Following John's retirement, and as planned, Richard Akers now becomes Non-Executive Chairman. I am very much looking forward to working with Richard and continuing Redrow's progress in the future.

Market Outlook

The fundamentals of the market remain strong, with record low interest rates; good mortgage availability and healthy employment data.

In addition, government recognises that housebuilding creates a positive multiplier effect across the domestic economy and has a key role to play in its 'levelling up' agenda. It has an ambitious target to achieve a much-needed 300,000 new homes per year by the mid 2020's. We are proud to play our part in addressing this chronic shortage of quality family homes across England & Wales.

The sales rate (0.84) in the first 11 weeks of the financial year under review reflected unprecedented levels of demand as the country emerged from lockdown, supplemented with the launch of the Government's temporary Stamp Duty Holiday in July 2020.



Our sales rate in the first 11 weeks of the new financial year was 0.66 (2020: 0.84). This reduction was due to our record forward order book and therefore limited availability of homes for sale that can be delivered within the next six months. This strong order book, however, provides certainty going forward as our teams continue to increase production levels and look to bring more sites on stream to satisfy ongoing high demand.

Overall, we have an excellent platform to continue delivering and evolving Redrow's successful strategy in the future. Our high level of product differentiation is compounded by social trends towards customers desiring larger, quality family homes in great places.

I would like to thank Redrow's colleagues and partners for their continued hard work and commitment. Our great people will continue to play a key role as we meet the long-term demand for our products and places across England & Wales.

Matthew Pratt
Group Chief Executive