

23 April 2021

Dear Major Shareholder

You will hopefully have seen our 2020 Annual Report and Accounts which was posted to shareholders and made available on our website on 6 April 2021. I hope and believe that it effectively summarises the excellent operating performance of the Group in 2020 following the acquisition of the Linden Homes and Partnership businesses from Galliford Try ('The GT Businesses') on 3 January 2020 and in the context of the Covid-19 pandemic. It also sets out our progress towards some of our longer term non-financial ambitions for the Group. Ahead of our Annual General Meeting on 17 May, I thought it might be useful to summarise some of the key aspects of corporate governance set out in the report and to provide an update on one or two further positive developments since the report was published.

Remuneration

Executive remuneration in 2020 was in line with remuneration policy approved by shareholders in December 2019. The following points may be helpful:

1. Following the vote on the 2019 Remuneration report, we consulted extensively and very positively with our major shareholders. Many were uncomfortable with the increase to the CFO's base salary with effect from 1 January 2020 although they acknowledged that this was a one-off adjustment which brought him in line with the current market. It should be noted that no increase was given to any executive (or non executive) director on 1 January 2021 (as would have been the normal practice) and that, whilst the Report and Accounts allowed for the possibility of reviewing that position in April 2021, the Remuneration Committee has since concluded that no increase is appropriate at this time.
2. Whilst the Group generally performed strongly through the Covid-19 pandemic, both sales and build were effectively shut down for a number of weeks during March and April 2020. This inevitably had a material effect on financial performance in the year with the result that none of financial metrics within either the Annual Incentive Scheme nor the 2018 LTIP achieved target levels. The Remuneration Committee considered whether any adjustment should be made to the financial targets but concluded that, in all the circumstances, it did not consider it appropriate to do so.
3. Despite the initial impacts of Covid-19 on the Group's activities, the Group:
 - repaid all furlough monies and other publicly funded support
 - repaid all salary reductions initially applied to employees (including executive directors and Executive Committee members)
 - did not raise capital from shareholders or from public resources and re-established a final dividend in respect of 2020

4. 20% of the potential amounts payable under the Annual Incentive arrangements were based on the achievement of synergy savings in excess of those targeted in the investment case for the GT Businesses, a fundamental strategic requirement for the Group during 2020. In the event, the executive team exceeded the stretch target by approximately 56%, placing the Group in a strong position to maximise the value of the acquisition. Given this and the situation described in 3. above, the Remuneration Committee concluded that there was no reason not to allow this element of the Annual Incentive to be paid in full. (It should be noted that this level of bonus was paid to all employees who participate in the Group's various Annual Incentive plans.)
5. The 2018 LTIP was subject to the usual financial metrics of TSR, EPS and ROCE which were not met, as noted above, plus a Customer Satisfaction measure, which was achieved, resulting in a formulaic vesting of 25% of maximum. This outcome was not adjusted as it was considered a fair reflection of both corporate performance and stakeholder experience.
6. Vistry Group's share price reduced materially in 2020 after the start of the pandemic and, whilst it has now substantially recovered, the share price at the date the 2021 LTIPs were granted was approximately 38% below the equivalent period the previous year. As a result, the Remuneration Committee decided to reduce the 2021 grant by 10% (i.e. from 200% to 180%) for the executive directors and other ELT members. (At the request of the executive team, an amount equivalent to this 10% reduction will be paid as a bonus at the end of 2021 to the lowest paid employees in the Group).
7. During 2020, the Remuneration Committee agreed a phased reduction of executive directors' pension contributions to bring them in line with the workforce contribution level of 7% by January 2023.

Board Composition

Other than bringing Graham Prothero, the former CEO of Galliford Try who transferred across to Vistry with the acquisition, on to the Board, we took a clear and conscious decision not to change the composition of the Board during 2020. This enabled the Board both to fully support the executive team and hold them to account for the delivery of the GT Businesses' acquisition investment case (within the constraints of the Covid-19 pandemic). However, it also meant that, inevitably, we had to pause the process of further diversification of the Board. Consequently, as at 31 December 2020, whilst we remain unequivocally committed to it, we did not meet the minimum target for female representation as set out in the Hampton-Alexander Review.

We are now in a strong position to continue the development of the Board so that it can effectively support the enlarged Group. We are currently well advanced with a search process through Russell Reynolds Associates to bring a further non-executive director onto the Board. At the current date, we are at the short list stage and we can confirm that the short list comprises exclusively a small number of high calibre female candidates from which we expect to appoint in the near future.

We expect further strengthening of the Board and development of its composition during 2021 and we are absolutely committed to being fully compliant with the Hampton-Alexander recommendations by the end of 2021 and to the Parker recommendations in due course.

Diversity and Inclusion

As mentioned, we are committed to the recommendations of the Hampton-Alexander Review and to the Parker Review, and this is not just in terms of their application to Board composition but, perhaps more importantly, in terms of their relevance to diversity and inclusion throughout the Group's culture and management structure.

A positive aspect of the post-acquisition restructure was that almost all new senior management roles were able to be filled from our own ranks, and that these promotions have improved the diversity of our leadership. This included the first female appointment to our Executive Leadership team (ELT), which will be followed by the appointment of our new Group Company Secretary and General Counsel, also female, who joins the Group on 4 May 2021. Our divisional director teams include four females (in a total of fifteen roles), and two of our six core Group functions will be led by females. Our 23 business unit Managing Directors now include two females and two people of colour.

Whilst significant and encouraging, we must recognise that we operate in an industry which has not traditionally been either diverse or inclusive and that these are only initial steps. To maintain momentum towards this end, we have established and facilitated a working group from across our employee base supported by a committee of the Executive Leadership Team from across the Group to identify, prioritise and implement our improvement agenda. We will, of course, keep you up to date with progress in future reports.

Sustainability targets

The acquisition of the GT Businesses, particularly with the addition of the Partnerships business, has provided a firm base to reassess our wider societal and environmental ambitions.

Since completion of the acquisition we have invested significant effort in researching our risks and opportunities around the environmental and social aspects of our operations. We conducted research with employees, investors, private customers, and housing association and local authority clients, as well as reviewing our peers, to define a strategy and targets appropriate to our purpose of developing sustainable new homes and communities across all sectors of the UK housing market. We have also considered our structure, resourcing, data collection and reporting, to ensure that we have the capability to deliver against these targets and measure our progress. A core objective is to ensure that our targets are owned by the operating businesses, and not simply directed from the Group centre.

The results of our research are set out on page 67 of our recent Annual Report, and based upon these, we have established a framework and targets for 2021. We have grouped our targets into three broad areas of Our People, Our Operations and Our Homes and Communities, each of which is aligned with relevant UN Sustainable Development Goals (UNSDGs). The strategy includes a range of sustainability issues including health and well-being, waste reduction, biodiversity, carbon reduction and social value.

There are several key areas which have been added to the predecessor Groups' targets. However, the main environmental objective for 2021 is to establish a science-based emissions reduction target and a commitment to Net Zero carbon across the Group's operations. This is a complex commitment, requiring that we define and quantify clear objectives, consider the means of attaining those objectives, and set a timescale that is both challenging and realistic, recognising both our long term ambitions and the inevitable shorter term competitive constraints. Although inevitably some aspects will initially be more loosely defined, we intend to break down the target into stages, setting a timetable against which we can measure our progress in both the short and medium term. As soon as we are able to, we will update shareholders on our plans and our specific targets.

We intend to continue to refine our approach to all our sustainability ambitions and targets during 2021, building on the foundations we have now put in place. As we do so, we will look to define how these can be included within our remuneration targets which we intend to do from 2022 onwards.

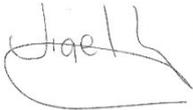
Conclusion

We trust the foregoing is helpful in summarising some of the Corporate Governance aspects set out in the 2020 Annual Report and Accounts and in providing an update on some important developments. Please do not hesitate to contact either of us or Martin Palmer, our Group Company Secretary, if you have any questions or would like further information.

Yours sincerely

A handwritten signature in black ink, appearing to be 'I. Tyler', written in a cursive style.

Ian Tyler
Chairman

A handwritten signature in black ink, appearing to be 'Nigel Keen', written in a cursive style.

Nigel Keen
Remuneration Committee Chairman