



6 April 2022

THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION

Barratt Developments PLC

Building Safety – Industry Pledge

- Barratt has today signed an industry pledge⁽¹⁾ to address necessary fire-safety issues on all our buildings of 11 metres and above
- We further commit to withdraw our buildings from, and/or reimburse, the Building Safety Fund and ACM Funds
- This reflects four years of constructive engagement with Government and other stakeholders to address this complex issue
- The incremental cost of remediating buildings or funding remediation where Barratt is taking responsibility for doing so is in a range of £350m to £400m
- These are positive steps which align to our belief that leaseholders should not have to pay for necessary remediation works caused by the design, construction or refurbishment of buildings

Since the Grenfell Tower tragedy in 2017, building safety, and in particular cladding and external wall systems on multi-storey and multi-occupancy buildings, has come under scrutiny and investigation. Government policy has evolved and been updated frequently in the intervening period while surveyors, lenders and insurers have also made changes to their policies and procedures for dealing with multi-storey, multi-occupancy buildings against this uncertain and changing backdrop. Investigations by freeholders and developers of buildings added further complexity and uncertainty. Regrettably, leaseholders have been, and continue to be, adversely impacted; often facing significant charges for remediation, interim safety measures and increased insurance premiums.

All of our buildings, including the cladding and external wall systems used, were signed off by approved inspectors as compliant with the relevant Building Regulations in place when they were built. As we have previously made clear, Barratt believes that leaseholders should not have to pay for necessary remediation to fix building safety issues caused in the design, construction or refurbishment of their buildings. Since the Grenfell tragedy, we have been working closely with the Government and other stakeholders to address this complex issue for the benefit of leaseholders.

We welcome the action taken by the Department for Levelling Up, Housing and Communities (“DLUHC”) in recent months to introduce proportionality to the building safety environment. We also welcome DLUHC’s further commitment to continue with their work and to set out a fair approach to remediation including a robust and independent arbitration process to provide clarity for all parties where there are areas of uncertainty.

With that commitment to proportionality shown by Government in recent months we confirm that in line with our belief that leaseholders should not have to pay for remediation, we have signed the industry pledge⁽¹⁾ and are committed to the principles that we will:

- take responsibility for undertaking or funding remediation and/or mitigation works to address critical fire-safety issues on all our buildings of 11 metres and above that we have developed or refurbished over the last thirty years (“Our Buildings”); and

- to the extent not already withdrawn and/or reimbursed, withdraw Our Buildings from, and/or reimburse, the Building Safety Fund and ACM Funds.

These commitments remain subject to our agreeing with DLUHC the necessary legal documentation in respect of the principles set out above, and over the coming weeks we will therefore work with Government and officials at DLUHC to agree as quickly as possible legally binding, full form documentation in order to give effect to the above principles of both self-remediation, mitigation and withdrawal from the relevant Funds.

Costs associated with our new commitments

This is a complex area requiring judgements with respect to both the individual remediation requirements of each building and the costs associated with that remediation. Following a review of buildings above 11 metres developed by Barratt over the last 30 years in England, Scotland and Wales, the incremental cost of remediating buildings where Barratt is committing to take responsibility for doing so, or funding reimbursement of costs incurred, is expected to be £350m to £400m⁽²⁾.

We expect to reflect all of these incremental costs within our Building Safety provision in our results for the year ending 30 June 2022. Further details with respect to the number of developments and buildings under review, as well as the distribution of this expected incremental cost of £350m to £400m, are included in Appendix I.

We intend to seek recoveries from other entities involved in the development process who may have a responsibility to share the costs of remedial works, however this recovery is uncertain and therefore has not been included in our expected incremental costs.

In order to expedite the remediation programme we will also be deploying additional resources in our dedicated BSU, which are not included within the expected costs above. The annualised BSU operating costs, which will be expensed as incurred through administrative expenses, will increase by approximately £10m per annum to around £20m per annum from 1 July 2022, the start of our next financial year.

Commenting on today's commitments, David Thomas, Chief Executive said: "We have always been clear that we do not believe leaseholders should pay for remediation of their homes and are committed to helping affected leaseholders living in the buildings we developed. Through constructive engagement between industry and Government, a proportionate and sensible approach has been found and we look forward to completing the remediation process as quickly as possible.

As well as committing to remediating buildings we were responsible for developing, we will be paying around £400 million⁽³⁾ over the next ten years through the Residential Property Developer Tax to help fund remediation of buildings built or refurbished by other organisations. As Government continues to work through policy developments in this area, it is vital that it considers the burden of this taxation on UK housebuilders and how it might impact the ongoing construction of homes that the UK needs."

Note on forward looking statements

Certain statements in this announcement may be forward looking statements. By their nature, forward looking statements involve a number of risks, uncertainties or assumptions that could cause actual results to differ materially from those expressed or implied by those statements. Forward looking statements regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. Accordingly undue reliance should not be placed on forward looking statements. Unless otherwise required by applicable law, regulation or

accounting standards, the Group does not undertake to update or revise any forward looking statements, whether as a result of new information, future developments or otherwise.

Notes:

- (1) Refer to <https://www.barrattdevelopments.co.uk/about-us/our-approach-to-building-safety/industry-building-safety-pledge> for further information.
- (2) The incremental remediation costs and the number of developments and buildings include our JV commitments.
- (3) Assuming annual profits subject to RPDT, in each year over the ten-year period, equate to company compiled FY22 consensus profits adjusted for applicable additional and deductible RPDT items.

The person responsible for arranging the release of this announcement on behalf of Barratt Developments PLC is John Messenger (Group Investor Relations Director).

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Financial reporting calendar

The Group's next scheduled announcement is a trading update on 5 May 2022.

Notes to editors

Barratt Developments PLC is the country's largest housebuilder. Barratt is committed to building high quality sustainable homes and we were awarded 93 NHBC Pride in the Job Awards on our sites in 2021, more than any other housebuilder for the 17th consecutive year. Barratt is also committed to customer service and we are the only major housebuilder to be awarded a HBF 5 Star rating for customer service for 13 years in a row. Barratt is at the forefront of sustainability, attaining industry-leading scores in the latest 2021 CDP results and being named "Sustainable Housebuilder of the Year" at the Housebuilder Awards in December 2021. For more information visit:

www.barrattdevelopments.co.uk

Barratt Developments PLC LEI: 2138006R85VEOF5YNK29

Appendix I:

The number of developments and buildings under the EWS, ACM and associated reviews, at the date of this announcement, are summarised in the following table:

EWS, ACM and associated reviews – number ⁽¹⁾	Developments	Buildings
Under review		
Above 18 metres ⁽²⁾		128
11-18 metres		83
Total under review	66	211
Remediation completed		
Above 18 metres ⁽²⁾		11
11-18 metres		8
Total remediation completed	7	19

In addition, there are 28 developments under the Group's Citiscape and associated review.

The total costs incurred, or expected to be incurred, with respect to building safety since 1 July 2017 with respect to EWS, ACM and associated reviews, are summarised in the following table:

Cumulative legacy costs incurred or provided from 1 July 2017 £m ⁽¹⁾	Costs to 31 December 2021	Costs estimate increase	Costs total
EWS, ACM and associated reviews:			
Above 18 metres ⁽²⁾	67	250-280	317-347
11-18 metres	12	100-120	112-132
Total EWS, ACM and associated reviews	79	350-400	429-479
Citiscape and associated reviews	122	0	122
Total	201	350-400	551 – 601

⁽¹⁾ The number of developments and buildings under the EWS, ACM and associated reviews include our JV commitments.

⁽²⁾ This includes 43 developments equating to 85 buildings that we have now agreed to take back from the Building Safety Fund.

The timing of cash outflows in relation to the expected charge of £350m to £400m will reflect:

- Initial reimbursement of costs incurred by the Building Safety Fund and Private Sector ACM Cladding Remediation Fund, which are estimated at £35m, are likely to be settled in the current financial year ending 30 June 2022; and
- The current and future availability of remediation resources including fire safety expertise, solution design and the delivery of the remedial build solutions. As a result, this remediation programme is expected to be delivered within 3 to 5 years, with building safety considerations paramount in the prioritisation and scheduling of works.