

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

SCHEDULE 14A INFORMATION

**Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934
(Amendment No.)**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under Rule 14a-12

NVR, INC.

(Name of registrant as specified in its charter)

(Name of person(s) filing proxy statement, if other than the registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.
- (1) Title of each class of securities to which transaction applies: _____
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- (3) Filing Party: _____
- (4) Date Filed: _____



NVR, INC.
11700 Plaza America Drive
Suite 500
Reston, VA 20190

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
To be held on Tuesday, May 5, 2020
11:00 A.M. Eastern Time

NVR, Inc. will hold its Annual Meeting of Shareholders at 11:00 A.M. (Eastern Time) on Tuesday, May 5, 2020. We will hold the meeting at our corporate headquarters located at 11700 Plaza America Drive, Suite 500, Reston, Virginia, 20190.

We are holding the meeting for the following purposes:

1. To elect twelve directors from the nominees named in the attached Proxy Statement;
2. To ratify the appointment of the accounting firm of KPMG LLP as our independent auditor for the year ending December 31, 2020;
3. To vote on an advisory resolution regarding the approval of compensation paid to certain executive officers; and
4. To transact other business that may properly come before the Annual Meeting or any adjournment or postponement of the Annual Meeting.

The above items are fully described in the attached Proxy Statement. We have not received notice of any other matters that may properly be presented at the meeting.

Only shareholders of record at the close of business on March 2, 2020 will be entitled to vote at the meeting. Whether or not you plan to attend the meeting, you are urged to date and sign the enclosed proxy card and return it promptly in the accompanying envelope. You are invited to attend the meeting in person. If you do attend the meeting, you may withdraw your proxy and vote in person.

By Order of the Board of Directors,

A handwritten signature in blue ink, appearing to read "J. Sack", is written over a horizontal line.

James M. Sack
Secretary and General Counsel
March 18, 2020

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NVR, INC.
11700 Plaza America Drive
Suite 500
Reston, VA 20190

Proxy Statement

This Proxy Statement, proxy card and the Annual Report for the year ended December 31, 2019 are being mailed to our shareholders on or about March 18, 2020 in connection with the solicitation on behalf of the Board of Directors (the "Board") of NVR, Inc. ("NVR"), a Virginia corporation, of proxies for use at our Annual Meeting of Shareholders. The Annual Meeting will be held on Tuesday, May 5, 2020, at our corporate headquarters located at 11700 Plaza America Drive, Suite 500, Reston, Virginia 20190, at 11:00 A.M., Eastern Time, and at any and all postponements and adjournments thereof. Shareholders should contact NVR's Investor Relations Department at the same address to obtain directions to be able to attend the Annual Meeting in person.

We bear the cost of proxy solicitation, including expenses in connection with preparing, assembling and mailing the proxy solicitation materials and all papers accompanying them. We may reimburse brokers or persons holding shares in their names or in the names of their nominees for their expenses in sending proxies and proxy materials to beneficial owners. In addition to solicitation by mail, certain of our officers, directors and regular employees, who will receive no extra compensation for their services, may solicit proxies by telephone, facsimile transmission, internet or personally. We have retained Georgeson Inc. to assist in the solicitation of brokers, bank nominees and institutional holders for a fee of approximately \$8,500 plus out-of-pocket expenses.

All voting rights are vested exclusively in the holders of our common stock, par value \$.01 per share (the "Common Stock"). Only shareholders of record as of the close of business on March 2, 2020 (the "Record Date") are entitled to receive notice of and to vote at the Annual Meeting. Shareholders include holders (the "Participants") owning stock in our Profit Sharing Trust Plan and Employee Stock Ownership Plan (together, the "Plans").

The accompanying proxy card should be used to instruct the persons named as proxies to vote the shareholder's shares in accordance with the shareholder's directions. The persons named in the accompanying proxy card will vote shares of Common Stock represented by all valid proxies in accordance with the instructions contained thereon. In the absence of instructions, shares represented by properly executed proxies will be voted:

- **FOR** the election of the twelve director nominees named in this Proxy Statement;
- **FOR** the ratification of the appointment of KPMG LLP as our independent auditor for 2020;
- **FOR** the approval of the compensation paid to certain executive officers; and
- in the discretion of the named proxies with respect to any other matters presented at the Annual Meeting.

If a shareholder holds shares in a brokerage account or through a broker, bank, trust or other nominee, the rules of the New York Stock Exchange (the "NYSE") prohibit the nominee from voting the shareholder's shares on any proposal to be voted on at the Annual Meeting, other than ratification of the appointment of KPMG LLP as our independent auditor, unless the nominee has received an instruction from the shareholder regarding how the shares should be voted. Any shares for which an instruction has not been received will result in a "broker non-vote" on the proposal for which no instruction was provided.

For a quorum to exist at the Annual Meeting, holders of shares representing a majority of the votes entitled to be cast on each matter must be present in person or by proxy. Shares voted "abstain" or represented by a broker non-vote on a matter will be considered present at the Annual Meeting for the purpose of establishing a quorum. For a director to be deemed elected, the director must receive a majority of votes cast "for" and "against" the director's election. Similarly, for the proposals to ratify the appointment of the independent auditor and to approve the compensation of certain executive officers to be deemed approved, the proposal must receive a majority of votes cast "for" and "against" the proposal. For these proposals, therefore, abstentions and broker non-votes will have no effect on the result of the vote.

We strongly encourage all of our shareholders who hold shares of Common Stock in a brokerage account or through any other nominee to provide voting instructions to their broker, bank, trustee or other nominee to ensure that their shares are voted at the Annual Meeting.

Any shareholder may revoke his or her proxy at any time prior to its use by (1) providing our Secretary, at 11700 Plaza America Drive, Suite 500, Reston, Virginia 20190, written notice of revocation, (2) duly executing a proxy card bearing a later date than the date of the previously duly executed proxy card, or (3) attending the Annual Meeting and voting in person

(attendance at the Annual Meeting alone will not act to revoke a prior proxy card). Execution of the enclosed proxy card will not affect your right to vote in person if you should later decide to attend the Annual Meeting.

The proxy card also should be used by Participants to instruct the trustee of the Plans how to vote shares of Common Stock held on their behalf. The trustee is required under the trust agreement to establish procedures to ensure that the instructions received from Participants are held in confidence and not divulged, released or otherwise utilized in a manner that might influence the Participants' free exercise of their voting rights. Proxy cards representing shares held by Participants must be returned to the tabulator by April 30, 2020 using the enclosed return envelope and should not be returned to NVR. If shares are owned through the Plans and the Participant does not submit voting instructions by April 30, 2020, the trustee of the Plans will vote such shares in the same proportion as the voting instructions received from other Participants. Participants who wish to revoke a proxy will need to contact the trustee and follow its instructions.

As of the Record Date, we had a total of 3,688,035 shares of Common Stock outstanding, each share of which is entitled to one vote. The presence, either in person or by proxy, of persons entitled to vote a majority of the outstanding Common Stock is necessary to constitute a quorum for the transaction of business at the Annual Meeting. Under our Restated Articles of Incorporation and Bylaws, holders of Common Stock are not entitled to vote such shares on a cumulative basis, including with respect to the voting for directors.

**Important Notice Regarding the Availability of Proxy Materials for the
Shareholder Meeting to Be Held on May 5, 2020:**

This Proxy Statement and our Annual Report for the year ended December 31, 2019 are available at www.edocumentview.com/nvr.

Election of Directors (Proposal No. 1)

Director Nominees

Our Restated Articles of Incorporation state that the number of directors on our Board will be no less than seven and no more than thirteen, as established from time to time by Board resolution. Our Board has set the size of the Board at twelve members beginning with the Board term commencing at the Annual Meeting. The following persons have been nominated by the Board to be elected to hold office for a one-year term ending at the 2021 Annual Meeting and until their successors are duly elected and qualified:

Name	Age	Year First Elected or Appointed	Independent	Other Public Company Boards
Dwight C. Schar	78	1993	No	0
C. E. Andrews	68	2008	Yes	1
Sallie B. Bailey	60	2020	Yes	1
Thomas D. Eckert	72	2011	Yes	1
Alfred E. Festa	60	2008	Yes	0
Manuel H. Johnson	71	1993	Yes	1
Alexandra A. Jung	49	2018	Yes	0
Mel Martinez	73	2012	Yes	1
William A. Moran	73	1993	No	0
David A. Preiser	62	1993	Yes	1
W. Grady Rosier	71	2008	Yes	1
Susan Williamson Ross	58	2016	Yes	0

All of the director nominees are current directors standing for re-election. Each nominee has consented to serve as one of our directors if elected. Our Board does not contemplate that any of its proposed nominees listed above will be unwilling to serve or become unavailable for any reason, but if any such circumstance should occur before the Annual Meeting, proxies may be voted for another nominee selected by the Board.

Biographical Information for Our Director Nominees

The biographies below describe the skills, attributes and experience of the nominees who were considered by the Board and Nominating and Corporate Governance Committee (the "Nominating Committee").

Dwight C. Schar has been Chairman of the Board since September 30, 1993. Effective February 4, 2009, Mr. Schar relinquished his executive officer title with NVR, but remains the Chairman of the Board. Mr. Schar also served as the President and Chief Executive Officer of NVR from September 30, 1993 through June 30, 2005.

The Board believes that Mr. Schar is highly qualified to serve on the Board, based on his founding status with NVR, his lengthy homebuilding industry and real estate experience, his executive leadership experience, his brand marketing expertise, his mergers and acquisitions experience, his turn-around/restructuring experience, and his public company board experience.

C. E. Andrews has been a director since May 6, 2008. Mr. Andrews served as Chief Executive Officer and a member of the board of directors of MorganFranklin Consulting, LLC from May 2013 through March 2017, and served on the Board of Directors from May 2013 through June 2019. From June 2009 until February 2012, Mr. Andrews was the president of RSM McGladrey Business Services, Inc. Prior to that, Mr. Andrews served as the president of SLM Corporation ("Sallie Mae"). He joined Sallie Mae in 2003 as the executive vice president of accounting and risk management, and held the title of chief financial officer from 2006 to 2007. Prior to joining Sallie Mae, Mr. Andrews spent approximately 30 years at Arthur Andersen. He served as managing partner for Arthur Andersen's mid-Atlantic region, and was promoted to global managing partner for audit and advisory services in 2002. Mr. Andrews serves on the board of Marriott Vacations Worldwide Corporation. Within the past five years, Mr. Andrews previously served on the board of WashingtonFirst Bankshares, Inc.

The Board believes that Mr. Andrews is highly qualified to serve on our Board based on his executive leadership experience, his financial and accounting expertise, his restructuring experience and his public company board experience.

Sallie B. Bailey has been a director since February 21, 2020. Ms. Bailey was Executive Vice President and Chief Financial Officer of Louisiana-Pacific Corporation from December 2011 until July 2018. From January 2007 until July 2010, Ms. Bailey was the Vice President and Chief Financial Officer of Ferro Corporation. From 1995 until 2006, Ms. Bailey served in various senior management roles at The Timken Company, lastly as Senior Vice President and Controller. Ms. Bailey serves on the board of L3Harris Technologies, Inc.

The Board believes that Ms. Bailey is highly qualified to serve on our Board based on her expertise in corporate finance, strategic planning, operations, information technology and other systems, accounting and financial controls, enterprise risk management, her public company board experience and corporate governance experience.

Thomas D. Eckert has been a director since December 1, 2011. Mr. Eckert was Chairman of Capital Automotive Real Estate Services, Inc. ("Capital Automotive") until October 2014. He was one of the founders of Capital Automotive in October 1997 and led its initial public offering in 1998. Capital Automotive went private in 2005. Mr. Eckert serves on the board of Park Hotels & Resorts. Within the past five years, Mr. Eckert previously served on the following public company boards: Munder Funds (and its successor, Victory Funds), Dupont-Fabros Technologies, Inc., Chesapeake Lodging Trust and Gramercy Property Trust.

The Board believes that Mr. Eckert is highly qualified to serve on our Board based on his executive leadership experience, his homebuilding and real estate experience, his public company board experience, and his mergers and acquisitions experience.

Alfred E. Festa has been a director since December 1, 2008. Mr. Festa was Chairman of W. R. Grace & Co ("Grace") from January 2008 through November 2019. He joined Grace as President and Chief Operating Officer in November 2003, and was Chief Executive Officer from June 2005 through November 2018. From November 2002 until November 2003, Mr. Festa was a partner in Morgenthaler Private Equity Partners, a venture/buyout firm focused on mid-market industrial build-ups. Within the past five years, Mr. Festa previously served on the board of Grace.

The Board believes that Mr. Festa is highly qualified to serve on our Board based on his executive leadership experience, his public company board experience, his financial expertise, his brand marketing expertise, his mergers and acquisitions experience, and his restructuring experience.

Ed Grier has been a director since May 7, 2013. Mr. Grier plans to retire from the Board when his term expires at the 2020 Annual Meeting, and he will not be standing for re-election.

Manuel H. Johnson has been a director since September 30, 1993. Dr. Johnson has been co-chairman and senior partner in Johnson Smick International, Inc., an international financial policy consulting firm, since 1990. From August 1, 1997 until December 2003, Dr. Johnson was the chairman of the board of trustees and president of the Financial Accounting Foundation, which oversees the Financial Accounting Standards Board. Also during 1997, Dr. Johnson was named a member of the Independence Standards Board (which was dissolved on July 31, 2001), formed jointly by the SEC and the American Institute of Certified Public Accountants. Dr. Johnson is a founder and co-chairman of the Group of Seven Council, an international commission supporting economic cooperation among the major industrial nations. Dr. Johnson serves on the board of Morgan Stanley Funds.

The Board believes that Dr. Johnson is highly qualified to serve on our Board based on his executive leadership experience, his financial expertise, his governmental and financial regulatory expertise, and his public company board experience.

Alexandra A. Jung has been a director since December 3, 2018. Ms. Jung was most recently a Partner at Oak Hill Advisors ("Oak Hill"), a leading alternative investment firm with over \$32 billion of assets under management. She currently serves as a Senior Advisor at Oak Hill. Prior to joining Oak Hill in 2009, Ms. Jung was a Managing Director at Greywolf Capital Management, where she was responsible for investments in credit, private equity and special situations. Previously, she managed investments in credit, distressed debt and equity as part of Goldman Sachs' European Special Situations Group.

The Board believes that Ms. Jung is highly qualified to serve on our Board based on her executive leadership experience, her financial expertise, her knowledge of capital markets, her mergers and acquisitions experience, and her restructuring experience.

Mel Martinez has been a director since December 1, 2012. Mr. Martinez has been Chairman of the South East and Latin America for JPMorgan Chase & Co. ("JPMorgan") since August 2010. Prior to joining JPMorgan, Mr. Martinez was a partner in the law firm DLA Piper from September 2009 to July 2010. Mr. Martinez served as a United States Senator from Florida from January 2005 to September 2009. Prior to his election, Mr. Martinez served as the Secretary of the United States

Department of Housing and Urban Development from January 2001 to January 2004. Mr. Martinez serves on the board of Marriott Vacations Worldwide Corporation.

The Board believes that Mr. Martinez is highly qualified to serve on our Board based on his executive leadership experience, his housing industry experience, his government and housing regulatory expertise, and his public company board experience.

William A. Moran has been a director since September 30, 1993. Mr. Moran has been the chairman of Elm Street Development, Inc. since 1996. Mr. Moran is also a director and owner of Legend Management Group, which builds and owns apartment projects in the Washington, DC metro area. Until January 1, 2010, Mr. Moran was a director of Craftmark, Inc., a homebuilder in Virginia, Maryland, Pennsylvania and Delaware, and Craftstar, Inc., which develops, invests in and periodically sells apartments, condominiums, single family homes and townhomes in Virginia and Maryland.

The Board believes that Mr. Moran is highly qualified to serve on our Board based on his executive leadership experience, his lengthy homebuilding, real estate and land development experience, his public company board experience, and his turn-around/restructuring experience.

David A. Preiser has been a director since September 30, 1993. Mr. Preiser has been Co-President of the investment banking firm of Houlihan Lokey, Inc. since 2013 and a member of its board of directors since 2001. Since January 1, 2005, Mr. Preiser has served as Chairman of Houlihan Lokey– Europe, pursuant to which he leads Houlihan Lokey’s European investment banking activities, including Houlihan Lokey’s European restructuring business. Mr. Preiser is also active in Houlihan Lokey’s investment banking and restructuring activities in the United States. Since 1990, Mr. Preiser has been active in coordinating Houlihan Lokey’s real estate and financial restructuring activities as a senior managing director.

The Board believes that Mr. Preiser is highly qualified to serve on our Board based on his executive leadership experience, his financial expertise, his knowledge of capital markets, his mergers and acquisitions experience, his public company board experience, and his turn-around/restructuring experience.

W. Grady Rosier has been a director since December 1, 2008. Mr. Rosier has been the President and CEO of McLane Company, Inc. (“McLane”), a supply chain services company, since 1995. Prior to 1995, Mr. Rosier held various senior management roles since joining McLane in 1984. Mr. Rosier serves on the board of NuStar Energy L.P.

The Board believes that Mr. Rosier is highly qualified to serve on our Board based on his executive leadership experience and his public company board experience.

Susan Williamson Ross has been a director since July 28, 2016. Ms. Ross has been the President of the privately-held majority investor in Clark Construction Group, Shirley Contracting and several other construction, development and real estate businesses since January 2016. She has been employed by Clark Construction Group since December 1986 in various positions, including Chief Administrative Officer since July 2004 and Executive Vice President since January 2008.

The Board believes that Ms. Ross is highly qualified to serve on our Board based on her executive leadership experience, and her construction, development and real estate experience.

Majority Vote Standard

Pursuant to our Corporate Governance Guidelines, the Board expects a director to tender his or her resignation if he or she fails to receive the required number of votes for re-election. Under the Guidelines, the Board shall nominate for re-election as a director only candidates who agree to tender their resignation if they fail to receive the required number of votes for re-election. In addition, the Board shall fill director vacancies and new directorships only with candidates who agree to tender their resignation if they fail to receive the required number of votes for re-election.

If a director fails to be re-elected by a majority of votes cast, the Nominating Committee shall promptly consider the resignation offer of any such director and recommend to the Board whether to accept the tendered resignation or reject it. The Board shall take action with respect to the Nominating Committee’s recommendation no later than 90 days following the submission of any such resignation offer. Following the Board’s action regarding the Nominating Committee’s recommendation, we will promptly file a Current Report on Form 8-K with the Securities and Exchange Commission (the “SEC”) which shall detail the Board’s decision regarding a tendered resignation. This report shall include an explanation of the process by which the Board’s decision was reached and the reasons for the Board’s decision.

To the extent that one or more directors’ resignations are accepted by the Board, the Nominating Committee will recommend to the Board whether to fill the vacancy or vacancies or to reduce the size of the Board.

The Board expects that any director who tenders his or her resignation pursuant to this policy will not participate in the Nominating Committee recommendation or Board action regarding whether to accept or reject the tendered resignation. If, however, a majority of the members of the Nominating Committee fails to receive the required number of votes for re-election in the election, the independent directors who did not fail to receive the required number of votes for re-election shall form a committee amongst themselves for the purposes of evaluating the tendered resignations and recommending to the Board whether to accept or reject them.

Required Vote

Each director shall be elected by a majority of the votes cast in the election at the Annual Meeting, assuming that a quorum is present. A majority of the votes cast means that the number of shares voted "for" a director must exceed the number of shares voted "against" that director. Unless marked otherwise, proxies received will be voted **FOR** the election of the twelve nominees designated above. Shareholders may abstain from voting for any particular nominee by so indicating in the space provided on the accompanying proxy card. An abstention will not be counted as a vote cast "for" or "against" a director's election.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS VOTING "FOR" ALL OF THE FOREGOING NOMINEES AS DIRECTORS OF NVR.

CORPORATE GOVERNANCE PRINCIPLES AND BOARD MATTERS

We are committed to having sound corporate governance principles and practices. Having and acting on that commitment is essential to running our business efficiently and to maintaining our integrity in the marketplace. Our primary corporate governance documents, including our Corporate Governance Guidelines, Code of Ethics and all of our Board Committee Charters, are available to the public on our website at www.nvrinc.com.

The following are highlights of our Corporate Governance practices:

- Separate Chairman of the Board and Chief Executive Officer positions
- Annual elections for directors
- Majority voting standard for uncontested elections
- 10 of 12 directors are independent
- No management directors
- Independent lead director
- Shareholder proxy access
- Annual Board and Committee evaluations
- Robust NVR stock ownership requirements for named executive officers and directors
- Prohibition against short sales, hedging or pledging of NVR stock by named executive officers and directors
- Prohibition against named executive officers and directors owning NVR debt
- No poison pill or other anti-takeover provisions

Board Leadership Structure, Committee Composition and Role in Risk Oversight

Board Leadership Structure

Mr. Schar, our Chairman of the Board (“Chairman”), leads our Board, which meets at least quarterly. In addition, our Board has named an independent lead director to chair meetings of our independent directors. Our independent lead director position rotates annually among the chairs of the Audit, Compensation, and Nominating Committees. Mr. Johnson, the Chairman of our Audit Committee, is serving as our independent lead director until the 2020 Annual Meeting. Our Board is comprised solely of non-management directors. Information regarding how to communicate with the Board, the independent lead director and the non-management or independent directors as a group is available on our website at www.nvrinc.com.

We have separated the roles of the Chairman and the Chief Executive Officer (“CEO”). Mr. Schar serves as the Chairman, and Paul C. Saville serves as CEO. While the Board retains the discretion to combine the roles of Chairman and CEO at any time, we expect that the roles of Chairman and CEO will remain separated for the foreseeable future.

Director Attendance

During 2019, the Board met six times.

Our Board requires that our directors attend each Board and Committee meeting in person, unless personal circumstances affecting a director make such attendance impractical or inappropriate. Each of our current Board members attended 100% of the Board meetings and the meetings of Committees of which he or she was a member during 2019, except for one member who attended more than 75% of the Board meetings held in 2019. That Board member was unable to attend one Board meeting due to a family emergency.

Our Board also requires that all current directors and all nominees for election to our Board attend in person our annual meetings of shareholders, unless personal circumstances affecting such director or director nominee make such attendance impractical or inappropriate. Each of our then-serving directors attended the 2019 Annual Meeting of Shareholders.

Executive Sessions of the Board

Our directors met twice during 2019 in executive session without the presence of management. Mr. Schar chaired the meetings.

Our independent directors met once during 2019 in executive session without the presence of the non-independent directors or management. Mr. Johnson, our independent lead director in 2019, chaired the meeting of the independent directors.

Our Audit Committee meets in executive sessions at each Audit Committee meeting, separately with (1) our external auditor, (2) the Vice President of Internal Audit and Corporate Governance and (3) the Chief Financial Officer (“CFO”) and Chief Accounting Officer. Mr. Johnson, the Chairman of the Audit Committee, chairs these executive sessions.

Board Role in Risk Oversight

Our Board oversees our business risks and operational performance through regularly scheduled Board and Committee meetings, as well as through frequent and informal communications between management and the Board. Further, our Bylaws and each of the various Board Committee Charters provide additional detail regarding the areas, duties and functions for which the Board or a Board Committee provides specific oversight of specified areas of risk.

That oversight includes a variety of operational and regulatory matters, including, among other things:

- Approval of the annual business plan and the periodic review of our actual performance in comparison to the approved plan;
- Review and analysis of our operational and financial performance compared to our competitors;
- Review of our five year business plan;
- Approval of short-term and long-term management incentive compensation plans;
- Review of succession planning throughout our organization for key management positions;
- Oversight of our processes and systems to collect and store confidential information;
- Review of our response to new laws, rules or regulations; and
- Direct oversight of our internal audit function and our whistleblower hotline.

Below is a discussion of how the Board oversees certain of our more significant business risks.

Land Acquisition

We believe our continued success is contingent upon our ability to control an adequate supply of finished lots on which to build. We expend substantial monetary resources to place deposits under lot purchase contracts, typically ranging up to 10% of the aggregate purchase price of the finished lots. The lot acquisition policy under which management operates is a Board-approved policy that requires Board approval of:

- Lot purchase contracts above certain parameters, measured by the aggregate size of the deposit or investment;
- Contracts to acquire raw land above certain parameters, measured by aggregate size of the investment;
- Joint venture investments above certain parameters, measured by aggregate size of the investment; and
- Related-party lot purchase contracts (see *Transactions with Related Persons* below).

Liquidity

Being in a cyclical industry, it is imperative that we focus on our liquidity needs throughout the various stages of the cycle, while maintaining an efficient capital structure. The Board's role in ensuring that management prudently manages our cash includes the following:

- A Board-approved investment policy that specifies the types of investments allowed for our excess cash;
- Pre-approval of stock repurchases and debt repurchases;
- Pre-approval of capital transactions for the issuance of long-term debt or equity; and
- A Board review of our short-term and long-term cash needs in connection with its reviews of our quarterly forecasts and our annual and five year business plans.

Financial Reporting, Internal Control and Regulatory Matters

Our Audit Committee takes a lead role in overseeing risks as enumerated within its Committee Charter, including the following:

- Our Internal Audit function performs a primary role in risk management. Our Vice President of Internal Audit and Corporate Governance reports directly to the Audit Committee, and the Audit Committee formally approves the annual internal audit budget and staffing.
- The Audit Committee approves the annual internal audit plan, which is prepared using a comprehensive risk-based approach.
- On a quarterly basis, Internal Audit Senior Management and our external auditor each have a private session with the Audit Committee without the presence of management.
- Management reports to the Audit Committee any governmental regulatory reviews or audits conducted on our operations, including mortgage regulatory matters and SEC comment letters. The Audit Committee also obtains a report from management at the conclusion of any such review.
- The Audit Committee monitors compliance with our Code of Ethics And Standards of Business Conduct.

Board Independence

Our Board has established director independence standards to assist us in determining director independence, which standards meet the independence requirements of the NYSE corporate governance listing standards. Our independence standards are included within our Corporate Governance Guidelines, which are available on our website at www.nvrinc.com. Our Board considers all relevant facts and circumstances in making an independence determination. As required by the rules of the NYSE, for a director to be considered "independent" under our independence standards, our Board must affirmatively determine that the director has no material relationship with us (other than as a director), directly or indirectly.

Our Board has affirmatively determined that our directors, other than Mr. Schar and Mr. Moran, are independent pursuant to our independence standards. Mr. Schar, our former Executive Chairman, and Mr. Moran, who controls a company from which we acquire a small portion of our finished lots upon which to build our homes, have been determined by our Board not to be "independent." Refer to "**Transactions with Related Persons**" section below.

When our Board analyzed the independence of its members, it considered relevant transactions, relationships and arrangements, including those specified in the NYSE listing standards and our independence guidelines. The Board considered that certain directors serve as directors or employees of other companies with which we engage in ordinary course of business transactions. In accordance with our independence standards, none of these relationships constitute material relationships that would impair the independence of these directors.

Board Committees

Our Board has a standing Audit Committee, Compensation Committee, Nominating Committee, and Executive Committee. The members of the Audit Committee, Compensation Committee and Nominating Committee are independent under the applicable rules of the NYSE and the SEC. Each Committee operates pursuant to a written Committee Charter adopted by our Board, which is available at www.nvrinc.com. Board members serving on our Committees are shown in the table below.

Name	Audit Committee	Compensation Committee	Nominating and Corporate Governance Committee	Executive Committee
Dwight C. Schar				Chair
C. E. Andrews	Member			Member
Thomas D. Eckert		Chair		
Alfred E. Festa	Member		Member	
Ed Grier	Member			
Manuel H. Johnson (L)	Chair			Member
Alexandra A. Jung			Member	
Mel Martinez			Member	
William A. Moran				Member
David A. Preiser		Member	Chair	
W. Grady Rosier		Member		
Susan Williamson Ross		Member	Member	
Number of Meetings in 2019	5	2	4	0

(L) - Independent lead director

Audit Committee

All members of the Audit Committee are financially literate and are able to read and understand fundamental financial statements, including a balance sheet, income statement and cash flow statement. Our Board has determined that Manuel H. Johnson and C.E. Andrews qualify as audit committee financial experts as defined within Item 407(d)(5) of Regulation S-K under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All members of the Audit Committee satisfy the independence standards specified in Rule 10A-3(b)(1) under the Exchange Act.

The Audit Committee assists our Board in oversight and monitoring of:

- The integrity of our accounting and financial reporting processes;
- Our compliance with legal and regulatory requirements;
- Our independent external auditor's qualifications and independence;
- Oversight of our processes and systems to collect and store confidential information;
- Our policies with respect to risk assessment and risk management; and
- The performance of our internal audit function and our independent external auditors.

The Audit Committee performs the following functions:

- Appoints, evaluates and determines the compensation of our independent external auditor;
- Discusses the scope and results of the audit with our independent external auditor and reviews our interim and year end operating results with management and our independent external auditor;

- Oversees our internal audit department;
- Maintains written procedures for the receipt, retention and treatment of complaints on accounting, internal accounting controls or auditing matters, as well as for the confidential, anonymous submissions by our employees of concerns regarding questionable accounting or auditing matters;
- Reviews substantiated complaints received from internal and external sources regarding accounting, internal accounting controls or auditing matters;
- Reviews reports from management regarding significant accounting, internal accounting controls, auditing, legal and regulatory matters;
- Functions as a qualified legal compliance committee under Part 205 of the rules of the SEC; and
- Prepares the Audit Committee Report for inclusion in our proxy statement.

The Audit Committee has the authority and available funding to engage any independent legal counsel and any accounting or other expert advisors, as our Audit Committee deems necessary to carry out its duties.

Compensation Committee

The Compensation Committee performs the following functions:

- Reviews and determines all compensation of our CEO and, based in part on the recommendation of the CEO, of all of our other executive officers;
- Obtains advice and assistance from compensation consultants that it determines to be necessary to carry out its duties;
- Periodically reviews and makes recommendations to the Board with respect to the compensation of our directors;
- Administers and interprets incentive compensation and equity plans for our employees (except as otherwise described below);
- Assists in preparing the Compensation Discussion and Analysis and prepares our Compensation Committee Report for inclusion in our annual meeting proxy statement in accordance with applicable rules and regulations of the SEC;
- Makes recommendations to our Board about succession planning for our CEO, and in conjunction with the CEO, also considers succession planning for other key positions; and
- Reviews and approves any employment agreements, or amendments thereto, with our CEO and other applicable executive officers.

The Compensation Committee may delegate to a senior executive officer of NVR the authority to grant equity awards to employees other than executive officers, within limits prescribed by the full Board. The Compensation Committee, by resolution, delegated authority to Mr. Saville, acting jointly with the Senior Vice President of Human Resources, to grant equity awards to new and existing employees (other than executive officers) during 2019. Management is required to report any equity awards granted pursuant to this delegated authority to the Compensation Committee at its next scheduled meeting after the delegated authority is exercised.

The Compensation Committee may delegate its authority to one or more members of the Compensation Committee. Any person to whom authority is delegated must report any actions taken by him or her to the full Compensation Committee at its next regularly scheduled meeting. During 2019, the Compensation Committee did not delegate any of its authority to any individual member.

The Compensation Committee has the authority and available funding to retain any compensation consultant, independent legal counsel or other expert adviser to assist in the evaluation of directors and executive officers' compensation, as our Compensation Committee deems necessary to carry out its duties.

Compensation Consultants

For a description of the role of the compensation consultant during 2019, see *Compensation Discussion and Analysis - Compensation Determination Process* below.

Compensation Committee Interlocks and Insider Participation

Messrs. Eckert, Preiser and Rosier and Ms. Ross were members of the Compensation Committee during 2019. During 2019, none of our executive officers has served as a member of the board of directors or compensation committee of any entity that had one or more executive officers serving as a member of our Board or our Compensation Committee. Thus, there were no interlocks with other companies within the meaning of Item 407(e)(4) of SEC Regulation S-K during 2019.

Nominating and Corporate Governance Committee

The Nominating Committee performs the following functions:

- Identifies individuals qualified to become Board members;
- Recommends that our Board select the director nominees for the next annual meeting of shareholders;
- Recommends Board committee structure and makeup, including diversity of our members;
- Oversees and makes recommendations regarding corporate governance matters, including our Corporate Governance Guidelines; and
- Manages the Board's annual evaluation process.

The Nominating Committee also has the sole authority and available funding to obtain advice and assistance from executive search firms, and internal or outside legal, accounting or other expert advisors that it determines necessary to carry out its duties.

Criteria for Nomination to the Board of Directors

The Nominating Committee will consider shareholder nominees as described in our Policies and Procedures for the Consideration of Board of Director Candidates, which is available at www.nvrinc.com. These policies and procedures include minimum qualifications for director nominees and the process for identifying and evaluating director nominees, including nominees submitted by our security holders.

The Nominating Committee has a stated goal of identifying well-qualified director candidates that would enhance the Board's diversity. In searching for potential director candidates, the Nominating Committee first seeks the most qualified candidates with a record of success. The Nominating Committee searches for candidates that contribute to a diversity of views, backgrounds, experience and skills on the Board, including but not limited to, executive leadership experience, financial expertise, homebuilding/construction/real estate experience, public board experience, brand marketing expertise, mergers and acquisitions expertise, turnaround/restructuring experience, and government/regulatory expertise.

Proxy Access

Our Bylaws allow eligible shareholders to propose director nominees for inclusion in the proxy statement in addition to the nominees proposed by the Board. The proxy access bylaw permits shareholders owning 3% or more of our common stock for at least three years, to nominate up to 20% of our Board. The number of shareholders who may aggregate their shares to meet the 3% ownership threshold is limited to 20. The shareholder(s) and nominees(s) must also satisfy the other requirements in our Bylaws.

Executive Committee

The Executive Committee was established pursuant to our Bylaws to have such powers, authority and responsibilities as may be determined by a majority of our Board. The Executive Committee has never met, nor has our Board ever delegated any powers, authority or responsibilities to the Executive Committee. Our Board intends to continue the practice of considering corporate matters outside the scope of our other existing Board committees at the full Board level.

Annual Board and Committee Evaluations

Annual Board Evaluations

The members of the Board conduct an annual evaluation to assess the Board's effectiveness and performance. The results are reviewed by the Board, which considers the results and any ways in which Board effectiveness may be enhanced.

Annual Committee Evaluations

The members of each committee conduct an annual evaluation to assess each committee's compliance with its charter, effectiveness and performance. The results are reviewed by the members of the applicable committee, which considers the results and any ways in which the committee's effectiveness may be enhanced.

Communications with the Board of Directors

Our Policies and Procedures Regarding Communications with the NVR, Inc. Board of Directors, the Independent Lead Director and the Non-Management Directors as a Group are available at www.nvrinc.com.

Shareholders and other interested parties may contact an individual director by mail at the following address: 11700 Plaza America Drive, Suite 500, Reston, VA 20190. All mail received will be opened and screened by our management. We generally will not forward to directors a shareholder or interested party communication that is unrelated to the duties of the Board, including junk mail, mass mailings, customer complaints, surveys and business solicitation.

Review, Approval or Ratification of Related Person Transactions

We have a policy that requires that all related person transactions be considered, reviewed and approved or ratified by the disinterested, independent members of our Board, regardless of the type of transaction or amount involved. Under this policy, the related person must notify the Chief Financial Officer ("CFO") of any proposed transaction with a related person. The CFO must seek approval of the disinterested, independent members of the Board for any related person transaction. The disinterested, independent directors must review the material facts before determining whether to approve or ratify the transaction. This requirement is set forth in Section 7.05 of our Bylaws (available on our website at www.nvrinc.com), Sections 1 and 4 of our Code of Ethics And Standards of Business Conduct (available on our website at www.nvrinc.com), and our Human Resources Policies and Procedures and Financial Policies and Procedures.

Transactions with Related Persons

During the year ended December 31, 2019, we entered into new lot purchase agreements to purchase finished building lots for a total purchase price of approximately \$100,639,000 with Elm Street Development, Inc. ("Elm Street"), which is controlled by one of our directors, Mr. Moran. During 2019, we also purchased 273 developed lots at market prices from Elm Street for approximately \$44,643,000. The 273 developed lots purchased from Elm Street are less than 2% of the over 19,000 lots we purchased during 2019. We also continue to control a parcel of raw land expected to yield approximately 2,200 finished lots through a joint venture entered into with Elm Street during 2009. The independent members of our Board approved these transactions.

Security Ownership of Certain Beneficial Owners and Management

The following tables set forth certain information as to the beneficial ownership of Common Stock by each person known by us to be the beneficial owner of more than 5% of the outstanding Common Stock as of the dates indicated, and by each director, director nominee and named executive officer and by all directors and executive officers as a group as of March 2, 2020. Except as otherwise indicated, all shares are owned directly and the owner has sole voting and investment power with respect thereto.

Certain Beneficial Owners

<u>Name and Address of Holder</u>	<u>Number of Shares</u>		<u>Percent of Class</u>
The Vanguard Group 100 Vanguard Blvd. Malvern, PA 19355	402,801	(1)	10.9%
BlackRock, Inc. 55 East 52nd Street New York, NY 10055	315,674	(2)	8.6%

- (1) As reported within a Schedule 13G filed February 12, 2020, the entity has sole power to vote or direct the vote for 5,298 shares, shared power to vote or direct the vote for 1,306 shares, sole power to dispose or direct the disposition of 396,514 shares and shared power to dispose or direct the disposition of 6,287 shares.
- (2) As reported within a Schedule 13G filed February 5, 2020, the entity has sole power to vote or direct the vote for 283,656 shares and the sole power to dispose or direct the disposition of 315,674 shares.

Directors and Management

Name	Number of Shares	Vested Options Issued Under Equity Incentive Plans (1)	Percent of Class
Dwight C. Schar	40,000	—	1.1%
C. E. Andrews	1,661	650	*
Thomas D. Eckert	5,735	4,635	*
Alfred E. Festa	2,421	1,600	*
Ed Grier	813	638	*
Manuel H. Johnson	2,900 (2)	2,300	*
Alexandra A. Jung	95	—	*
Mel Martinez	191	—	*
William A. Moran	26,722	650	*
David A. Preiser	239	—	*
W. Grady Rosier	2,544	—	*
Susan Williamson Ross	1,303	1,178	*
Paul C. Saville	183,073 (3)	63,300	4.9%
Daniel D. Malzahn	43,462 (4)	39,500	1.2%
Jeffrey D. Martchek	14,984 (5)	9,500	*
Paul W. Praylo	154 (6)	—	*
Eugene J. Bredow	15,879 (7)	14,900	*
All directors, director nominees and executive officers as a group (19 persons)	342,964	139,601	9.0%

* Less than 1%.

(1) These amounts are included in the Number of Shares.

(2) Includes 200 shares held by a charitable foundation, of which Mr. Johnson is a trustee but in which he has no economic interest.

(3) Includes 3,247 vested shares held by the NVR, Inc. Employee Stock Ownership Plan in trust, 4,533 shares held as a discretionary investment in the NVR, Inc. Profit Sharing Plan and 105,883 vested shares held in a Deferred Compensation Rabbi Trust. Excludes 777 shares held in a Deferred Compensation Plan which are not distributable until six months subsequent to separation of service.

(4) Includes 1,025 vested shares held by the NVR, Inc. Employee Stock Ownership Plan in trust and 366 shares held as a discretionary investment in the NVR, Inc. Profit Sharing Plan.

(5) Includes 2,247 vested shares held by the NVR, Inc. Employee Stock Ownership Plan in trust, 114 shares held as a discretionary investment in the NVR, Inc. Profit Sharing Plan and 598 vested shares held in a Deferred Compensation Rabbi Trust.

(6) Includes 3 unvested shares held by the NVR, Inc. Employee Stock Ownership Plan in trust.

(7) Includes 153 vested shares held by the NVR, Inc. Employee Stock Ownership Plan in trust.

THE FOLLOWING REPORT OF THE AUDIT COMMITTEE SHALL NOT BE DEEMED TO BE “SOLICITING MATERIAL” OR TO BE “FILED” WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933 OR THE SECURITIES EXCHANGE ACT OF 1934 OR INCORPORATED BY REFERENCE IN ANY DOCUMENT SO FILED.

Report of the Audit Committee

Our management has primary responsibility for preparing our financial statements and establishing financial reporting systems and internal controls. Management also has the responsibility of reporting on the effectiveness of our internal control over financial reporting. Our independent external auditor, KPMG LLP, is responsible for expressing opinions on the conformity of our audited financial statements with accounting principles generally accepted in the United States of America and on the effectiveness of our internal control over financial reporting. In this context, the Audit Committee hereby reports as follows:

1. The Audit Committee has reviewed and discussed the audited financial statements and management’s assessment of the effectiveness of our internal control over financial reporting with management, and reviewed and discussed KPMG LLP’s audit opinions with KPMG LLP;
2. The Audit Committee has discussed with KPMG LLP the matters required to be discussed under the rules adopted by the Public Company Accounting Oversight Board (“PCAOB”);
3. The Audit Committee has received the written disclosures and the letter from KPMG LLP required by the applicable requirements of the PCAOB regarding KPMG LLP’s communications with the Audit Committee concerning independence, and has discussed with KPMG LLP its independence; and
4. Based on the reviews and discussions referred to in paragraphs (1) through (3) above, the Audit Committee recommended to the Board, and the Board has approved, that the audited financial statements be included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019, for filing with the SEC.

The undersigned, constituting all of the members of the Audit Committee, have submitted this report to the Board of Directors.

Manuel H. Johnson (Chairman), C.E. Andrews, Alfred E. Festa and Ed Grier

COMPENSATION DISCUSSION AND ANALYSIS

Executive Summary

This Compensation Discussion and Analysis describes our executive compensation philosophy and program for our named executive officers. Our named executive officers for 2019 were:

Name	Title
Paul C. Saville	President and Chief Executive Officer
Daniel D. Malzahn	Senior Vice President, Chief Financial Officer and Treasurer
Jeffrey D. Martchek	President of Homebuilding Operations
Paul W. Praylo	Senior Vice President and Chief Operating Officer
Eugene J. Bredow	President, NVR Mortgage

Our executive compensation program is designed to motivate and retain highly qualified and experienced executives, provide performance-based incentives and align our compensation with long-term creation of shareholder value. The compensation program for our named executive officers includes three components:

- Base salary;
- Annual performance-based cash bonus, which is capped at 100% of base salary; and
- Long-term equity-based compensation.

The following are the principles of our executive compensation philosophy:

- Pay for Performance - The key principle of our compensation philosophy is pay for performance.
- Emphasis on Long-Term Incentives - We provide significant long-term incentives in the form of stock options to:
 - Ensure alignment with shareholders;
 - Enhance retention; and
 - Emphasize long-term performance.

Our compensation philosophy has been consistent for over 20 years.

Performance Overview

Our 2019 financial results reflect the continued improvement in the housing market and our focus on increasing shareholder value (all comparisons are to our 2018 financial results):

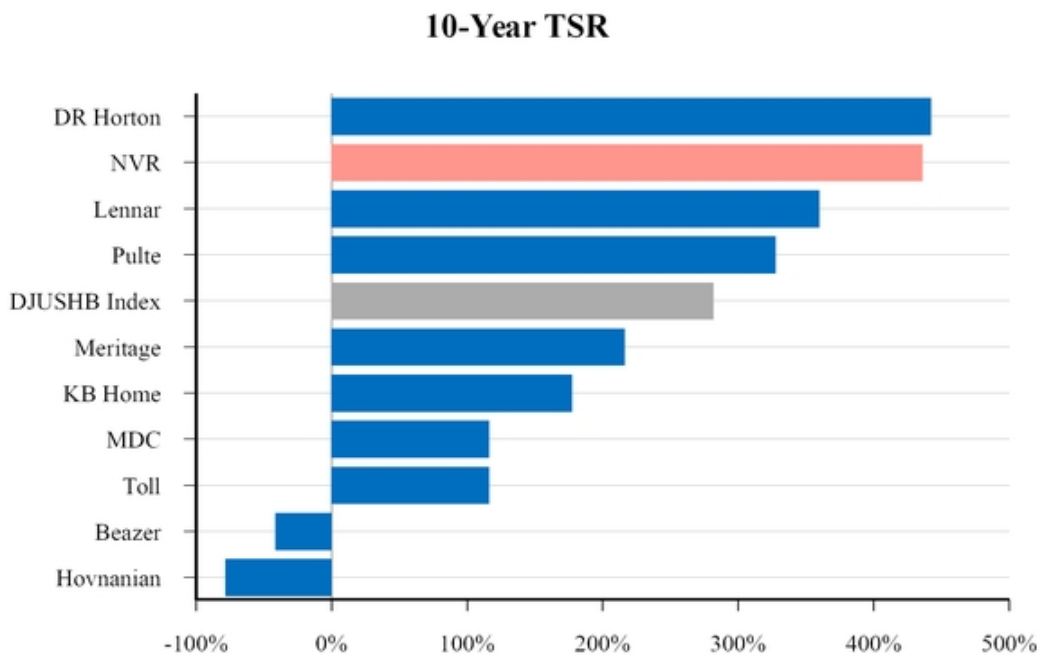
- Consolidated revenues increased 3%;
- Gross margin increased to 19.0% in 2019 from 18.7% in 2018;
- Pre-tax profit increased 6%; and
- New orders increased 7%.

In addition, we returned approximately \$700 million of cash to our shareholders during 2019 through repurchases of approximately 221,000 shares of Common Stock, which represented 6% of our shares outstanding as of December 31, 2018.

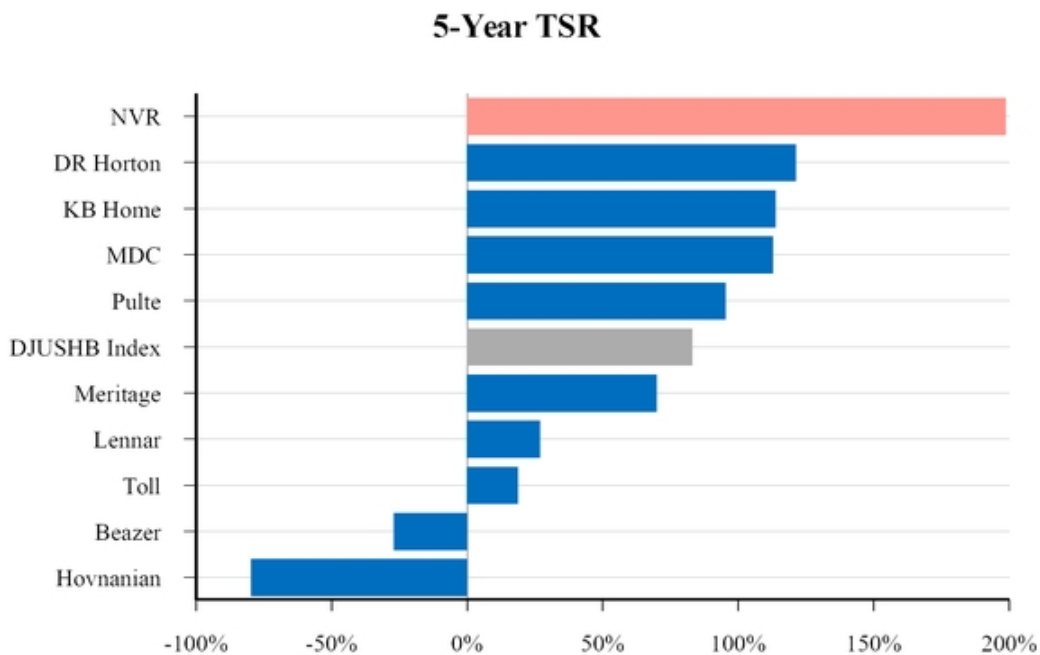
Our business philosophy has been to develop and operate a business model to maximize shareholder value in a cyclical industry. Our goal is to deliver industry leading rates of return and growth in earnings per share. We have led the homebuilding peer group in total shareholder return (“TSR”), return on capital and return on pre-tax revenue as demonstrated by the following financial returns as of December 31, 2019:

	1 Year	Rank vs Peers	5 Years	Rank vs Peers	10 Years	Rank vs Peers
Total Shareholder Return	56%	3rd	199%	1st	436%	2nd
Average Annual Return on Capital	33%	1st	28%	1st	20%	1st
Average Annual Return on Equity	42%	1st	38%	1st	27%	1st
Average Annual Pre-tax Return on Revenue	14%	1st	13%	1st	12%	1st

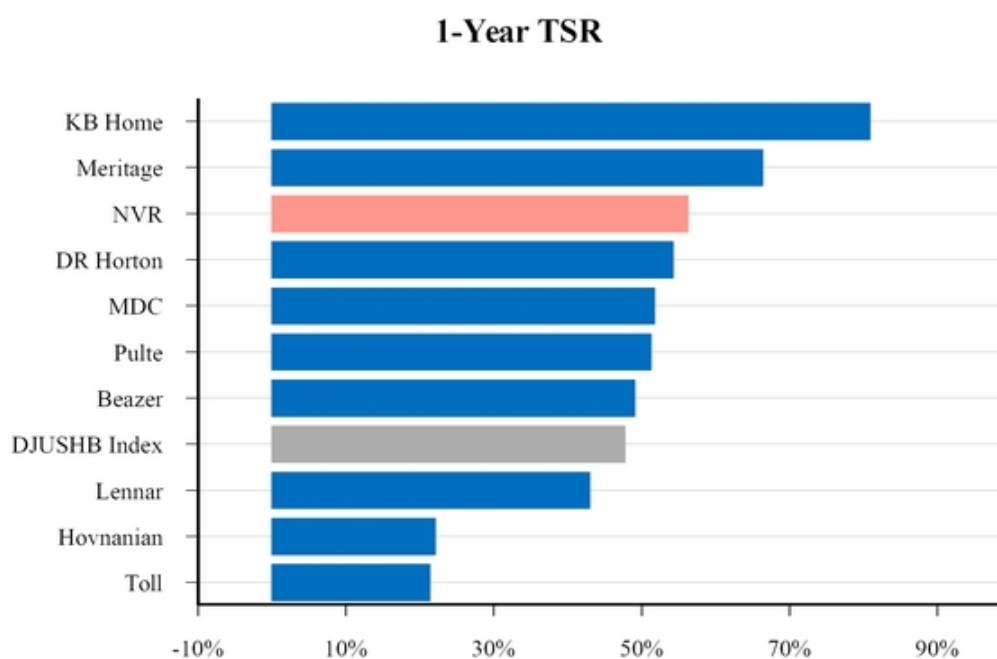
On a 10-year basis, our TSR of 436% was second highest in the homebuilding peer group and far exceeded the TSR for the Dow Jones US Homebuilder Index of 282% as illustrated below.



On a 5-year basis, our TSR of 199% was the highest in the homebuilding peer group and far exceeded the TSR for the Dow Jones US Homebuilder Index of 83% as illustrated below.



Our TSR of 56% during 2019 was third highest among the homebuilding peer group as illustrated below.



We believe these superior results over the long-term relative to our homebuilding peers are due to:

- Our business model and strategies, which are designed to limit risk and maximize returns on capital in a cyclical industry; and
- Our highly skilled, long-tenured and motivated management team that has remained extremely disciplined in executing our more capital efficient business model.

Additionally, these key aspects of our strategy are well ingrained in our corporate culture, which includes:

- Strong alignment between management incentives (at all levels, not just named executive officers) and long-term shareholder returns;
- Stability and long-term retention of our management team; and
- Generation of cash flow through all points in the homebuilding cycle.

Compensation Policies and Practices

Our compensation program is designed to provide appropriate performance-based incentives to ensure alignment with our shareholders and to avoid compensation practices that do not promote the interests of our shareholders.

What We Do

- **Pay for Performance** - We tie pay to performance by making the majority of compensation “at risk” and linking it to shareholders’ interests.
- **Annual Bonuses** - Our annual bonuses are performance-based and limited to a maximum of 100% of base salary.
- **Long-Term Equity-Based Compensation** -The majority of our named executive officers’ compensation is in the form of stock options with long-term vesting.
- **Periodic Equity Grants** - We make periodic, not annual, grants of long-term stock options. Our last periodic grant was made in 2018 following shareholder approval of the NVR, Inc. 2018 Equity Incentive Plan. The vesting for 50% of our stock options granted in 2018 was subject to the attainment of a performance condition in addition to continued employment.

- **Share Ownership Requirements** - We have robust NVR share ownership requirements.
- **Double Trigger Change in Control Provisions** - Our equity agreements and employment agreements include double trigger change in control provisions for post-employment benefits and equity awards.
- **Equity Clawback Provision** - Our equity agreements have a clawback provision.
- **Non-Competition Provision** - Our equity agreements and employment agreements have a non-competition provision.
- **Share Repurchase Program** - We mitigate the potential dilutive effect of equity awards through our robust share repurchase program.
- **Independent Compensation Consultant** - Our Compensation Committee utilizes an independent compensation consultant.

What We Don't Do

- **Discretionary Cash Awards** - We do not award any discretionary cash compensation.
- **Perquisites** - We do not provide perquisites.
- **Hedging and Pledging** - We do not permit short sales, hedging or pledging of NVR stock by named executive officers or directors.
- **Reprice Stock Options** - We do not reprice stock options.
- **Below Market Stock Options** - We do not grant stock options having an exercise price below 100% of fair market value.
- **Excise Tax Gross-Ups** - We do not provide any excise tax gross-ups.
- **Supplemental Executive Benefits** - We do not provide defined benefit or supplemental executive retirement, health or insurance plans.
- **Evergreen Provisions** - Our equity plans do not have evergreen provisions.

Say on Pay Results

NVR has historically received substantial shareholder support in our say on pay vote. During each of the six years prior to 2019, our say on pay vote resulted in at least 96% of the shares voted being cast in favor of our compensation program. In 2019, in contrast, only 69.4% of the total outstanding shares voted were cast in favor of the 2018 compensation of our named executive officers, which represented a decline from previous years. We believe that the reason for the decline in shareholder support for our say on pay resolution was that both ISS and Glass Lewis recommended voting against the resolution ahead of the 2019 annual meeting.

Subsequent to the ISS and Glass Lewis recommendations, the Compensation Committee and management conducted extensive engagement with our shareholders in an effort to explain our compensation program, solicit feedback and suggestions, and answer any questions our shareholders might have. We also wanted to determine if our shareholders shared the view of ISS and Glass Lewis, notwithstanding the strong current and historical performance of our company.

In total, we engaged with 20 of our largest shareholders, who collectively owned over half of our outstanding shares as of the 2019 record date. Our meetings with the three largest shareholders (comprising approximately 25% of our outstanding share ownership) were led by Mr. Eckert, the Chairman of our Compensation Committee. Our Chief Financial Officer and/or our VP of Investor Relations participated in all of the shareholder outreach meetings.

Substantially all of these large shareholders with whom we had discussions supported our compensation practices and indicated that they would be voting "for" the say on pay proposal at our 2019 Annual Meeting. Some shareholders asked us questions suggesting that they wanted to gain a better understanding of our compensation philosophy and how our compensation program reflects that philosophy, particularly our pay for performance philosophy and how our compensation program reflects that philosophy. We responded to the questions asked, and highlighted the positive attributes of our compensation practices, including:

Consistency - Our compensation philosophy has been consistent for over 20 years, with TSR of over 6,000% during that timeframe.

Alignment - Our compensation closely aligns management compensation with shareholder value. We cap annual bonus payouts at 100% of base salary, and the largest component of our compensation is in the form of equity grants.

Our periodic stock option grants in 2018 were made exactly as proposed in the 2018 Proxy Statement, following shareholder approval of the 2018 Plan.

At Risk - Our compensation is highly skewed towards periodic, multi-year option grants, resulting in 85% of compensation being "at risk."

Long Term - Our philosophy focuses executive officers on long term results in a cyclical industry. ISS acknowledged in its 2019 report that our long term incentive goals "appear to be challenging."

Strong Governance - Our compensation practices strongly promote the interests of shareholders, as discussed in the "Compensation Policies and Practices" section above.

Reward Performance - Our compensation program is designed to reward outstanding performance, particularly relative to our peers. Our CEO compensation is benchmarked to slightly above the 75th percentile in the homebuilding peer group, which is reflective of our substantial outperformance. ISS acknowledged in its 2019 report that our "three and five year TSRs substantially outperformed."

As a result of this engagement, we have enhanced our disclosures to better present the alignment of our pay with performance and better describe the rationale for our compensation decisions, which we believe will provide shareholders with a better understanding of our compensation philosophy.

While the 69.4% vote was lower than we had hoped for, we believe that support by over 2/3 of our shareholders (despite proxy advisors' recommendations against our 2018 compensation) indicates that our shareholders support our compensation program. The Compensation Committee will continue to use the say on pay vote in evaluating shareholder sentiment and will continue to engage with our shareholders regarding our compensation philosophy.

Compensation Philosophy and Objectives

Homebuilding is a cyclical business with long project life cycles. As such, our executive compensation program is structured to focus our executives on long-term performance, not short-term quarterly or annual performance. Our executive compensation program is designed to achieve the following:

- Motivate and retain highly qualified and experienced executives;
- Provide performance-based incentives; and
- Strong alignment of our compensation practices with long-term creation of shareholder value.

We have structured our executive compensation to create long-term alignment with our shareholders through the following:

- Moderate target cash compensation;
- Low annual cash incentive maximums;
- Significant long-term equity incentives;
- Preferred use of stock options, which creates maximum alignment with shareholders and results in majority of compensation being "at risk"; and
- Robust NVR share ownership requirements.

Our compensation philosophy has been consistent for over 20 years.

The compensation program for our named executive officers includes the following three components:

Compensation Component	Type of Pay	Key Characteristics	Purpose
Base Salary	Fixed	Annual adjustments based on individual performance and relative to peer group market salaries.	Attracts, retains and rewards our named executive officers by providing a fixed source of income to reward experience, skills and performance relative to the market value of the position.
Annual Cash Bonus	Performance	Maximum opportunity is 100% of base salary, based on NVR's performance against pre-established performance goals.	Aligns the named executive officers with shareholders by focusing the named executive officers on the attainment of annual goals that we believe are necessary to achieve our five-year business plan.
Long-Term Equity-Based Compensation	Performance	Issued periodically, not annually. Issued as stock options, with 50% of the grant in the form of performance-based stock options. Performance-based stock options have a three-year performance period. Vests over four years, with a pre-vesting period that results in 5-6 years between grant date to final vesting date.	Aligns the named executive officers with shareholders by linking the majority of compensation to long-term company performance. Increases retention by providing the opportunity for wealth creation through the long vesting period. Also, protects our interests through a non-competition provision in the equity grant agreements.

We prefer the use of stock options (instead of restricted share units) for the following reasons:

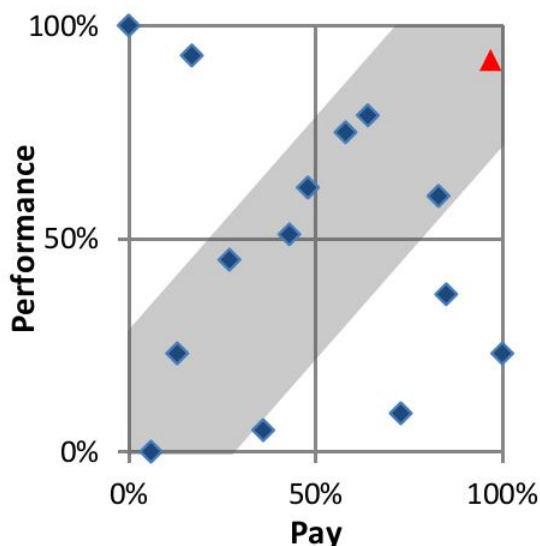
- We believe stock options are inherently performance-based since the optionee does not realize value unless the stock price appreciates above the grant price;
- We believe stock options align the long-term interests of our named executive officers with our shareholders; and
- Since 50% of the vesting for our stock option grants are subject to NVR's return on capital performance, we believe that we are exceeding the standards for performance-based equity issued by most companies.

If the stock price decreases between the grant date and vesting date, our named executive officers would still receive value if we issued restricted share units. By issuing stock options, the executives would receive no value if the stock price decreases between the grant date and the vesting date. We believe this provides 100% alignment with our shareholders. The named executive officers will only realize value from the stock options if the share price appreciates from the grant date closing price.

As previously mentioned, our executive compensation program is designed to promote strong alignment of our compensation practices with long-term creation of shareholder value. We believe that strong alignment is demonstrated in the following table which was presented by ISS in their 2019 Proxy Analysis for NVR:

RELATIVE DEGREE OF ALIGNMENT

The chart plots percentiles of the annualized 3-year performance and pay rankings for the company (▲) and ISS' derived peers (◆). The gray band generally indicates alignment



Source: ISS 2019 Proxy Analysis - NVR, Inc.

As the table illustrates, NVR's strong performance over that long-term period is highly aligned with our compensation program.

Compensation Determination Process

Role of Our CEO

Mr. Saville makes recommendations to the Compensation Committee with respect to the amount of each component of compensation paid to the other named executive officers. These recommendations are partially based on compensation information for comparable positions at other large, publicly traded homebuilding companies, internal comparisons and Mr. Saville's assessment of each officer's overall performance during the prior year.

Role of Our Board, Including the Chairman of the Board

The Compensation Committee considers the following when determining the compensation paid to Mr. Saville:

- Salary information for chief executive officers at other large, publicly traded homebuilding companies;
- Our financial and operating performance compared to information publicly available on our industry peers;
- Our overall financial strength;
- Mr. Saville's performance during the year; and
- The recommendation from our Chairman of the Board, Mr. Schar.

Mr. Saville is not present during discussion or voting by the Compensation Committee regarding his compensation.

The Compensation Committee has the final authority to determine the compensation of our named executive officers, and exercises such authority regardless of what recommendations are made or information provided by Mr. Saville or Mr. Schar.

Role of Compensation Consultant

In 2019, the Compensation Committee engaged Aon Consulting to assist the Compensation Committee in determining the targeted annual compensation for our named executive officers. Aon Consulting's analysis included a comparative analysis of the named executive officer base pay, annual incentive opportunities and long-term incentive compensation. The Compensation Committee assessed the independence of Aon Consulting pursuant to SEC and NYSE rules and concluded that no conflict of interest exists that would impair Aon Consulting's independence.

Homebuilding Peer Group

We use a peer group of our major public-company homebuilding peers when analyzing the compensation of our named executive officers. The companies in the peer group were selected based on being national homebuilding companies and their annual revenues. The peer group is comprised of the following companies (the "Aon Study Peer Group"):

Beazer Homes USA, Inc.	MDC Holdings, Inc.
D. R. Horton, Inc.	Meritage Homes Corporation
Hovnanian Enterprises, Inc.	PulteGroup, Inc.
KB Home	Toll Brothers, Inc.
Lennar Corporation	

Determining the Size of Equity Awards

When issuing periodic block grants under our equity plans to our named executive officers as we did in 2018, and when issuing Mr. Praylo's initial block equity grant in 2019, the Compensation Committee, with assistance from Aon Consulting, determines the amount of the awards as follows:

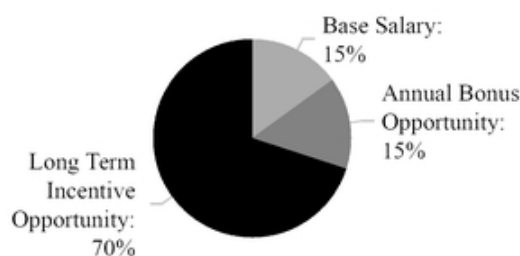
- The Compensation Committee establishes a dollar value of the total targeted annual compensation to be awarded by position;
- After determining the salary and maximum annual bonus opportunity components for a particular year, these amounts are subtracted from the total targeted compensation for that year to derive the fair value that we want to transfer to the executive in the form of an equity award for the year;
- When making a block grant to cover multiple years, we multiply the equity award value for a single year by the number of years that the block grant covers to determine the total value of the block grant; and
- On the date of grant, we divide that total equity award fair value dollar amount by the per share fair value, calculated using the Black Scholes option pricing model, to determine the number of stock options to award.

Although we consider this approach to sizing equity awards to be a reasoned approach based on a widely accepted option-pricing model, the ultimate value of an equity award is determined only when it is exercised or vests, as applicable. We do not consider realized or realizable gains from prior equity grants when setting new grant amounts. We do not believe that it is a fair practice to offset current compensation by realized or unrealized equity gains several years after the equity has been issued. Depending on our future stock price, any equity grant ultimately may be worthless, or conversely, worth much more than the fair value initially estimated. Our goal is that the actual gain realized on an equity award will exceed our initial estimate of fair value, because gains in excess of that estimate mean that similar gains were realized by all holders of our Common Stock over the same time period. We believe that limiting potential upside on equity gains does not provide an appropriate incentive for our named executive officers when focusing on long-term results, as our compensation philosophy dictates.

Elements of Compensation

Approximately 85% of compensation is at risk for our named executive officers:

NEO Compensation Mix



Base Salary

For 2019, the Compensation Committee took the following actions regarding the base salaries of the named executive officers:

- Mr. Saville's base salary was increased by 2.6%, from \$1,950,000 to \$2,000,000 effective April 1, 2019. In making the decision to increase Mr. Saville's base salary, the Compensation Committee reviewed competitive market data for the CEO's in the Aon Study Peer Group and considered Mr. Saville's performance compared to his peers, his tenure and his expertise in managing NVR. The Compensation Committee also considered the salary increase guidelines for other NVR employees.
- Upon the recommendation of Mr. Saville, the Compensation Committee increased the base salary for Mr. Bredow from \$425,000 to \$490,000 effective April 1, 2019 in connection with his promotion from Senior Vice President and Chief Administrative Officer to President, NVR Mortgage. The salary increase was reflective of the expansion in his role and responsibilities.
- Upon the recommendation of Mr. Saville, the Compensation Committee increased the base salaries for Messrs. Malzahn and Martchek effective April 1, 2019. Mr. Saville's recommendations were based on the job performance of each named executive officer as well as the fact that the named executive officers' base salaries were below the 25th percentile of comparable salaries within the Aon Study Peer Group. Following the salary increase, the base salaries for Messrs. Malzahn and Martchek still approximated the 25th percentile of comparable salaries within the Aon Study Peer Group.
- NVR hired Mr. Praylo as Senior Vice President and Chief Operating Officer in January 2019. The Compensation Committee targeted Mr. Praylo's total target annual compensation at slightly above the 50th percentile of the large cap peer group. Based on the targeted compensation, the annual base salary for Mr. Praylo was determined to be \$550,000, which is below the 25th percentile of comparable salaries within the Aon Study Peer Group.

Annual base salaries for 2018 and 2019 for the named executive officers were as follows:

	2018 Salary	2019 Salary
Paul C. Saville	\$ 1,950,000	\$ 2,000,000
Daniel D. Malzahn	\$ 550,000	\$ 575,000
Jeffrey D. Martchek	\$ 585,000	\$ 600,000
Paul W. Praylo	\$ —	\$ 550,000
Eugene J. Bredow	\$ 425,000	\$ 490,000

Annual Cash Bonus

General

The objective of the annual cash bonus is to focus the named executive officers on the attainment of annual goals that we believe are necessary to achieve our five-year business plan. These annual goals are consistent with the current year's portion of our five-year business plan. The annual incentive is based 100% on NVR's performance. The named executive officers' annual incentive opportunity is limited to a maximum of 100% of base salary, regardless of whether the goals are exceeded, consistent with our overall compensation philosophy of limiting short-term cash compensation in favor of equity-based long-term incentive opportunities. Thus, the maximum amount of bonus is earned once the preset performance targets based on the annual business plan are attained. The annual bonus is payable in cash.

The Compensation Committee has never exercised discretion to award bonuses in amounts higher than the amount calculated by our actual results relative to the preset performance target and attainment ranges.

2019 Annual Bonus

For 2019, the Compensation Committee maintained the same annual bonus performance metrics used in 2018 for our named executive officers, with the exception of Mr. Praylo. Mr. Praylo was not eligible to receive a 2019 annual bonus, as NVR agreed to pay a \$550,000 bonus in lieu of the annual bonus opportunity for 2019 and as an inducement to accept our job offer, if he commenced employment prior to February 1, 2019 and was employed through December 31, 2019. The annual bonus opportunity in 2019 for the other named executive officers was weighted based 80% upon our consolidated pre-tax profit (before consolidated annual bonus and stock-based compensation expense but after all other charges) and 20% on the number of new orders (net of cancellations) that we generated compared to our 2019 annual business plan. We believe that these measures provide a proper balance of focusing on current profitability while providing for longer-term growth.

The named executive officers eligible for the 2019 annual bonus were to begin earning the consolidated pre-tax profit portion of their annual bonus award once the annual business plan was at least 80% attained (the "threshold"). The full amount of the consolidated pre-tax profit portion of their annual bonus award was to be earned ratably from 80% up to 100% achievement of the annual business plan. They were to begin earning the new orders portion of their annual bonus award once the annual business plan was at least 85% attained. The full amount of the new orders portion of their annual bonus award was to be earned ratably from 85% up to 100% achievement of the annual business plan.

The following is a summary of the specific performance targets established under the 2019 annual bonus plan and the actual results:

Performance Measure	Threshold	Target and Maximum	Actual	Maximum Bonus Opportunity	Percentage of Maximum Bonus Opportunity Earned
Consolidated Pre-Tax Profit (in thousands)	\$ 907,829	\$ 1,134,796	\$ 1,170,137	80%	100%
New Orders (net of cancellations)	16,150	19,000	19,536	20%	100%
Percentage of Bonus Opportunity Earned					100%

Under our annual bonus plan, the target bonus amount is the same as the maximum bonus amount. Based on our 2019 results, each of our named executive officers eligible for the 2019 annual bonus earned the maximum bonus opportunity of 100% of base salary.

Equity-Based Compensation

2019 Equity Grant Activity

During 2019, we did not issue any periodic equity-based compensation to Messrs. Saville, Malzahn, Martchek or Bredow. Our continuing approach, consistent with past practice, is to consider issuing periodic equity grants instead of annual grants. While we recognize that annual grants are more common, this practice has served us well in motivating and retaining key executives and managers.

Consistent with the methodology used in 2018 in granting equity to our other named executive officers, Mr. Praylo received, as his initial periodic block equity grant, 18,284 non-qualified fixed price stock options on January 28, 2019 with a grant date fair value of \$11,200,778. 50% of the options are time-based and will vest in 25% increments on each of December 31, 2021, 2022, 2023 and 2024, based on continued employment with NVR on the relevant vesting date. The remaining 50% of the

options are performance-based and will vest on the same terms as the time-based options, subject to an additional requirement that vesting of these options is based on NVR's return on capital performance during 2019-2021. In consideration of the equity opportunity Mr. Praylo had to forego with his prior employer, NVR granted 556 restricted share units to Mr. Praylo on January 28, 2019, with a grant date fair value of \$1,399,486. 50% of the restricted share units vested on January 28, 2020 and the remaining 50% will vest on January 28, 2021, based on continued employment with NVR through that date.

Update of 2018 Performance-Based Equity Grants

In May 2018 following our shareholders' approval of the 2018 NVR, Inc. Equity Plan, we issued a block grant of stock options to our named executive officers and other key managers. The stock options vest 25% on December 31, 2020, 2021, 2022 and 2023. The vesting for 50% of the stock options granted is based solely on continued employment. The vesting for the other 50% of the stock options is based on continued employment and NVR's return on capital performance during the years 2018 through 2020. For the performance-based options, the vesting is subject to our return on capital relative to the peer group. The following are the relevant details of the performance metric:

How is Return on Capital calculated?	$\frac{\text{Average Annual ((Pre-Tax Income + Homebuilding Interest Expense (period expense and in cost of sales)) - Taxes at 26\%)}}{\text{Average Quarterly (Homebuilding Debt (including working capital borrowings) + Shareholders Equity)}}$
Who is the Peer Group?	Beazer Homes USA, Inc.; D. R. Horton, Inc.; Hovnanian Enterprises, Inc.; KB Home; Lennar Corporation; MDC Holdings, Inc.; Meritage Homes Corporation; M/I Homes, Inc.; PulteGroup, Inc.; Taylor Morrison Home Corporation; TRI Pointe Group, Inc.; and Toll Brothers, Inc. Each member must be a stand-alone public company during the entire measurement period.
What is the measurement period?	Fiscal Years 2018-2020
How is the award earned?	Award is earned ratably from the Threshold to the Target.
What is the Threshold?	50th percentile of the peer group (award is 50% of the options granted)
What is the Target?	75th percentile of the peer group (award is 100% of the options granted)
What is the Maximum?	Same as the Target. There is no opportunity to earn more than 100% of the number of options granted.

The following table illustrates the performance metric target calculation:

Rank	Builder	
1	Builder #1	
2	Builder #2	
3	Builder #3	Target-100% Earned
4	Builder #4	
5	Builder #5	
6	Builder #6	Threshold-50% Earned
7	Builder #7	
8	Builder #8	
9	Builder #9	
10	Builder #10	
11	Builder #11	
12	Builder #12	

For 2018 and 2019, our average return on capital is the highest in the Peer Group. Thus, our named executive officers would have vested in 100% of the performance-based stock options if the performance period was 2018-2019.

Equity Plan Features

We believe that our equity plans reflect the following corporate governance best practices:

- No evergreen provisions;

- No re-pricing of stock options without shareholder approval (NVR has no history of re-pricing options);
- No discounted stock options;
- No reload features; and
- Double trigger change of control provision in the equity agreements for the accelerated vesting of equity.

Other Compensation

NVR agreed to pay Mr. Praylo a one-time hiring bonus of \$1,000,000, 50% of which vested on January 28, 2020 and was paid in February 2020. The remaining 50% is payable within 30 days of January 28, 2021, provided Mr. Praylo is employed by NVR on that date. Mr. Praylo also received relocation benefits provided by the Company.

Clawback/Forfeiture

Under the terms of the equity agreements, we may recapture from our named executive officers any gains from stock option exercises during the prior 12 months if we are required to prepare an accounting restatement due to material noncompliance, as a result of misconduct, with any financial reporting requirement under the securities laws. The named executive officer must have knowingly engaged in the misconduct, been grossly negligent in engaging in the misconduct, knowingly failed to prevent the misconduct or been grossly negligent in failing to prevent the misconduct.

Stock Ownership Guidelines

We have adopted robust stock ownership guidelines to strengthen long-term alignment between our named executive officers and our shareholders. These guidelines require the named executive officers to acquire and continuously hold shares with a total fair market value ranging from four- to eight-times their annual base salaries depending on position. The multiple of salary that our named executive officers are required to hold in shares of stock is higher than many other companies. These guidelines are subject to transition provisions, which are applicable to Mr. Praylo as a newly hired named executive officer and discussed further below.

As of December 31, 2019, the stock ownership requirement for each of the named executive officers was as follows:

Name	Base Salary	Factor	Dollar Holding Requirement
Paul C. Saville	\$ 2,000,000	8	\$ 16,000,000
Daniel D. Malzahn	\$ 575,000	6	\$ 3,450,000
Jeffrey D. Martchek	\$ 600,000	6	\$ 3,600,000
Paul W. Praylo	\$ 550,000	6	\$ 3,300,000
Eugene J. Bredow	\$ 490,000	4	\$ 1,960,000

Only those shares owned by the named executive officer in their personal account, the NVR Profit Sharing Trust, the NVR Employee Stock Ownership Plan, and the Deferred Compensation Plan count towards the stock ownership requirement.

Transition Provisions

Under our stock ownership guidelines, any named executive officer who does not meet the requirement must retain 100% of the net common stock received upon vesting of restricted share units, and 50% of the net common stock received from option exercises until the stock ownership requirement is attained. "Net common stock received" means the common stock received after the payment of the exercise price, if any, and the taxes withheld related to the option exercise or restricted share unit vesting.

All of the named executive officers are currently in compliance with our stock ownership guidelines (taking into account the transition provisions).

Pledging/Hedging of NVR Stock

Our Board has adopted an insider trading policy which prohibits all employees and directors from trading in our securities while in possession of material nonpublic information about the Company. The policy also contains provisions that prohibit directors, executive officers and members of senior management from pledging our equity securities or hedging our equity securities in any way, including through covered calls, collars, or other types of derivative securities. Directors and executive officers also are prohibited from engaging in short sales of our securities.

Personal Benefits

Our named executive officers are entitled to and eligible **only** for the same personal benefits for which all of our employees are eligible.

Deferred Compensation Arrangements

We have two deferred compensation plans that:

- Encourage ownership of our Common Stock in furtherance of our compensation philosophy;
- Enable our named executive officers, and other members of management, to acquire shares of our Common Stock on a pre-tax basis in order to more quickly meet, and maintain compliance with, the stock ownership requirements described above; and
- Established a vehicle whereby, prior to the enactment of the Tax Cuts and Jobs Act in December 2017, named executive officers could defer the receipt of salary and bonus that otherwise would have been nondeductible for company tax purposes into a period where we would realize a tax deduction for the amounts paid (see *Tax Deductibility of Compensation* discussion below).

Our deferred compensation plans are structured as follows:

- Amounts deferred are invested in a fixed number of shares of our Common Stock, which is purchased on the open market at fair market value;
- We own the shares of Common Stock in a Rabbi Trust, which makes payment of our obligations under the deferred compensation plans risk-free for NVR – the cost of the plans does not increase as the value of the Common Stock increases;
- Our Common Stock is the only investment choice;
- All amounts placed in the deferred compensation plan are amounts already earned by the named executive officer;
- We do not make employer contributions to the deferred compensation accounts;
- Earnings on deferred amounts solely represent the change the market value of the shares of our Common Stock held in the account;
- We do not provide for a minimum return or guarantee a minimum payout amount;
- Amounts deferred are “at risk” investments for the named executive officer; and
- Amounts deferred cannot be distributed to the named executive officer until the named executive officer’s termination of service or, under one of the two plans, six months after termination.

The structure of our deferred compensation plans results in certain of our named executive officers holding Common Stock significantly in excess of the ownership requirement since our Common Stock is the only investment choice and shares held in the deferred compensation plans are not eligible for distribution until the named executive officer’s employment terminates.

The market value of our named executive officers’ deferred compensation accounts is not considered when setting their current compensation. The Compensation Committee reached this conclusion after considering the following points:

- The compensation deferred was reviewed and analyzed based on the above-described compensation philosophy and policies at the time the compensation was earned in prior years and was fully earned at that time;
- If the executive officer had elected to receive a payout of the compensation at the time it was earned rather than electing the deferral, we would not have any knowledge of, and therefore would not consider, the executive officer’s investment experience related to that compensation when considering the amount by which we should compensate the executive officer in the current year;
- The change in the deferred compensation balance is solely attributable to the change in the market value of our Common Stock since the dates of deferral;
- We do not consider shares of Common Stock owned by an executive officer outside of the deferred compensation plans when setting current compensation; and
- If the amounts had been paid to the executive officer when earned and not deferred until separation of service, we would have lost a substantial tax benefit that we will now expect to receive as a result of the deferral.

Thus, we do not believe it is appropriate to consider the value of an executive officer's deferred compensation account in making current compensation decisions just because the account is held in a plan we sponsor and is invested in our Common Stock. See the *2019 Non-Qualified Deferred Compensation Table* and accompanying narrative below for additional information on our deferred compensation plans.

Change of Control and Post-Employment Payments

Each of our named executive officers is party to an employment agreement with us pursuant to which the officer is entitled to post-employment payments upon certain termination events, including termination following a change in control. Generally, we do not believe that we should pay our named executive officers, or any other employee, any incremental compensation upon termination when the termination is either by choice or due to conduct that is potentially detrimental to NVR. Thus, we do not provide any of our named executive officers any incremental post-employment benefits, other than any amounts already earned and accrued at the date of termination, if the termination is voluntary (unless due to a change in control of NVR, retirement or "with good reason") or for "Cause."

We do not provide tax "gross ups" to our named executive officers in connection with any change in control or post-employment payment.

Change of Control Provisions

The change of control provision in each applicable named executive officer's equity agreement or employment agreement for the payment of the post-employment benefit is a double trigger, meaning that the change of control must be coupled with the officer's termination from service within a certain period of time after the change of control to trigger a payment or accelerated right. A double trigger for the post-employment benefit payment was selected because, unless the named executive officer's employment is terminated after the change in control, the acquiring entity will continue to pay the named executive officer's salary and annual bonus. See the *Narrative Disclosures of Termination and Change of Control Payments* discussion below for additional information on these post-employment payments.

The change of control provisions in the deferred compensation plans are single trigger, meaning that the change of control event alone triggers either a payment or an acceleration of certain rights. This reflects our intent that the named executive officers have the ability to vote those shares upon any proposed transaction since the amounts are already vested, and to ensure that the named executive officers receive deferred compensation they earned prior to the change of control. See *Narrative Disclosures of Termination and Change of Control Payments* discussion below for additional information on these post-employment payments.

Payments Upon Death, Disability, Retirement and Other Employment Terminations

Each of the employment agreements provides for a post-employment benefit of two months' salary and two months' pro-rated annual bonus upon the named executive officer's termination due to death or disability. This amount reflects what we believe to be a modest transition for the executive or the executive's family for termination events that are sudden and beyond the executive's control.

We provide a post-employment benefit of 100% of base salary and any accrued pro-rated annual bonus (to the extent that performance targets are achieved for that year) upon the named executive officer's retirement. We consider the 100% payment a reward for length of service given that we do not provide our executives defined benefit or supplemental executive retirement plans.

For Mr. Saville, we provide a post-employment benefit of 200% of base salary and any accrued pro-rated annual bonus (assuming that 100% of the target bonus would have been paid for that year) for termination without cause, voluntary with good reason or voluntary within one year after a change in control (requires a change in control and a material diminution in authority, duties or responsibilities). For Messrs. Malzahn and Bredow, we provide a post-employment benefit of 100% of base salary and any accrued pro-rated annual bonus (assuming that 100% of the target bonus would have been paid for that year) for termination without cause, voluntary with good reason or voluntary within one year after a change in control (requires a change in control and a material diminution in authority, duties or responsibilities). For Messrs. Martchek and Praylo, we provide a post-employment benefit of 100% of base salary and any accrued pro-rated annual bonus (assuming that 100% of the target bonus would have been paid for that year) for termination without cause or voluntary with good reason. These amounts reflect our belief that it is difficult for executive officers to find comparable employment opportunities in a short period of time, particularly after experiencing a termination that was beyond their control.

Management of Compensation-Related Risk

We have designed our compensation program to avoid excessive risk-taking by placing the majority of our named executive officers' compensation opportunity in periodic grants of equity with a long-term vesting schedule, limiting the annual bonus opportunity to 100% of base salary and having significant stock ownership requirements for our named executive officers. We do not believe any of our compensation programs create risks that are reasonably likely to have a material adverse impact on NVR.

Tax Deductibility of Compensation

Through December 31, 2017, Section 162(m) of the Internal Revenue Code limited the corporate deduction for compensation paid to the named executive officers (other than our CFO) to \$1 million unless such compensation qualified as "performance-based compensation." Among other things, Section 162(m) required approval of the performance-based compensation by our shareholders. The Compensation Committee takes the deductibility of compensation into consideration but it does not limit the design of its compensation plans to strictly fall within the definition of performance-based compensation. Other than the NVR, Inc. 2000 Broadly-Based Stock Option Plan, all of our stock option plans were designed to enable all stock option awards to qualify as "performance based" under Section 162(m).

In December 2017, the Tax Cuts and Jobs Act (the "Act") was enacted. The Act eliminated the "performance-based compensation" exception from Section 162(m). The Act includes a grandfathering provision for compensation pursuant to a written binding contract which was in effect on November 2, 2017, and which was not modified in any material respect after such date. We believe that our outstanding equity grants and amounts in the deferred compensation plans as of November 2, 2017 are in compliance with the grandfathering provision of the Act, and thus will remain deductible to the extent they are considered "performance-based compensation."

THE FOLLOWING REPORT OF THE COMPENSATION COMMITTEE SHALL NOT BE DEEMED TO BE “SOLICITING MATERIAL” OR TO BE “FILED” WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933 OR THE SECURITIES EXCHANGE ACT OF 1934 OR INCORPORATED BY REFERENCE IN ANY DOCUMENT SO FILED.

Report of the Compensation Committee

The Compensation Committee hereby reports as follows:

1. The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with NVR’s management; and
2. Based on the review and discussion referred to in paragraph 1, the Compensation Committee recommended to the Board, and the Board has approved, that the Compensation Discussion and Analysis be included in our 2020 Proxy Statement to be incorporated by reference in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019, for filing with the Securities and Exchange Commission.

The undersigned, constituting all of the members of the Compensation Committee, have submitted this report to the Board of Directors.

Thomas D. Eckert (Chairman), David A. Preiser, W. Grady Rosier, and Susan Williamson Ross

2019 SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary (\$)	Bonus (\$) (1)	Equity Awards (\$) (2)	Non-Equity Incentive Plan Compensation (\$)	All Other Compensation (\$) (3)	Total (\$)
Paul C. Saville	2019	\$ 1,987,500	\$ —	\$ —	\$ 1,987,500	\$ 12,000	\$ 3,987,000
<i>President and Chief</i>	2018	\$ 1,919,000	\$ —	\$ 35,355,000	\$ 1,848,364	\$ 11,800	\$ 39,134,164
<i>Executive Officer</i>	2017	\$ 1,763,500	\$ —	\$ —	\$ 1,763,500	\$ 11,600	\$ 3,538,600
Daniel D. Malzahn	2019	\$ 568,750	\$ —	\$ —	\$ 568,750	\$ 12,000	\$ 1,149,500
<i>Senior Vice President, Chief</i>	2018	\$ 542,500	\$ —	\$ 11,596,440	\$ 522,531	\$ 11,800	\$ 12,673,271
<i>Financial Officer and Treasurer</i>	2017	\$ 513,750	\$ —	\$ —	\$ 513,750	\$ 11,600	\$ 1,039,100
Jeffrey D. Martchek	2019	\$ 596,250	\$ —	\$ —	\$ 596,250	\$ 12,000	\$ 1,204,500
<i>President of Homebuilding</i>	2018	\$ 580,000	\$ —	\$ 10,323,660	\$ 558,651	\$ 11,800	\$ 11,474,111
<i>Operations</i>	2017	\$ 558,500	\$ —	\$ —	\$ 558,500	\$ 11,600	\$ 1,128,600
Paul W. Praylo	2019	\$ 512,138	\$ 550,000	\$ 12,600,264	\$ —	\$ 74,995	\$ 13,737,397
<i>Senior Vice President and Chief Operating Officer</i>							
Eugene J. Bredow	2019	\$ 473,750	\$ —	\$ —	\$ 473,750	\$ 12,000	\$ 959,500
<i>President, NVR Mortgage</i>	2018	\$ 415,833	\$ —	\$ 9,616,560	\$ 400,527	\$ 11,800	\$ 10,444,720
	2017	\$ 363,750	\$ —	\$ —	\$ 363,750	\$ 11,600	\$ 739,100

- (1) This amount reflects Mr. Praylo's bonus in lieu of our annual incentive opportunity.
- (2) The amounts disclosed represent the aggregate grant date fair value of restricted share units and stock options granted during the respective years in accordance with FASB ASC Topic 718. For the 50% portion of the grant of stock options which is subject to the attainment of a performance condition, the amount disclosed is based on the target number of options, which is the same as the maximum. For information on the valuation assumptions, refer to the note on Equity-Based Compensation, Profit Sharing and Deferred Compensation Plans in the NVR financial statements in the Annual Report on Form 10-K for the respective year-end, as filed with the SEC.
- (3) For Messrs. Saville, Malzahn, Martchek and Bredow, the "all other compensation" includes amounts contributed to our employee stock ownership plan for the respective plan year, and a \$1,000 matching contribution made by us pursuant to our 401(k) plan. For Mr. Praylo, the "all other compensation" includes his \$1,000 matching contribution made by us pursuant to our 401(k) plan, \$53,995 in relocation assistance, which was "grossed up" for individual taxation purposes by \$16,252, and a relocation bonus of \$20,000. Mr. Praylo also will receive home sale assistance as part of his relocation package, but the sale of his prior residence was not completed in 2019, and thus no compensation is included for his home sale assistance.

OUTSTANDING EQUITY AWARDS AT DECEMBER 31, 2019

Name	Award Type (a)	Grant Date	Ratable vesting on each of December 31,	Equity Awards					
				Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares of Stock That Have Not Vested	Option Exercise Price (\$)	Option Expiration Date
Paul C. Saville									
2000 Option Plan	T	05/11/10	2013, 2014	10,444	—			\$ 703.00	05/10/20
2014 Equity Plan	T	05/14/14	2016, 2017, 2018, 2019	31,650	—			\$ 1,094.22	05/13/24
2014 Equity Plan	P	05/14/14	2016, 2017, 2018, 2019	31,650	—			\$ 1,094.22	05/13/24
2018 Equity Plan	T	05/10/18	2020, 2021, 2022, 2023	—	25,000			\$ 3,022.99	05/09/28
2018 Equity Plan	P	05/10/18	2020, 2021, 2022, 2023	—	25,000			\$ 3,022.99	05/09/28
Daniel D. Malzahn									
2010 Equity Plan	T	02/20/13	2015, 2016, 2017, 2018	14,000	—			\$ 1,019.74	02/19/23
2014 Equity Plan	T	05/14/14	2016, 2017, 2018, 2019	12,750	—			\$ 1,094.22	05/13/24
2014 Equity Plan	P	05/14/14	2016, 2017, 2018, 2019	12,750	—			\$ 1,094.22	05/13/24
2018 Equity Plan	T	05/10/18	2020, 2021, 2022, 2023	—	8,200			\$ 3,022.99	05/09/28
2018 Equity Plan	P	05/10/18	2020, 2021, 2022, 2023	—	8,200			\$ 3,022.99	05/09/28
Jeffrey D. Martchek									
2010 Equity Plan	T	05/14/14	2016, 2017, 2018, 2019	2,250	—			\$ 1,094.22	05/13/24
2014 Equity Plan	P	05/14/14	2016, 2017, 2018, 2019	4,250	—			\$ 1,094.22	05/13/24
2014 Equity Plan	T	01/01/16	2018, 2019, 2020, 2021	2,000	2,000			\$ 1,643.00	12/31/25
2014 Equity Plan	P	01/01/16	2018, 2019, 2020, 2021	2,000	2,000			\$ 1,643.00	12/31/25
2018 Equity Plan	T	05/10/18	2020, 2021, 2022, 2023	—	7,300			\$ 3,022.99	05/09/28
2018 Equity Plan	P	05/10/18	2020, 2021, 2022, 2023	—	7,300			\$ 3,022.99	05/09/28
Paul W. Praylo									
2010 Equity Plan	T	01/28/19	2021, 2022, 2023, 2024	—	9,142			\$ 2,517.06	01/27/29
2010 Equity Plan	P	01/28/19	2021, 2022, 2023, 2024	—	9,142			\$ 2,517.06	01/27/29
2010 Equity Plan	R	01/28/19	(b)			556	\$ 2,117,476		
Eugene J. Bredow									
2010 Equity Plan	T	06/01/12	2014, 2015, 2016, 2017	4,000	—			\$ 804.80	05/31/22
2014 Equity Plan	T	05/14/14	2016, 2017, 2018, 2019	5,950	—			\$ 1,094.22	05/13/24
2014 Equity Plan	P	05/14/14	2016, 2017, 2018, 2019	5,950	—			\$ 1,094.22	05/13/24
2018 Equity Plan	T	05/10/18	2020, 2021, 2022, 2023	—	6,800			\$ 3,022.99	05/09/28
2018 Equity Plan	P	05/10/18	2020, 2021, 2022, 2023	—	6,800			\$ 3,022.99	05/09/28

- (a) "Type" refers to the type of stock option award. "T" represents time-based options where the vesting is based on continued service through the vesting dates in the column labeled "Ratable vesting on each of December 31." "P" represents performance options where the vesting is based on continued service through the vesting dates and NVR's return on capital performance during the three year period ended December 31 of the first year listed in the column labeled "Ratable vesting on each of December 31." For performance-based options, the amount disclosed is based on the target number of options, which is the same as the maximum. See the *Equity-Based Compensation* section in our *Compensation Discussion and Analysis* above. "R" represents restricted share units where the vesting is based on continued service through the vesting date.
- (b) Mr. Praylo's restricted share units were granted on January 28, 2019 in consideration of the equity opportunity Mr. Praylo had to forego with his prior employer. 50% of these restricted share units vested on January 28, 2020 and the remaining 50% vest on January 28, 2021.

2019 OPTION EXERCISES AND STOCK VESTED

Name	Option Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)(1)
Paul C. Saville	46,900	\$ 128,495,822
Daniel D. Malzahn	3,970	\$ 11,207,561
Jeffrey D. Martchek	18,212	\$ 45,493,670
Paul W. Praylo	—	\$ —
Eugene J. Bredow	3,000	\$ 7,270,376

- (1) The value realized is calculated based on the difference between the market price of Common Stock on the date of exercise and the respective exercise price, multiplied by the number of options exercised.

2019 NON-QUALIFIED DEFERRED COMPENSATION TABLE

Name	Executive Contributions in Last FY (\$)	Registrant Contributions in Last FY (\$)	Aggregate Earnings in Last FY \$(a)	Aggregate Withdrawals/ Distributions (\$)	Aggregate Balance at Last FYE (\$)
Paul C. Saville					
Plan 1 (b)	—	—	\$ 145,210,064	—	\$ 403,245,876
Plan 2 (c)	—	—	\$ 1,065,246	—	\$ 2,958,171
Daniel D. Malzahn	—	—	—	—	—
Jeffrey D. Martchek					
Plan 1 (d)	—	—	\$ 820,109	—	\$ 2,277,429
Paul W. Praylo	—	—	—	—	—
Eugene J. Bredow	—	—	—	—	—

- (a) Represents unrealized earnings of the market value of the Common Stock held in the respective officer's deferred compensation account. We have never paid dividends.
- (b) Mr. Saville deferred a total of \$15,995,411 of earned compensation prior to 2004, all of which was previously reported in our proxy statements. This earned compensation was deferred prior to Mr. Saville being named CEO and has been "at risk" since the deferral prior to 2004. The growth in the balance is solely from the appreciation in our Common Stock since the dates of deferral.
- (c) Mr. Saville deferred a total of \$600,000 of earned compensation during 2006, all of which was previously reported in our proxy statements. The growth in the balance is solely from the appreciation in our Common Stock since the dates of deferral.
- (d) Mr. Martchek deferred a total of \$201,744 of earned compensation prior to 2004. The growth in the balance is solely from the appreciation in our Common Stock since the dates of deferral.

Narrative to the 2019 Non-Qualified Deferred Compensation Table

We have two deferred compensation plans, which we refer to as Plan 1 and Plan 2 for purposes of this discussion. Plan 1, which we adopted on December 15, 1999, was closed for new contributions effective December 31, 2004. Each of the named executive officers, solely at their election, may defer 100% of any earned salary or bonus into Plan 2, which we adopted on December 15, 2005. Stock option gains are prohibited by law from being deferred.

Our deferred compensation plans are structured as follows:

- Amounts deferred are invested in a fixed number of shares of our Common Stock, which is purchased on the open market at fair market value;

- We own the shares of Common Stock in a Rabbi Trust, which makes the payment of our obligations under the deferred compensation plans risk-free for NVR – the cost of the plans does not increase as the value of the Common Stock increases;
- Our Common Stock is the only investment choice;
- All amounts placed in the deferred compensation plan are amounts already earned by the named executive officer;
- We do not make employer contributions to the deferred compensation accounts;
- Earnings on deferred amounts solely represent changes in the market value of the shares of our Common Stock held in the account;
- We do not provide for a minimum return or guarantee a minimum payout amount;
- Amounts deferred are “at risk” investments for the named executive officer; and
- Amounts deferred cannot be distributed to the named executive officer until the named executive officer’s termination of service. The deferral period expires for Plan 1 at the named executive officer’s termination of service, and expires for Plan 2 six months after the named executive officer’s termination of service in accordance with Code Section 409A.

See *Tax Deductibility of Compensation* section in our *Compensation Discussion and Analysis* for further discussion of the tax deductibility of deferred compensation.

NARRATIVE DISCLOSURES OF TERMINATION AND CHANGE OF CONTROL PAYMENTS

Our named executive officers are eligible to receive certain termination and/or change in control payments and acceleration rights under certain of the compensation arrangements that they hold with us. These payments and acceleration rights are contained within the executive officers’ employment agreements, equity agreements and deferred compensation plan agreements.

Employment Agreements

As noted in the *Narrative Disclosure to Summary Compensation and Grants of Plan-Based Awards Tables*, as of December 31, 2019, Messrs. Saville, Malzahn, Martchek, Praylo and Bredow were employed pursuant to employment agreements. With the exception of Mr. Praylo, the employment agreements are for a five year term beginning on January 1, 2016. Mr. Praylo’s agreement began on his hire date of January 28, 2019, and the end date corresponds with our other named executive officers (December 31, 2020). The agreements cover the additional payments that would be due to these individuals in the certain termination scenarios. Summarized below are the post-employment payments due under the various termination scenarios pursuant to the employment agreements.

Termination Events

- *Voluntary.* The applicable named executive officer is not entitled to receive any unearned payments after the date of termination.
- *Without cause.* The named executive officer is entitled to receive, in a lump sum following six months from the date of termination, an amount equal to 200% or 100% of the named executive officer’s then annual base salary, as applicable, and any accrued pro-rated annual bonus assuming that 100% of the target bonus would have been paid for that year. In addition, we would provide the executive with up to \$100,000 of outplacement services.
- *Voluntary with good reason.* The named executive officer is entitled to receive the termination payments and outplacement services described in the “*Without cause*” section above. “Good reason” means (a) a material diminution in the executive’s authority, duties or responsibilities; (b) a change in the executive’s reporting relationship for Messrs. Saville and Malzahn; (c) a material change in the executive’s principal place of employment; (d) the failure of any successor of the Company to expressly in writing assume our obligations under the employment agreement; or (e) a material breach by us of any agreement between the executive and us.
- *Retirement.* Upon retirement, the named executive officer is entitled to receive, in a lump sum following six months from the date of retirement, an amount equal to 100% of the named executive officer’s then annual base salary and any accrued pro-rated annual bonus, to the extent that performance targets have been achieved and the annual bonus being paid at the same time that all of our other employees are paid their annual bonus.

- *Death or Disability.* The named executive officer is entitled to receive in a lump sum two months of the named executive officer's then annual base salary and accrued pro-rated annual bonus, assuming that the maximum of 100% of the annual bonus is earned for the period ending on the last calendar day of the second calendar month following the month in which the death or disability occurred.
- *Cause.* The applicable named executive officers are not entitled to receive any payments after the date of termination for cause. Termination for "cause" is a termination due to:
 - the executive being convicted of (a) a felony, (b) a willful or knowing violation of any federal or state securities law, or (c) a crime involving moral turpitude;
 - gross negligence or gross misconduct in connection with the performance of the executive's duties as described within the employment agreement; or
 - the executive materially breaching any covenants contained in any agreement between the executive and us.
- *Termination after a change in control.* A "change of control" means (a) any person or group acquires 50% or more of the combined voting power of our voting stock, (b) substantially all of our assets are sold to another party, (c) we are liquidated or dissolved, or (d) we are merged or consolidated into another entity in which we are not the surviving entity. The post-employment payments due following a termination within one year after a "change of control" are summarized below:
 - *Without cause within one year after a change in control.* The named executive officer is entitled to receive the termination payments and outplacement services described in the "Without cause" section above. In addition, each equity agreement provides for the acceleration of vesting of all unvested equity if we experience a "change in control" and the named executive officer's employment is terminated without cause within one year following the "change in control." The accelerated vesting is based on a double trigger, meaning that the named executive officer's employment needs to be terminated to receive the acceleration right. The "change in control" provisions within the named executive officers' agreements are identical to the "change of control" provisions within the agreements for all other participants of the respective equity plans.
 - *Voluntary within one year after a change in control.* Messrs. Saville, Malzahn and Bredow are entitled to receive the termination payments described in the "Without cause" section above if there is a "change of control" and there has been a material diminution in the executive's authority, duties or responsibilities.
- *Voluntary termination upon the election or appointment, as applicable, of a new Chairman and/or Chief Executive Officer.* The applicable named executive officer is not entitled to receive any unearned payments after the date of termination.

Conditions to Receipt of Payment

The covenants within the employment agreements have non-competition provisions, including the prohibition from:

- controlling or owing more than 5% of the outstanding shares of any residential homebuilding, mortgage financing or settlement services business that competes with us;
- being employed by or providing services to any person or entity that competes with us in the residential homebuilding, mortgage financing or settlement services business;
- inducing or attempting to induce any of our customers or potential customers;
- hiring or attempting to hire our employees; or
- utilizing the services of or trying to acquire land, goods or services from any of our developers or subcontractors.

The periods that the non-competition provisions cover are as follows:

- During the term of employment, the named executive officer is bound by the non-competition covenants at all times.
- For one year after termination, the named executive officer is bound by the non-competition covenants if the termination was voluntary, due to retirement, for cause or without cause.
- The named executive officer is not bound by the non-competition covenants after the executive's termination if the termination was voluntary with good reason, voluntary within one year after a change in control or voluntary upon the election or appointment, as applicable, of a new Chairman and/or Chief Executive Officer.

The following table quantifies the potential payments to the named executive officers upon termination of employment or a change in control as of December 31, 2019.

<u>Name</u>	<u>Severance</u>	<u>Annual Incentive</u>	<u>Equity - Accelerated Vesting (1)</u>	<u>Outplacement Services</u>	<u>Total</u>
Paul C. Saville					
Without Cause	\$ 4,000,000	\$ 1,987,500	\$ —	\$ 100,000	\$ 6,087,500
Voluntary with Good Reason	\$ 4,000,000	\$ 1,987,500	\$ —	\$ 100,000	\$ 6,087,500
Retirement	\$ 2,000,000	\$ 1,987,500	\$ —	\$ —	\$ 3,987,500
Death or Disability	\$ 333,333	\$ 333,333	\$ —	\$ —	\$ 666,666
Without Cause Within One Year After a Change in Control	\$ 4,000,000	\$ 1,987,500	\$ 39,271,000	\$ 100,000	\$ 45,358,500
Voluntary Within One Year After a Change in Control	\$ 4,000,000	\$ 1,987,500	\$ —	\$ —	\$ 5,987,500
Daniel D. Malzahn					
Without Cause	\$ 575,000	\$ 568,750	\$ —	\$ 100,000	\$ 1,243,750
Voluntary with Good Reason	\$ 575,000	\$ 568,750	\$ —	\$ 100,000	\$ 1,243,750
Retirement	\$ 575,000	\$ 568,750	\$ —	\$ —	\$ 1,143,750
Death or Disability	\$ 95,833	\$ 95,833	\$ —	\$ —	\$ 191,666
Without Cause Within One Year After a Change in Control	\$ 575,000	\$ 568,750	\$ 12,880,888	\$ 100,000	\$ 14,124,638
Voluntary Within One Year After a Change in Control	\$ 575,000	\$ 568,750	\$ —	\$ —	\$ 1,143,750
Jeffrey D. Martchek					
Without Cause	\$ 600,000	\$ 596,250	\$ —	\$ 100,000	\$ 1,296,250
Voluntary with Good Reason	\$ 600,000	\$ 596,250	\$ —	\$ 100,000	\$ 1,296,250
Retirement	\$ 600,000	\$ 596,250	\$ —	\$ —	\$ 1,196,250
Death or Disability	\$ 100,000	\$ 100,000	\$ —	\$ —	\$ 200,000
Without Cause Within One Year After a Change in Control	\$ 600,000	\$ 596,250	\$ 20,128,772	\$ 100,000	\$ 21,425,022
Paul W. Praylo					
Without Cause	\$ 550,000	\$ 550,000	\$ —	\$ 100,000	\$ 1,200,000
Voluntary with Good Reason	\$ 550,000	\$ 550,000	\$ —	\$ 100,000	\$ 1,200,000
Retirement	\$ 550,000	\$ 550,000	\$ —	\$ —	\$ 1,100,000
Death or Disability	\$ 91,667	\$ 91,667	\$ —	\$ —	\$ 183,334
Without Cause Within One Year After a Change in Control	\$ 550,000	\$ 550,000	\$ 25,728,519	\$ 100,000	\$ 26,928,519
Eugene J. Bredow					
Without Cause	\$ 490,000	\$ 473,750	\$ —	\$ 100,000	\$ 1,063,750
Voluntary with Good Reason	\$ 490,000	\$ 473,750	\$ —	\$ 100,000	\$ 1,063,750
Retirement	\$ 490,000	\$ 473,750	\$ —	\$ —	\$ 963,750
Death or Disability	\$ 81,667	\$ 81,667	\$ —	\$ —	\$ 163,334
Without Cause Within One Year After a Change in Control	\$ 490,000	\$ 473,750	\$ 10,681,712	\$ 100,000	\$ 11,745,462
Voluntary Within One Year After a Change in Control	\$ 490,000	\$ 473,750	\$ —	\$ —	\$ 963,750

(1) Represents the intrinsic value of the acceleration of vesting of stock options and restricted stock units that vest upon a change in control and termination of employment within one year of a change in control. Intrinsic value for the stock options is the difference between the exercise price of the stock option and the closing price of our Common Stock, which was \$3,808.41 on December 31, 2019, the last trading day of the year.

Deferred Compensation Plans

Under the deferred compensation plans (see the *2019 Non-Qualified Deferred Compensation Table* above for more information on these plans), named executive officers receive their shares of Common Stock immediately if we experience a “change of control,” rather than receiving their shares of Common Stock at separation of service. The “change of control” provisions within the deferred compensation plans are equally applicable to all participants within the plans.

- *Plan 1.* Generally, the “change of control” provision is the same as the “change in control” provision set forth in our equity agreements, as summarized above.
- *Plan 2.* Generally, the “change of control” provision is triggered if (i) we experience any transaction resulting in any person or entity owning 50% or more of the total fair market value or total voting power of our shares, (ii) we experience any transaction resulting in any person or entity acquiring 35% or more of the total fair market value or total voting power of our shares during a 12-month period, (iii) a majority of our Board is replaced during any 12-month period by new directors not endorsed by a majority of our Board who were on our board immediately preceding the new appointments or elections, or (iv) we sell to another entity our assets that have a total gross fair market value equal to or more than 40% of the total gross fair market value of our total assets.

Assuming a change of control under the deferred compensation plans at December 31, 2019, the market value of the accelerated account balances is presented in the *2019 Non-Qualified Deferred Compensation Table* above.

Pay Ratio

Pursuant to Item 402(u) of Regulation S-K and Section 953(b) of the Dodd-Frank Act, presented below is the ratio of annual total compensation of our CEO to the annual total compensation of our median employee (excluding our CEO). The ratio presented below is a reasonable estimate calculated in a manner consistent with Item 402(u).

In identifying our median employee, we calculated the total cash compensation paid to each of our employees for the 10-month period ended October 31, 2019. Total cash compensation for these purposes included base salary and wages, and, if applicable, bonus and commissions and was calculated using internal payroll records.

We selected the median employee based on approximately 5,800 active full-time and part-time employees of NVR and its subsidiaries as of October 31, 2019. For employees hired in 2019 who did not work the full year, we did not annualize their compensation for purposes of this calculation.

The 2019 annual total compensation as determined under Item 402 of Regulation S-K (“Item 402 Compensation”) for our CEO was \$3,987,000. The 2019 Item 402 Compensation for our median employee was \$78,448. The ratio of our CEO’s Item 402 Compensation to our median employee’s Item 402 Compensation for fiscal year 2019 is approximately 51 to 1.

Because the SEC rules for identifying the median compensated employee and calculating the pay ratio based on that employee’s annual total compensation allow companies to adopt a variety of methodologies, to apply certain exclusions, and to make reasonable estimates and assumptions that reflect their employee populations and compensation practices, the pay ratio reported by other companies may not be comparable to the pay ratio reported above, as other companies have different employee populations and compensation practices and may utilize different methodologies, exclusions, estimates and assumptions in calculating their own pay ratios.

2019 DIRECTOR COMPENSATION TABLE

Name	Fees Earned or Paid in Cash \$(a)	Total (\$)
Dwight C. Schar	\$ 75,000	\$ 75,000
C. E. Andrews	\$ 83,000	\$ 83,000
Timothy M. Donahue (b)	\$ 28,128	\$ 28,128
Thomas D. Eckert	\$ 98,000	\$ 98,000
Alfred E. Festa	\$ 91,000	\$ 91,000
Ed Grier	\$ 83,000	\$ 83,000
Manuel H. Johnson	\$ 103,000	\$ 103,000
Alexandra A. Jung	\$ 80,337	\$ 80,337
Mel Martinez	\$ 83,000	\$ 83,000
William A. Moran	\$ 75,000	\$ 75,000
David A. Preiser	\$ 106,000	\$ 106,000
W. Grady Rosier	\$ 83,000	\$ 83,000
Susan Williamson Ross	\$ 91,000	\$ 91,000

(a) During 2019, directors were paid the following compensation:

Annual Board Retainer	\$75,000
Annual Committee Retainer (excludes Executive Committee)	\$8,000
Annual Audit Chair Fee	\$20,000
Annual Compensation Chair Fee	\$15,000
Annual Nominating Chair Fee	\$15,000

Reasonable incidental travel and out-of-pocket business expenses are reimbursed as incurred in accordance with the policies to which all of our named executive officers and employees are subject.

(b) Mr. Donahue was a director through the date of the 2019 annual meeting, and did not stand for re-election.

Narrative Disclosure to Director Compensation Table

We compensate non-employee directors for their service on our Board with a combination of cash and periodic equity awards, the amounts of which are commensurate with their role and involvement. No changes were made to our director compensation and no equity awards were made in 2019. Based on the competitive market data provided by Aon Consulting in 2018, and following the changes in our director cash compensation and our equity grants in 2018, NVR's total director compensation was around the 50th percentile of the general industry, with a higher weighting of our compensation in long-term equity compensation. We believe that weighting the compensation of our directors heavily towards long-term equity compensation serves to further align the interests of our directors and shareholders.

The following table sets forth the outstanding stock option awards for our directors at December 31, 2019:

Name	Grant Date (a)	Ratable vesting on each of December 31,	Option Awards			
			Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date
Dwight C. Schar						
2014 Equity Plan	05/14/2014	2016, 2017, 2018, 2019	7,914	—	\$ 1,094.22	05/13/24
2018 Equity Plan	05/10/2018	2020, 2021, 2022, 2023	—	25,000	\$ 3,022.99	05/09/28
C. E. Andrews:						
2014 Equity Plan	05/14/2014	2016, 2017, 2018, 2019	650	—	\$ 1,094.22	05/13/24
2018 Equity Plan	05/10/2018	2020, 2021, 2022, 2023	—	1,000	\$ 3,022.99	05/09/28
Thomas D. Eckert:						
2010 Equity Plan	12/01/2011	2015, 2016	2,035	—	\$ 669.85	11/30/21
2014 Equity Plan	05/14/2014	2016, 2017, 2018, 2019	2,600	—	\$ 1,094.22	05/13/24
2018 Equity Plan	05/10/2018	2020, 2021, 2022, 2023	—	1,000	\$ 3,022.99	05/09/28
Alfred E. Festa:						
2014 Equity Plan	05/14/2014	2016, 2017, 2018, 2019	2,600	—	\$ 1,094.22	05/13/24
2018 Equity Plan	05/10/2018	2020, 2021, 2022, 2023	—	1,000	\$ 3,022.99	05/09/28
Ed Grier						
2010 Equity Plan	05/07/2013	2017, 2018	638	—	\$ 1,017.86	05/06/23
2014 Equity Plan	05/14/2014	2016, 2017, 2018, 2019	650	—	\$ 1,094.22	05/13/24
2018 Equity Plan	05/10/2018	2020, 2021, 2022, 2023	—	1,000	\$ 3,022.99	05/09/28
Manuel H. Johnson:						
2010 Equity Plan	05/11/2010	2013, 2014	1,464	—	\$ 703.00	05/10/20
2014 Equity Plan	05/14/2014	2016, 2017, 2018, 2019	2,300	—	\$ 1,094.22	05/13/24
2018 Equity Plan	05/10/2018	2020, 2021, 2022, 2023	—	1,000	\$ 3,022.99	05/09/28
Alexandra A. Jung						
2018 Equity Plan	12/03/2018	2021, 2022, 2023, 2024	—	1,130	\$ 2,450.00	12/02/28
Mel Martinez						
2014 Equity Plan	05/14/2014	2016, 2017, 2018, 2019	1,228	—	\$ 1,094.22	05/13/24
2018 Equity Plan	05/10/2018	2020, 2021, 2022, 2023	—	1,000	\$ 3,022.99	05/09/28
William A. Moran:						
2014 Equity Plan	05/14/2014	2016, 2017, 2018, 2019	650	—	\$ 1,094.22	05/13/24
2018 Equity Plan	05/10/2018	2020, 2021, 2022, 2023	—	1,000	\$ 3,022.99	05/09/28
David A. Preiser:						
2014 Equity Plan	05/14/2014	2016, 2017, 2018, 2019	2,600	—	\$ 1,094.22	05/13/24
2018 Equity Plan	05/10/2018	2020, 2021, 2022, 2023	—	1,000	\$ 3,022.99	05/09/28
W. Grady Rosier:						
2014 Equity Plan	05/14/2014	2016, 2017, 2018, 2019	1,950	—	\$ 1,094.22	05/13/24
2018 Equity Plan	05/10/2018	2020, 2021, 2022, 2023	—	1,000	\$ 3,022.99	05/09/28
Susan Williamson Ross:						
2014 Equity Plan	07/28/2016	2018, 2019, 2020, 2021	2,358	—	\$ 1,700.00	07/27/26
2018 Equity Plan	05/10/2018	2020, 2021, 2022, 2023	—	1,000	\$ 3,022.99	05/09/28

- (a) For option awards with a grant date prior to 2014, the awards are time-based options where the vesting was based on continued service through the vesting dates in the column labeled "Ratable vesting on each of December 31." For options awards in 2014 and subsequent years, the awards are 50% time-based options and 50% performance options, where the vesting for 50% of the award is

based on continued service through the vesting dates, and the vesting for the remaining 50% of the award is based on continued service through the vesting date and NVR's return on capital performance during the three year period ended December 31 of the first year listed in the column labeled "Ratable vesting on each of December 31." For performance-based options, the amount disclosed is based on the target number of options, which is the same as the maximum. See the *Equity-Based Compensation* section in our *Compensation Discussion and Analysis* above.

Stock Ownership Requirements

To further align the interests of our Board with our shareholders, we adopted stock ownership requirements for directors in 2000. The members of our Board are required to acquire and continuously hold a specified minimum level of our Common Stock. Under our stock ownership requirements, Board members must acquire and hold Common Stock with a total fair market value equal to five times their \$75,000 annual retainer fee, which is \$375,000. Board members must satisfy the stock ownership requirement within three years of first becoming subject to the stock ownership requirement, and at a minimum, have satisfied one-third of the requirement after one year, and two-thirds of the requirement after two years. All members of our Board are in compliance with our stock ownership requirement.

Ratification of Appointment of Independent Auditor
(Proposal No. 2)

At the Annual Meeting, our Board will recommend shareholder ratification of the appointment of KPMG LLP as our independent auditor for 2020. KPMG LLP has served as our independent auditor since 1987. If the appointment is not ratified, the Board will consider whether it should select another independent auditor. Representatives of KPMG LLP are expected to be present at the meeting to respond to shareholders' questions and will have an opportunity to make a statement if they so desire.

Required Vote

The number of votes cast for the proposal must exceed the number of votes cast against the proposal for approval of the proposal.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS VOTING "FOR" THE RATIFICATION OF KPMG LLP AS NVR'S INDEPENDENT AUDITOR FOR 2020.

FEES PAID OR INCURRED FOR KPMG LLP DURING THE YEARS ENDED DECEMBER 31:

	2019	2018
Audit fees:		
Integrated audit of financial statements, internal controls over financial reporting and quarterly reviews	\$ 765,000	\$ 758,000
Consents	—	6,000
Reimbursable expenses	8,171	929
Total audit fees	773,171	764,929
Audit-related fees:		
Employee benefit plan audit	—	43,000
Tax fees	—	—
All other fees	—	—
Total fees	\$ 773,171	\$ 807,929

The Audit Committee annually evaluates what types of audit and non-audit services (permitted by law) that, subject to certain limits, can be entered into with pre-approval authority granted by the Audit Committee and will grant that authority, if applicable, pursuant to an Audit Committee resolution. For 2019 and 2018, under separate authorizations applicable to each respective year, the Audit Committee delegated to our Chairman of the Audit Committee, CEO and CFO, together or separately, in our name and on our behalf, the authority, subject to individual cost limits, to engage KPMG LLP to provide:

- Accounting guidance and technical assistance for the implementation of newly issued accounting pronouncements and standards;
- Accounting guidance and technical assistance related to the application of existing accounting pronouncements and standards to our transactions; and
- SEC registration statement comfort letters and consents.

The aggregate amount for all pre-approved services may not exceed 50% of the annual audit fee. The Audit Committee Chairman, the CEO and CFO must report any such audit-related or non-audit services to the full Audit Committee at its next regularly scheduled meeting.

All audit and audit-related fees incurred during 2019 and 2018 were approved directly by our Audit Committee. Mr. Malzahn approved fees of \$6,000 related to a consent in May 2018, and such fees were reported to the full Audit Committee at the next regularly scheduled meeting.

Advisory Vote on Executive Compensation (Proposal No. 3)

Pursuant to the requirements of Section 14A of the 1934 Act, we are providing our shareholders an opportunity to indicate whether they support our named executive officer compensation as described in this Proxy Statement. This advisory vote, commonly referred to as “say on pay,” is not intended to address any specific item of compensation, but instead relates to the compensation paid to the named executive officers as disclosed in this Proxy Statement, including the *Compensation Discussion and Analysis*, the tabular disclosures regarding named executive officer compensation, and the narrative disclosure accompanying the tabular presentations. These disclosures allow our shareholders to view the trends in our executive compensation program and the application of our compensation philosophies for the years presented. We are currently holding “say on pay” advisory votes on an annual basis.

We actively monitor our executive compensation practices in light of the industries in which we operate and the marketplace for talent in which we compete. We are focused on compensating our named executive officers fairly and in a manner that incentivizes high levels of performance while providing us the tools to attract and retain the best talent. As discussed in the *Compensation Discussion and Analysis* included in this Proxy Statement, we believe that our executive compensation program properly links executive compensation to our performance and aligns the interests of our named executive officers with those of our shareholders. Specifically:

- We pay cash compensation to our named executive officers in amounts that we believe to be consistent with the cash compensation paid to comparable positions in other publicly traded companies within our industry.
- We limit the annual cash bonus opportunity of our named executive officers to 100% of their base salary, and have not provided any opportunity to exceed that amount for short-term quarterly or annual performance in excess of our business plan.
- We place a substantial portion of compensation to our executive officers at risk in the form of stock options that vest over a long-term period.
- We issue equity grants every four years, including performance-based stock options, to our named executive officers that vest over a long period of time.
- Our named executive officers must achieve and maintain a designated robust level of ownership in NVR stock.

Accordingly, the Board unanimously recommends that shareholders vote in favor of the following resolution:

“Resolved, that the compensation paid to NVR’s named executive officers as disclosed in this proxy statement pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, the compensation tables and the related footnotes and narrative disclosures, is hereby APPROVED.”

Although this vote is advisory and is not binding on NVR, the Compensation Committee of the Board will take into account the outcome of the vote when considering future executive compensation decisions. For the advisory resolution to be approved, the number of votes cast "FOR" the resolution must exceed the votes cast "AGAINST" the resolution.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS VOTING “FOR”
THE FORGOING RESOLUTION.**

Shareholder Proposals For the 2021 Annual Meeting

Shareholder proposals that are intended by a shareholder to be included in our proxy statement for our next annual meeting of shareholders pursuant to Rule 14a-8 of the SEC must be received in the office of NVR's Secretary no later than November 15, 2020.

Shareholder proposals that are not submitted for inclusion in our proxy statement pursuant to Rule 14a-8, but that one or more shareholders intend to propose for consideration at our next annual meeting, must be submitted to the office of NVR's Secretary no earlier than November 15, 2020 and no later than December 15, 2020 and must otherwise comply with the conditions set forth in Section 2.04 of our Bylaws (or, the case of director nominations, Section 3.03 of our Bylaws). Any shareholder proposal that is not submitted within the applicable time frame will not be eligible for presentation or consideration at the next annual meeting.

Our Bylaws permit shareholders owning 3% or more of our common stock for at least three years to nominate up to 20% of our Board and include these nominees in our proxy materials. The number of shareholders who may aggregate their shares to meet the 3% ownership threshold is limited to 20. The shareholder(s) and nominees(s) must also satisfy the other requirements in our Bylaws. Notice of proxy access director nominees must be received no earlier than October 16, 2020 and no later than November 15, 2020.

Other Matters

Management knows of no other business to be presented for action at the Annual Meeting, other than those items listed in the notice of the Annual Meeting referred to herein. If any other business should properly come before the Annual Meeting, or any adjournment thereof, it is intended that the proxies will be voted in accordance with the best judgment of the persons acting thereunder.

Our Annual Report on Form 10-K for 2019, including consolidated financial statements and other information, accompanies this Proxy Statement but does not form a part of the proxy soliciting material. A complete list of the shareholders of record entitled to vote at our Annual Meeting will be open and available for examination by any shareholder, for any purpose germane to the Annual Meeting, between 9:00 a.m. and 5:00 p.m. at our offices at 11700 Plaza America Drive, Suite 500, Reston, Virginia 20190, from April 16, 2020 through May 1, 2020 and at the time and place of the Annual Meeting.

Copies of our most recent Annual Report on Form 10-K, including the financial statements and schedules thereto, which we are required to file with the SEC will be provided in print without charge upon the written request of any shareholder. Such requests may be sent to Investor Relations, NVR, Inc., 11700 Plaza America Drive, Suite 500, Reston, Virginia, 20190. Our SEC filings are also available to the public from our website at www.nvrinc.com, and the SEC's website at www.sec.gov.

By Order of the Board of Directors,



James M. Sack
Secretary and General Counsel

Reston, Virginia
March 18, 2020



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Proxy – NVR, Inc.



Notice of 2020 Annual Meeting of Shareholders

Proxy Solicited by Board of Directors for Annual Meeting – May 5, 2020

The undersigned hereby appoints James M. Sack, Daniel D. Malzahn and Matthew B. Kelpy, or any of them, as proxies (and if the undersigned is a proxy, as substitute proxies), each with the power to appoint their substitute, and hereby authorizes them to represent and to vote, as designated on the reverse side, all shares of common stock of NVR, Inc. held of record by the undersigned on March 2, 2020 at the Annual Meeting of Shareholders to be held at NVR's Corporate Headquarters, 11700 Plaza America Drive, Suite 500, Reston, Virginia, 20190 on Tuesday, May 5, 2020 at 11:00 A.M. and at any adjournments or postponements thereof.

If there are shares allocated to the undersigned in the NVR, Inc. Profit Sharing Trust Plan or the Employee Stock Ownership Plan, the undersigned hereby directs the Trustee to vote all full and fractional shares as indicated on the reverse of this card. Shares for which no voting instructions are received by April 30, 2020 will be voted by the Trustee in the same proportion as all other shares for which the Trustee has received voting instructions.

This proxy when properly executed will be voted as directed. If no direction is given with respect to a particular proposal, this proxy will be voted FOR the election of the twelve nominees for director; FOR the ratification of appointment of KPMG LLP as independent auditor for the year ending December 31, 2020 and FOR the advisory vote on the approval of executive compensation.

The Board of Directors knows of no other business that will be presented at the meeting. If, however, other matters are properly presented, the designated proxies will vote the shares represented thereby in accordance with the recommendation of the Board as to such matters, or if no recommendation is made by the Board, then in accordance with such person's best judgement pursuant to the authority granted in the proxy.

(Items to be voted appear on reverse side)

C Non-Voting Items

Change of Address – Please print new address below.

[Empty rectangular box for address change]

