
Remuneration Report

The Board of Directors presents its Remuneration Report for the year ended 31 December 2008. A resolution to approve this report will be put to shareholders at the Annual General Meeting on 23 April 2009.

Remuneration Committee

The Remuneration Committee (the 'Committee') is responsible for setting the Chairman's and each executive Director's remuneration. The Committee's current terms of reference were adopted on 25 February 2004 and are available on the Company's website or from the Group Company Secretary. The Committee is comprised of three non-executive Directors, Nicholas Wrigley (Chairman), David Thompson and Neil Davidson, all of whom the Board considers to be independent. The number of meetings held during the year and the Committee members' attendance is set out on page 36 of the Corporate Governance Report.

Chairman

As previously announced John White's retention of executive duties was transitional and during 2008 his executive responsibilities were transferred to other Board members. As a result the Committee reviewed its policy on the Chairman's remuneration and amended it to be more consistent with that of a Chairman of a FTSE 250 company. Mr White has a letter of appointment dated 25 February 2009 to his role as Group Chairman which is subject to a six month notice period. John White's salary was reduced to £290,000 p.a. with effect from 1 October 2008 and from that date he will not participate in a bonus scheme, receive a pension salary supplement, LTIP awards or other benefits, save he will remain a member of the Group's private medical scheme.

Remuneration policy

The objective of the policy is to have a remuneration package which will retain the talented executive team and be performance orientated. The executive Directors' remuneration policy has a higher than typical emphasis on performance related pay. The Committee considers that the policy ensures that the executive Directors' remuneration is in line with market standards and best practice, closely aligning the Directors' interests with those of shareholders.

The Committee reviewed its policy for the remuneration of executive Directors in light of the current market conditions for UK housebuilders, and sought independent advice from Hewitt New Bridge Street ('HNBS'), who are leading advisors on executive remuneration. HNBS were appointed by the Committee and do not provide any other service to the Company; however their parent company does provide advice on the Group's pension schemes. In addition, the Committee consulted with the Group Chairman and the Group Chief Executive, although neither participated in any discussion relating to their own remuneration.

The remuneration of the executive Directors consists of different elements of pay and benefits, which make up the whole remuneration package. The components include basic salary, annual bonus, long term incentive plan awards and pension. Basic salaries were set on 1 January 2007 at broadly market median levels and increased by 3% on 1 January 2008. Annual bonus is performance related and the performance targets are set on measures that the Committee considers will align executive remuneration with shareholders' interests. The performance conditions were previously set on profit before tax and earnings per share targets. As the Company's current strategic targets are geared towards cash generation, in 2009 the annual bonus targets will be based one half on profit before tax and one half on a cash generation target. The performance targets will be set annually to incentivise executive Directors to achieve excellent Company performance in accordance with both the Company's strategy and market conditions.

Long Term Incentive Plan (LTIP) Awards are also designed to align the executive Directors interests with the Company's longer term financial performance and with the interests of shareholders. The performance conditions attached to the vesting of LTIP Awards granted in 2008 were based on the Company's Total Shareholder Return versus a comparator group of the constituents of the FTSE 100 and the Company's Return on Capital Employed (ROCE). As the Company's current strategic targets are geared towards cash generation, the Committee considers that the ROCE performance condition is no longer an appropriate measure of future performance. For 2009 awards the ROCE performance condition will be replaced with a new cash generation performance condition.

David Bryant has informed the Board that he intends to retire at the end of 2009 and step down as an executive Director at the Annual General Meeting on 23 April 2009. It has been agreed that his Group responsibilities will be transferred to other Group directors on 1 July 2009, when Mr Bryant will assume the role of Eastern Regional Chairman, a senior role below board level. As a result of this change of role the Committee has determined that Mr Bryant's remuneration will be amended from 1 July 2009. Mr Bryant will not be granted an LTIP award in 2009.

Full details of both the quantum of the individual components of the packages, payable to executive Directors and the structure of annual bonus, LTIP awards and pension provision, are summarised on the following pages.

Remuneration Report continued

Basic salary

In view of current trading conditions no increase has been awarded to executive directors' basic salaries for 2009. The basic salaries will be as set out below:

	2009	2008
Mike Farley	£633,450	£633,450
Mike Killoran	£412,000	£412,000
David Bryant	£272,950	£272,950

Mr Bryant's basic salary will reduce on 1 July 2009 to reflect his change in role until his retirement on 31 December 2009.

Annual bonus

Annual bonuses are performance related and non-pensionable. No annual bonus payments will be made to executive Directors for 2008 as performance targets were not met.

Previously an executive Director could receive a maximum of 100% of a bonus in cash, with any excess bonus being paid in shares which vested in two equal tranches one year and two years after the date on which the bonus was awarded. Details of Bonus Shares are shown on page 32.

There are two performance targets for annual bonuses that may be earned for 2009, Group profit before tax ('PBT') and cash generation. The Committee considers that these targets will incentivise the Directors in line with the Group's strategic aims set out on page 6. The Committee has determined that the total level of potential annual bonus payable to the executive Directors in 2009 will be changed and capped at one hundred percent of basic salary.

For 2009 annual bonuses the Committee has determined an appropriate sliding scale around a target figure for both PBT and cash generation. Recognising the difficult market conditions faced by the housebuilding industry the Committee has amended the sliding scale and target figures to reflect the current conditions but also to incentivise the executive Directors in 2009. Mr Bryant will participate in the executive Directors' bonus scheme until 30 June 2009, his annual bonus targets will be pro rated accordingly.

Maximum annual bonus potential for 2009 (as a percentage of salary)	2009	2008
Mike Farley	100%	250%
Mike Killoran	100%	250%
David Bryant	100%	175%

Long Term Incentive Plan ('LTIP')

The executive Directors may be granted awards under the Company's LTIP up to a maximum value of 250% of basic salary. During 2008 Mike Farley received an LTIP award of 200% of basic salary and Mike Killoran and David Bryant received an award of 150% of basic salary. In 2009 the Committee intends to make awards at 150% and 100% of basic salary to Mike Farley and Mike Killoran respectively. In 2008 John White received an LTIP award of 200% of his then basic salary. Neither John White or David Bryant will be granted any further LTIP awards.

LTIP awards vest after a three year performance period if the performance conditions attached to the awards are met. The performance conditions relating to LTIP awards made in 2006 have not been achieved and as a result no shares will vest in 2009 in respect of these awards.

For the awards made in 2007 and 2008 the performance conditions were based on Total Shareholder Return (TSR) versus a comparator group of the constituents of the FTSE 100 and Return on Capital Employed (ROCE), with 50% of an award linked to TSR and 50% linked to ROCE. The TSR performance condition was median to upper quartile performance for between 25% to 100% of this part of the award to vest. The ROCE target was 15% to 22% for between 25% to 100% of this part of the award to vest. The Committee considered this provided a good blend between rewarding stock market performance and long term financial performance.

The Committee is however amending the performance conditions for awards to be made in 2009. Reflecting that the Company is now a constituent of the FTSE 250 the award based on TSR performance will measure the Company's TSR against the constituents of the FTSE 250 Index (excluding Investment Trusts) as at the date of grant. The Committee considers the FTSE 250 to be the most appropriate benchmark against which to compare the Company's TSR, as there are an insufficient number of large housebuilders to provide a robust comparator group. One half of an award will be linked to TSR performance and the vesting schedule will be 25% of this part of the award for median performance, with sliding scale increases until full vesting at or above upper quartile performance.

As the Company's current strategic targets are geared to cash generation, the Committee considers that the performance condition relating to ROCE is not appropriate in the current circumstances. For awards granted in 2009, the ROCE performance condition will be replaced with a new cash generation performance condition. One half of an award will be linked to cash generation. If the Group's cumulative cash generated from operating activities over the three year period is 85% of target then 20% of this part of the award will vest, rising to 100% of this part of the award vesting for cash generation of 125% over target, with a sliding scale in between. The precise target range is considered to be too sensitive to be able to disclose in advance. There will be full details of the range in the disclosure of vested awards in the future.

For grants in future years, the Committee will review the performance conditions in the light of the outlook for the house building sector at that time.

Remuneration Report continued

Pension

The executive Directors are members of the Group's defined benefit pension scheme. The normal retirement age for executive Directors is 60. The Committee had previously agreed that an executive Director who elected to cease accruing further service in the Group's defined benefit scheme from 6 April 2006 would instead receive a salary supplement of 30% of basic salary. The Committee considers that the salary supplement is cost neutral to the Company.

Mike Farley and David Bryant have elected not to accrue any further service in the scheme. However their pension will continue to be based on their pensionable salary at the date of leaving the Group or scheme and they remain members of the scheme for life insurance purposes. A salary cap for pension purposes was introduced in 2007. Mike Farley and David Bryant's pensionable salary caps are £432,600 and £266,255 respectively, which is below their basic salaries. David Bryant will remain an active member of the Scheme after 1 July 2009, and he will continue to receive a salary supplement of 30% of his revised basic salary.

Mike Killoran elected to continue service in the scheme and accrues benefit after 6 April 2006 at 1/45th of his basic salary for each year of service. Mike Killoran's service in the scheme prior to this date was subject to the HMRC Earnings Cap and his scheme cap for service up to 5 April 2006 is currently £119,645.

The pensionable salary caps for the executive Directors will increase annually in accordance with their increase in basic salary, up to a maximum of 5% p.a. As basic salaries have not increased for 2009, neither will the pensionable salary caps.

Benefits in kind

Each of the executive Directors' remuneration also includes fully financed cars or cash car allowance, membership of the Group private medical scheme, the Group income protection scheme, subscriptions and some telephone costs. These benefits are not pensionable. David Bryant will continue to receive these benefits when he assumes his new role until his retirement on 31 December 2009.

All employee share scheme

The executive Directors may also participate in the Company's Save as You Earn Scheme, which is open to all permanent employees who have more than six months' service.

Service contracts

All executive Directors have service contracts and in line with the recommendations of the Combined Code on Corporate Governance, the notice period for each executive Director does not exceed 12 months. The contracts expire on the Director's 60th birthday. In circumstances following a change of control or where dismissed in breach of contract, an executive Director is entitled to payments for termination of employment, but in no circumstances will such payments exceed 12 months' remuneration. The executive Directors' contracts are all dated 24 April 2002 but are effective from 1 January 2002.

John White, Hamish Leslie Melville, David Thompson and Nicholas Wrigley will retire at the 2009 Annual General Meeting and are offering themselves for re-election. None of these Directors have service contracts.

Share ownership guidelines

The Committee has for some time encouraged significant long term share ownership of the Company's shares by the executive Directors. In order to comply with best practice, formal share ownership guidelines were established in 2002. As a result, the Committee now requires each executive Director to hold Persimmon shares. Mike Farley has to hold a minimum value of shares equivalent to three times his basic salary and the other executive Directors are required to maintain shareholdings equivalent in value to two times their basic salary.

John White is required to hold shares which vest pursuant to the Synergy Incentive Plan for the period of his term as Chairman, except for sales of shares to pay income tax and National Insurance due on the exercise of the award.

The Committee recognises that executive Directors may be required to sell sufficient shares in the Company to satisfy any tax liability arising on the vesting of Bonus Shares or the exercise of options and vesting of awards granted under the Company's LTIP and Synergy Incentive Plans from time to time.

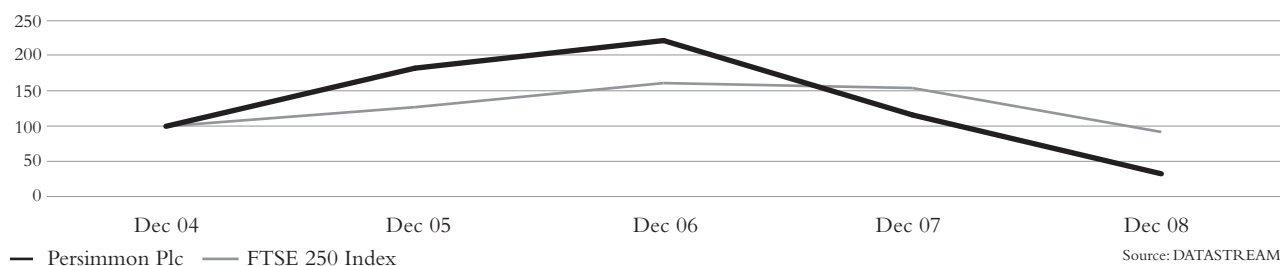
External appointments

None of the executive Directors currently has an external appointment. Should an executive wish to take up an external appointment, he must first seek approval from the Group Chairman and/or the Group Chief Executive.

Remuneration Report continued

Performance graph

Shown below is the Company's TSR performance against the FTSE 250 Index over the last five financial years. The Board has chosen this comparator for the 2008 report as it is the index of which the Company is a member.



Non-executive Directors

The Directors' remuneration policy for non-executive Directors is to pay fees commensurate with their experience which are non-pensionable. Non-executive Directors do not have service contracts and their appointments may be terminated on one month's notice. Non-executive Directors do not qualify for performance related bonuses. The Board as a whole determines the fees of the non-executive Directors. The fees for 2009 are £48,000 p.a., plus an additional fee of £8,500 p.a. for additional responsibilities in chairing a committee. These fees will not increase in 2009.

The auditors are required to report on the information contained in the following part of this report.

Schedule of Directors' emoluments for the year ended 31 December 2008

	Salaries and fees £	Performance related cash bonus £	Benefits £	Salary supplement in lieu of pension £	2008 Total £	2007 Total £
Chairman						
J White ^Δ	547,588	–	35,771	142,526	725,885	1,813,625
Executive						
M P Farley	633,450	–	38,835	190,035	862,320	1,801,461
M H Killoran [†]	375,460	–	29,820	–	405,280	1,035,173
D G Bryant	272,950	–	37,292	81,885	392,127	699,149
Non-executive						
I H Leslie Melville [*]	48,000	–	–	–	48,000	46,750
D G F Thompson	56,500	–	–	–	56,500	55,000
R C N Davidson	56,500	–	–	–	56,500	46,750
N H T Wrigley [*]	56,500	–	–	–	56,500	46,750
R J Pennycook	38,125	–	–	–	38,125	–
Totals	2,085,073	–	141,718	414,446	2,641,237	5,544,658

^Δ John White's basic salary was reduced to £290,000 p.a. on 1 October 2008.

[†] The Group's defined benefit pension scheme became non-contributory on 1 August 2005. As a result the salary paid to Mike Killoran as a member accruing service in this scheme was reduced by 9% of his pensionable salary, which would have been the member rate of contribution to the scheme. Salary related benefits remain based on his salary published on page 29.

^{*} Hamish Leslie Melville and Nicholas Wrigley's non-executive fees are paid in full to their respective employing companies, Credit Suisse Securities (Europe) Ltd and N M Rothschild & Sons Ltd.

During the year no Director waived his entitlement to any emoluments.

Mr J Millar, who retired as a Director in April 2006 received a salary and bonus for 2008 of £300,000 (2007: £300,000) and benefits of £17,742 (2007: £14,294) in his capacity as a Group Special Projects Director. Mr D H Davidson who retired as Chairman in April 2006 remains Life President and received a payment of £7,500 (2007: £7,500) and benefits of £37,815 (2007: £36,422) for the year to 31 December 2008. Mr G Grewer, who retired as a Director in December 2001 received £40,000 (2007: £40,000) for his role as Chairman of the Trustees of the Persimmon Plc Pension and Life Assurance Scheme.

Remuneration Report continued

Directors' Pension Entitlements

	Total accrued pension at 31 December 2007 £ p.a.	Total accrued pension at 31 December 2008 £ p.a.	Increase in accrued pension £ p.a.	Increase/(decrease) in accrued pension (net of inflation) £ p.a.	Transfer value at 31 December 2007 £	Transfer value at 31 December 2008 £	Increase in transfer value, less member contributions £	Transfer value of net of inflation increase/(decrease) in accrued pension less member contributions £
J White	254,257	265,166	10,909	(1,804)	4,473,205	5,772,857	1,299,652	(39,274)
M P Farley	183,667	201,808	18,141	8,958	3,015,587	3,975,232	959,645	176,455
M H Killoran	38,004	48,318	10,314	8,413	479,997	649,605	169,608	104,058
D G Bryant	111,896	116,700	4,804	(791)	1,913,953	2,424,344	510,391	(16,432)

The total accrued pension as at 31 December 2007 for Messrs White, Farley and Bryant has been restated and reduced as these figures had previously been incorrectly calculated by the Company's advisers.

Directors' Interests in Shares

The interests of Directors serving at the end of the year in the ordinary share capital of the Company are as shown below:

	Beneficial holdings		Interests in share options and awards (excluding Bonus Shares)	
	31 December 2008	1 January 2008	31 December 2008	1 January 2008
J White	2,074,922	2,060,227	688,833	557,631
M P Farley	1,007,001	968,535	502,625	358,357
M H Killoran	430,981	489,177	325,380	277,095
D G Bryant	524,778	512,945	148,128	117,462
I H Leslie Melville	150,000	150,000	–	–
D G F Thompson	60,032	31,155	–	–
R C N Davidson	38,350	38,350	–	–
N H T Wrigley	4,000	4,000	–	–
R J Pennycook	643	643	–	–
Total	4,290,707	4,255,032	1,664,966	1,310,545

The Directors' beneficial holdings represent 1.4% of the Company's issued share capital as at 31 December 2008 (excluding shares held in Treasury). D G F Thompson also has non-beneficial interests of 5,454 ordinary shares (2007: 12,155 ordinary shares). Otherwise all interests of the Directors are beneficial. There has been no change in the interests set out above between 31 December 2008 and 2 March 2009.

Bonus Shares

The interests of Directors in Bonus Shares are as shown below:

	31 December 2008	2007 Bonus Shares awarded during year	2005/2006 Bonus Shares vested during year	1 January 2008
J White	32,496	5,673	60,979	87,802
M P Farley	24,914	5,673	37,030	56,271
M H Killoran	11,978	5,685	12,492	18,785
D G Bryant	–	–	75	75
Total	69,388	17,031	110,576	162,933

Bonus Shares vest over a two year period. There will be no Bonus Share awards for 2008.

Remuneration Report continued

Directors' interests in share options, Long Term Incentive Plan and Synergy Incentive Plan awards

	1 January 2008	Granted in year	Exercised in year	Lapsed in year	31 December 2008	Exercisable from	Expiry date	Performance condition end date	Exercise price/market price at date of award	Market price at date of exercise	Notional gain on exercise of option £
J White	57,602 ⁽¹⁾	–	48,961	8,641	–	Mar 08	Sep 08	Dec 07	746.5p	558.5p	273,447
	32,306 ⁽¹⁾	–	–	–	32,306	Mar 09	Sep 09	Dec 08	1,331.0p	–	–
	93,750 ⁽⁴⁾	–	–	–	93,750	Feb 09	Aug 09	Dec 06	1,336.0p	–	–
	281,250 ⁽⁴⁾	–	–	–	281,250	Feb 10	Aug 10	Dec 07	1,336.0p	–	–
	91,449 ⁽²⁾	–	–	–	91,449	May 10	Nov 10	Dec 09	1,345.0p	–	–
	1,274 ⁽³⁾	–	–	1,274	–	Dec 10	May 11	–	753.0p	–	–
	–	187,134 ⁽²⁾	–	–	187,134	Mar 11	Sep 11	Dec 10	677.0p	–	–
	–	2,944 ⁽³⁾	–	–	2,944	Dec 11	May 12	–	326.0p	–	–
Total	557,631	190,078	48,961	9,915	688,833						273,447
M P Farley	42,866 ⁽¹⁾	–	36,436	6,430	–	Mar 08	Sep 08	Dec 07	746.5p	558.5p	203,495
	24,042 ⁽¹⁾	–	–	–	24,042	Mar 09	Sep 09	Dec 08	1,331.0p	–	–
	50,000 ⁽⁴⁾	–	–	–	50,000	Feb 09	Aug 09	Dec 06	1,336.0p	–	–
	150,000 ⁽⁴⁾	–	–	–	150,000	Feb 10	Aug 10	Dec 07	1,336.0p	–	–
	91,449 ⁽²⁾	–	–	–	91,449	May 10	Nov 10	Dec 09	1,345.0p	–	–
	–	187,134 ⁽²⁾	–	–	187,134	Mar 11	Sep 11	Dec 10	677.0p	–	–
Total	358,357	187,134	36,436	6,430	502,625						203,495
M H Killoran	1,804 ⁽³⁾	–	1,804	–	–	Dec 07	May 08	–	525.0p	707.5p	3,292
	42,866 ⁽¹⁾	–	36,436	6,430	–	Mar 08	Sep 08	Dec 07	746.5p	558.5p	203,495
	24,042 ⁽¹⁾	–	–	–	24,042	Mar 09	Sep 09	Dec 08	1,331.0p	–	–
	40,625 ⁽⁴⁾	–	–	–	40,625	Feb 09	Aug 09	Dec 06	1,336.0p	–	–
	121,875 ⁽⁴⁾	–	–	–	121,875	Feb 10	Aug 10	Dec 07	1,336.0p	–	–
	44,609 ⁽²⁾	–	–	–	44,609	May 10	Nov 10	Dec 09	1,345.0p	–	–
	1,274 ⁽³⁾	–	–	1,274	–	Dec 10	May 11	–	753.0p	–	–
	–	91,285 ⁽²⁾	–	–	91,285	Mar 11	Sep 11	Dec 10	677.0p	–	–
	–	2,944 ⁽³⁾	–	–	2,944	Dec 11	May 12	–	326.0p	–	–
Total	277,095	94,229	38,240	7,704	325,380						206,787
D G Bryant	31,480 ⁽¹⁾	–	26,758	4,722	–	Mar 08	Sep 08	Dec 07	746.5p	558.5p	149,443
	17,655 ⁽¹⁾	–	–	–	17,655	Mar 09	Sep 09	Dec 08	1,331.0p	–	–
	9,375 ⁽⁴⁾	–	–	–	9,375	Feb 09	Aug 09	Dec 06	1,336.0p	–	–
	28,125 ⁽⁴⁾	–	–	–	28,125	Feb 10	Aug 10	Dec 07	1,336.0p	–	–
	29,553 ⁽²⁾	–	–	–	29,553	May 10	Nov 10	Dec 09	1,345.0p	–	–
	1,274 ⁽³⁾	–	–	1,274	–	Dec 10	May 11	–	753.0p	–	–
	–	60,476 ⁽²⁾	–	–	60,476	Mar 11	Sep 11	Dec 10	677.0p	–	–
	–	2,944 ⁽³⁾	–	–	2,944	Dec 11	May 12	–	326.0p	–	–
Total	117,462	63,420	26,758	5,996	148,128						149,443

⁽¹⁾Persimmon Plc Long Term Incentive Plan 1998.⁽³⁾Persimmon Plc Save As You Earn Scheme.⁽²⁾Persimmon Plc Long Term Incentive Plan 2007.⁽⁴⁾Persimmon Plc Synergy Incentive Plan (SIP).

Remuneration Report continued

All options and awards were granted for nil consideration. The 2008 LTIP awards were made on 11 March 2008 and the SAYE options were granted on 21 October 2008. The performance conditions for the LTIP awards granted in 2007 and 2008 are shown on page 29.

Vesting of awards under the Persimmon Plc Long Term Incentive Plan 1998 are subject to the achievement of performance conditions based on TSR relative to other housebuilders (median to upper quartile TSR for between 40% to 100% of this part of the award to vest) and a range of ROCE targets (13% to 20% for between 50% and 100% of this part of the award to vest). The performance conditions for the awards granted in 2006 have not been met and no shares will vest in respect of these grants.

The Synergy Incentive Plan (SIP) will vest in two tranches. The performance conditions for both tranches of the SIP awards have been met. The Company achieved synergy savings of c. £32m by the year ended 31 December 2006 and further synergy savings of over £50m in the year ended 31 December 2007; both figures were approved by the Audit and Remuneration Committees advised by external auditors. The awards will vest in February 2009 and February 2010. The Committee has confirmed that the dividend equivalent will be paid to Directors in shares.

Details of the market value of the Company's shares during 2008 were: closing price at 31 December 2008: £2.29¾; lowest closing price in 2008: £1.83¾; highest closing price in 2008: £8.87.

Approved by the Board and signed on its behalf by

Nicholas Wrigley Chairman Remuneration Committee
2 March 2009