UKSA

Mr Nicholas Wrigley
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Dear Mr Wrigley,

Persimmon Long Term Incentive Plan

Following concern expressed by our members we undertook an analysis of the recently-approved Persimmon LTIP. We are troubled to find that its incentive element is largely illusory. Notwithstanding the fact that it has been approved, even overwhelmingly, we believe there are also matters of wider interest here, which is why we are minded to take the matter further. We wish to give you the opportunity to respond before we do so.

The original report of the UKSA policy group to the UKSA directors is enclosed for your information. Among our critical conclusions we draw your attention in particular to the following.

- The presentation of the scheme as a grant of options at a strike price of 620p could mislead any busy or careless analyst into failing to understand that, when allied to the trivial performance targets, the scheme is actually a near-unconditional gift of shares.
- The way the targets table is laid out superficially presents a smooth progression of achievement. It requires a bit of work, but this shows that it is in fact back-end loaded for no immediately apparent reason.
- This back-end loading defers to years 9 & 10 anything other than trivial challenge to meet targets. It then becomes possible to complete full payout under the plan by selling assets and other manipulations of the balance sheet. Adverse long-term consequences will become felt only after the scheme has completed.

Because of the serious issues raised by our analysis we believe there are many questions to be answered. However, for the purposes of this letter we ask you and your colleagues to consider the six set out below.

1. Is there any material aspect of any of our conclusions, here or in the enclosure, with which you disagree?

2. Given the ease with which the targets for awards can be met, why did the board think that this new scheme was needed at all?

3. Why has the scheme been constructed in such a way that targets can be met by the use of distributable reserves already earned, plus cash and other assets already created?

4. Given the obvious threat to the land bank towards the end of the scheme, how does the board expect to prevent land assets being diminished by management action or inaction solely to facilitate full pay out?

5. In approving the scheme, what residual shareholder value did the board envisage would be the result at each intermediate stage and after ten years and how is achievement of that value built into the scheme?

6. As it isn't evident from the scheme how shareholders will benefit (and, indeed, seems more likely that they will lose), we have to assume that additional information was given to major shareholders in advance of the vote, so may we please know, in summary, what this was?

Yours sincerely,

John Hunter
UKSA Policy Group