

LONDON & STAMFORD PROPERTY PLC

TERMS OF REFERENCE – REMUNERATION COMMITTEE

GUIDANCE NOTES

The UK Corporate Governance Code states as one of its principles that:

"There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his or her own remuneration."

It goes on to state that:

"The board should establish a remuneration committees of at least three, or in the case of smaller companies (below the FTSE 350) two, members, who should all be independent non-executive directors."

It is clear, therefore, that not only should companies go through a formal process of considering executive remuneration, but they must be seen to be doing so in a fair and thorough manner. It is, therefore, essential that the remuneration committee is properly constituted with clear remit and identified authority.

The UK Corporate Governance Code also provides that:

1. The remuneration committee should have delegated responsibility for setting remuneration for all executive directors and the chairman (including pension rights and any compensation payments). The remuneration committee should also recommend and monitor the level and structure of remuneration for 'senior management' (which is to be determined by the Board but should normally include the first layer of management below board level).
2. The remuneration committee should consult the chairman and/or chief executive about any proposals relating to the remuneration of other executive directors.
3. The remuneration committee should be responsible for appointing any consultants in respect of executive director remuneration. A statement should be made available of whether they have any other connection with the Company.
4. Where executive directors or senior management are involved in advising or supporting the remuneration committee, care should be taken to recognise and avoid conflicts of interest.
5. The board (or where required by the articles of association ("**Articles**"), the shareholders) should determine the remuneration of the non-executive directors within the limits set in the Articles. Where permitted by the Articles, the board may delegate this responsibility to a committee (which might include the chief executive).
6. The chairman of the board should ensure that the Company maintains contact as required with its principal shareholders about remuneration in the same way as for other matters.
7. Shareholders should be invited to approve all new long-term incentive schemes and significant changes to existing schemes.

The UK Corporate Governance Code provides that the remuneration committee's members should all be "independent" non-executive directors. Although the UK Corporate Governance Code does not attempt to define independence, companies should be aware that certain institutional investors and

investor bodies such as the National Association of Pension Funds, Association of British Insurers and Pensions Investment Research Council have developed their own criteria which companies may wish to consider. These set out the following principles:

1. Non-executive directors should be independent, i.e. free from bias, involvement or partiality. It is recognised that professional advisers such as merchant bankers and solicitors may well fulfil a specialist role but they should not be regarded as a substitute for the independent non-executive director. Independence is more likely to be assured, inter alia, when the director:
 - 1.1 has not been employed in any executive capacity by the Company concerned within the last few years;
 - 1.2 is not retained as a professional advisers by the Company (either personally or through his or her firm); and
 - 1.3 is not a significant supplier or customer of the Company.
2. In order not to impair their impartiality, non-executive directors should not, under normal circumstances, be offered participation in share option schemes, nor in performance related or other incentivised remuneration schemes, nor in any company pension schemes. They should not be entitled to any compensation for loss of office.
3. Non-executive directors should hold other directorships in the same industry only with the approval of the board.

A remuneration committee of three is usual but companies with larger boards should consider increasing this to four or five.

It is advisable that the Company Secretary (or his or her nominee) should act as secretary to the remuneration committee. It is the Company Secretary's responsibility to ensure that the board and its committees are properly constituted and advised. There also needs to be a clear co-ordination between the main board and the various committees. In addition, although the responsibility for internal controls clearly remains with the board as a whole, the Company Secretary would normally have the day to day task of reviewing the internal control procedures of the Company and responsibility for drafting the governance report.

The frequency with which the Committee needs to meet will vary considerably from company to company and will no doubt change from time to time. It is, however, clear that it must meet at least once each year prior or close to the year-end.

The Companies Act 2006 requires companies to publish a report on directors' remuneration as part of the Company's reporting cycle and to put a resolution to shareholders on this report. The remuneration committee will be responsible for the preparation of this Report. The directors' remuneration report is required to state the names of the directors serving on the remuneration committee and details of any advisers to the remuneration committee.

The list of duties proposed are those which all remuneration committees should consider and includes those matters specifically mentioned in the UK Corporate Governance Code. Some companies may wish to add to this list and some smaller companies may need to modify it in other ways. It is essential that the chairman of the remuneration committee should attend the annual general meeting prepared to respond to any questions which may be raised by shareholders on the remuneration committee's report or other matters within the remuneration committee's area of responsibility.

Nabarro LLP

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TERMS OF REFERENCE

REMUNERATION COMMITTEE

1. MEMBERSHIP

- 1.1 By a resolution dated 17 September 2010, the Board resolved to establish a committee of the Board to be known as the remuneration committee.
- 1.2 Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee in consultation with the Chairman of the Committee. The Committee shall comprise a Chairman and at least one other member.
- 1.3 All members of the Committee shall be non-executive directors who are independent of management and free from any business or other relationship which could interfere with the exercise of their independent judgement.
- 1.4 Care should be taken to minimise the risk of any conflict of interest that might be seen to give rise to an unacceptable influence. Where possible, the Chairman and members of the Committee should be rotated on a regular basis.
- 1.5 The Board shall appoint the Chairman of the Committee who shall be a non-executive director and determine the period for which he or she shall hold office. The Chairman of the Board shall not be eligible to be appointed as Chairman of the Committee. In the absence of the Chairman of the Committee and/or an appointed deputy, the remaining members present shall elect one of the non-executive members present to chair the meeting.
- 1.6 Only members of the Committee have the right to attend Committee meetings. However, the other individuals such as the Chief Executive, the head of human resources and external advisers may be invited to attend for all or part of any meeting as and when appropriate.

2. SECRETARY

The Company Secretary or his or her nominee shall act as the Secretary of the Committee.

3. QUORUM

The quorum necessary for the transaction of business shall be two. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

4. FREQUENCY OF MEETINGS

The Committee shall meet at least twice a year and at such other times as the Chairman of the Committee shall require.

5. NOTICE OF MEETINGS

- 5.1 Meetings of the Committee shall be summoned by the Secretary of the Committee at the request of any member thereof.
- 5.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee, any other person required to attend and all other non-executive directors, no fewer than five working days prior to the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate at the same time.

6. MINUTES OF MEETINGS

- 6.1 The Secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.
- 6.2 The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 6.3 Minutes of Committee meetings shall be circulated to all members of the Committee and, once agreed, to all members of the Board.

7. ANNUAL GENERAL MEETING

The Chairman of the Committee shall attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee's activities.

8. DUTIES

The Committee shall:

- 8.1 determine and agree with the Board the framework or broad policy for the remuneration of the Company's or group's Chief Executive, the Chairman of the Company, the Company's executive directors, the Company Secretary and such other members of senior management as it is designated to consider (together the "**Relevant Individuals**"). The remuneration of non-executive directors shall be a matter for the Chairman and the executive members of the Board. No Relevant Individual shall be involved in any decision as to their own remuneration;
- 8.2 in determining such policy, take into account all factors which it deems necessary. The objective of such policy shall be to ensure that Relevant Individuals are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company;
- 8.3 review the ongoing appropriateness and relevance of the remuneration policy;
- 8.4 approve the design of and determine targets for any performance-related pay schemes operated by the Company for Relevant Individuals and approve the total annual payments made under such schemes;

- 8.5 review the design of all share incentive plans for approval by the Board and shareholders. For any such plans, determine each year whether awards will be made and, if so, the overall amount of such awards, the individual awards to Relevant Individuals and the performance targets to be used;
- 8.6 determine the policy for and scope of pension arrangements, service agreements, termination payments and compensation commitments for Relevant Individuals;
- 8.7 ensure that contractual terms on termination, and any payments made, are fair to the Relevant Individual and the Company and that the duty to mitigate loss is fully recognised;
- 8.8 within the terms of the agreed policy, determine the total individual remuneration package for Relevant Individuals including, where appropriate, bonuses, share options and incentive payments (although shareholders should be invited specifically to approve all new long-term incentive schemes or significant changes to such schemes);
- 8.9 in determining such packages and arrangements, give due regard to any relevant legal requirements, the provisions and recommendations in the UK Corporate Governance Code on Corporate Governance ("**UK Corporate Governance Code**") and the UK Listing Authority's Listing Rules and associated guidance;
- 8.10 review and note annually the remuneration trends across the Company or Group;
- 8.11 oversee any major changes in employee benefit structures throughout the Company or group;
- 8.12 vet and authorise the reimbursement of any claims for expenses from the Chief Executive and Chairman of the Company;
- 8.13 procure the preparation and audit of annual directors' remuneration reports in accordance with section 421 of the Companies Act 2006;
- 8.14 ensure that the shareholders at the AGM should be invited to approve the directors' remuneration report;
- 8.15 ensure that all provisions regarding disclosure of remuneration including pensions, as set out in the Directors' Remuneration Report Regulations 2002 and the UK Corporate Governance Code are fulfilled; and
- 8.16 be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee and to obtain reliable, up-to-date information about remuneration in other companies. The Committee shall have full authority to commission any reports or surveys which it deems necessary to help it fulfil its obligations.

9. **AUTHORITY**

The Committee is authorised by the Board:

- 9.1 to seek any information it requires from any employee of the Company in order to perform its duties;
- 9.2 to obtain, at the Company's expense, outside legal or other professional advice on any matter within its terms of reference;

- 9.3 to commission any reports or surveys which it deems necessary to help it fulfil its obligations; and
- 9.4 to call any member of staff to be questioned at a meeting of the Committee as and when required.

10. REGULATORY DUTIES

- 10.1 In carrying out its duties under these terms of reference, the Committee shall:
- 10.1.1 give due regard to:
- (a) all relevant legal requirements;
 - (b) the requirements of the UK Listing Authority's Listing Rules and the Prospectus and Disclosure and Transparency Rules; and
 - (c) the provisions and recommendations of the UK Corporate Governance Code issued by the Financial Reporting Council,
- 10.1.2 ensure that it has such information as it considers necessary or desirable to fulfil its duties as set out in these terms of reference.

11. REPORTING RESPONSIBILITIES

- 11.1 The Chairman of the Committee shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 11.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 11.3 The Committee shall produce an annual report of the Company's remuneration policy and practices which will form part of the Company's annual report and ensure each year that it is put to shareholders for approval at the AGM.
- 11.4 The Committee's terms of reference shall be available on the Company's website.

12. OTHER

The Committee shall, at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

13. DEFINITIONS

"Board"

shall mean the full Board of Directors;

"Committee"

shall mean the Remuneration Committee.