

The Local Shopping REIT Plc

remuneration committee

Terms of reference

THE LOCAL SHOPPING REIT Plc

REMUNERATION COMMITTEE

TERMS OF REFERENCE

1. PURPOSE

- 1.1 The purpose of the Committee is to establish a formal and transparent procedure for developing policy on executive remuneration and to set the remuneration packages of individual Directors, as required by section B.2 of the Combined Code.

2. CONSTITUTION AND MEMBERSHIP

- 2.1 The Remuneration Committee has been established as a committee of the Board by resolution of the Board.
- 2.2 The members of the Committee shall be appointed by the Board. The Committee shall comprise at least two members, all of whom shall be independent non-executive Directors. In addition the Company Chairman may also be a member of the committee if he or she was considered independent on appointment as Chairman.
- 2.3 The chairman of the Committee shall be appointed by the Board. In the absence of the chairman of the Committee, the members present shall select one of their number present to chair the meeting. The Chairman of the Company shall not be eligible to be appointed as chairman of the Committee.
- 2.4 The Company Secretary shall act as the Secretary of the Committee. Where the Secretary is also an executive Director, the Committee may nominate one of its members to act as secretary for any meeting which the Committee wishes to hold without executive Directors being present.

3. ATTENDANCE

- 3.1 The Committee may request the Chairman of the Company, Chief Executive, Finance Director and any relevant senior management to attend meetings of the Committee, either regularly or by invitation, but such invitees have (save as set out in the following paragraph, or, in the case of the Chairman of the Company save as appointed to the Committee in accordance with paragraph 2.2 above), no right of attendance.
- 3.2 The Chief Executive shall have the right to address any meeting of the Committee.

4. **MEETINGS**

- 4.1 The Committee will meet at least once each year, normally to tie in with the determination of the Company's audited results, and at such other times as the Chairman of the Committee shall think fit.
- 4.2 Meetings of the Committee shall be convened by the Secretary of the Committee at the request of any member.
- 4.3 Unless otherwise agreed by all members of the Committee, notice of meetings, confirming the venue, time and date together with an agenda and all relevant papers, should normally be circulated to each member of the Committee, to any other person required to attend, and to all other non-executive directors, at least five working days prior to the date of the meeting. Notice of meetings may be effected by means of electronic communication where members of the Committee have provided the necessary address details.
- 4.4 The quorum for meetings of the Committee shall be two members.
- 4.5 Decisions of the Committee will be made by majority vote. In the event of an equality of votes the Chairman of the Committee will have a second or casting vote.

5. **REPORTING**

- 5.1 The Secretary shall minute the proceedings and resolutions of all meetings of the Committee. Minutes of Committee meetings shall be circulated promptly to all members of the Committee and to all members of the Board.
- 5.2 The Committee shall make whatever recommendations to the Board that it deems appropriate in the context of the scope of its responsibilities.
- 5.3 The Committee shall prepare a report each year to be included in the Company's annual report and accounts.
- 5.4 The chairman of the Committee should be present at the Company's annual general meeting to respond to questions on matters within the responsibility of the Committee.

6. **DUTIES**

- 6.1 The duties of the Committee are to:

determine, and agree with the Board the broad policy for the remuneration, including pensions and benefits, of the executive directors and senior executive management, ensuring that the executive management of the Company 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. The remuneration of non-executive directors shall be a matter for the executive members of the Board. No director or manager shall be involved in any decisions as to his or her own remuneration. In order to ensure his independence, the Committee shall also review and recommend to the Board the remuneration of the Company Secretary;

consider the design of all performance related pay or share incentive plans for approval by the Board and shareholders, approving performance targets and determining the extent of annual awards to individual executive directors and senior executives;

provide itself with such relevant information as may be necessary to inform its consideration of remuneration issues, including, as necessary, the appointment of specialist consultants and the commissioning of research reports and the provision of advice through the Company Secretary;

liaise with the Nomination Committee to ensure that the remuneration of newly appointed executives is within the Company's overall policy.

determine the total individual remuneration package of each executive director and, where appropriate, other senior executives, including pension entitlements and other benefits, giving due regard to the provisions and recommendations of the Combined Code and the UKLA Listing Rules;

ensure that contractual terms on termination, and any payments made, are fair to the individual and the Company, ensuring that compensation commitments do not have the effect of rewarding poor performance and that the duty to mitigate loss is fully recognised, while dealing fairly with cases where departure is not due to poor performance.

be aware of and advise on any major changes in employee benefit structures throughout the Group;

ensure that all relevant statutory and/or regulatory provisions (including the Directors Remuneration Report Regulations 2002) regarding disclosure of remuneration (including pensions) are fulfilled.

7. **AUTHORITY**

7.1 The Committee is authorised by the Board to investigate any activity or state of affairs within its terms of reference.

7.2 The Committee is authorised to seek any information it requires from any employees or officers. In seeking any advice or assistance from any of the

Company's executives, to ensure that such role is clearly separated from the executive's role within the business.

7.3 The Committee is authorised to obtain, at the Company's expense, expert advice from the Company's auditors, professional advisers or otherwise, and to take independent professional advice and to require the attendance of outsiders with relevant experience and expertise if it considers it necessary.

7.4 The Committee is authorised to select, set the terms of reference and appoint remuneration consultants, at the Company's expense.

These terms of reference were adopted by resolution of the Board passed on 11 April 2007.