

AFI DEVELOPMENT PLC

REMUNERATION COMMITTEE TERMS OF REFERENCE

1. Constitution

The board of directors (the “**Board**”) of AFI Development plc (the “**Company**”) has resolved to establish a committee of the Board to be known as the remuneration committee (the “**Committee**”).

2. Membership

2.1 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 Chairman**”). The Committee shall be made up of at least three members, all of whom shall be independent non-executive directors. The chairman of the Board may also serve on the Committee as an additional member if he or she was considered independent on appointment as chairman of the Board.

2.2 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chief Executive, the head of human resources and external advisers may be invited to attend all or part of any meeting as and when appropriate.

2.3 Subject to the normal periodic re-election of directors, appointments to the Committee shall be for an initial period of up to three years, which may be extended for two further three-year periods, provided the director remains independent.

2.4 The Board shall appoint the Committee Chairman who shall be an independent non-executive director. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting. The chairman of the Board or any former executive director of the Company shall not be the Committee Chairman.

3. Secretary

The company secretary or their nominee shall act as the secretary of the Committee and shall attend all of its meetings and shall prepare and circulate to members and all other non-executive directors (and invitees as appropriate) all information and papers in a timely manner to enable them to be given full and proper consideration to the issues.

4. Quorum

The quorum necessary for the transaction of business shall be two members. 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. A member of the Committee shall not be counted in the quorum where decisions are to be made or discussions are to take place concerning such member’s remuneration. All reasonable efforts shall be made to give notice of meetings of the Committee to all members and invitees and to arrange such meetings so that all members and invitees are able to attend.

5. Meetings

The Committee shall meet as frequently as the Committee Chairman shall require and also at regular intervals to deal with routine matters and, in any event, not less than two times in each financial year. Any member of the Committee may request a meeting if he/she considers that one is necessary or expedient.¹

6. Notice of Meetings

6.1 Meetings of the Committee shall be summoned by the secretary of the Committee at the request of any of its members.

6.2 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 later than five working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

7. Minutes of Meetings

7.1 The company secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.

7.2 The company secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.

7.3 Minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all members of the Board, unless a conflict of interest exists.

8. Annual General Meeting

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

9. Purpose

The purpose of the Committee is to:

9.1 set the remuneration of the executive directors of the Company, the Chairman of the Board, the company secretary and such other members of the executive management as it is designed to consider;

9.2 demonstrate to the shareholders of the Company that the remuneration of the principal executive directors of the Company and other senior members of the executive management of the Company and its subsidiaries is set by a committee of the Board whose members have no personal interest in the outcome of the decision of the Committee and who will have due regard to the interests of the shareholders; and

¹ The frequency and timing of meetings will differ according to the needs of the Company. Meetings should be organised so that attendance is maximised (for example by timetabling them to coincide with Board meetings).

9.3 to the extent that an executive director shall sit upon the Committee or may be invited to join meetings of the Committee, as appropriate, he shall absent himself and take no part in the discussions concerning his own remuneration or other benefits or matters within the province of the Committee.

10. Duties

The Committee shall:

- 10.1 determine and agree with the Board the framework or broad policy for the remuneration of the Company's Chief Executive, Chairman, the executive directors, the company secretary and such other members of the executive management as it is designated to consider. 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 their own remuneration;
- 10.2 in determining such policy, take into account all factors which it deems necessary. The objective of such policy shall be to ensure that members of 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;
- 10.3 review the ongoing appropriateness and relevance of the remuneration policy;
- 10.4 approve the design of, and determine targets for, any performance related pay schemes operated by the Company and approve the total annual payments made under such schemes;
- 10.5 review the design of and changes to 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 executive directors and other senior executives and the performance targets to be used;
- 10.6 determine the policy for, and scope of, pension arrangements for each executive director and other senior executives;
- 10.7 ensure that contractual terms on termination, and any payments made, are fair to the individual, and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised;
- 10.8 within the terms of the agreed policy and in consultation with the Chairman and/or Chief Executive as appropriate, determine the total individual remuneration package of each executive director and other senior executives including bonuses, incentive payments and share options or other share awards;
- 10.9 in determining such packages and arrangements, give due regard to any relevant legal requirements, the provisions and recommendations in the Combined Code and the UK Listing Authority's Listing Rules and associated guidance;
- 10.10 review and note annually the remuneration trends across the Company or group;

- 10.11 oversee and advise on any major changes in employee benefits structures throughout the Company or group;
- 10.12 agree the policy for authorising claims for expenses from the Chief Executive and Chairman of the Board;²
- 10.13 ensure that all provisions regarding disclosure of remuneration including pensions, as set out in the Directors' Remuneration Report Regulations 2002 and the Combined Code are fulfilled;
- 10.14 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;
- 10.15 have the authority to approve and authorise the execution of all documents (including service contracts) and do all things as may be necessary or desirable for the purpose of carrying out its duties;
- 10.16 not be authorised to appoint or terminate the employment of directors or senior executives and shall not be responsible for making nominations to the Board;
- 10.17 make publicly available its terms of reference explaining clearly its role and the authority delegated to it by the Board; and
- 10.18 consider any matter specifically referred to the Committee by the Board.

11. Reporting Responsibilities

- 11.1 The Committee Chairman 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 that each year it is put to shareholders for approval at the Annual General Meeting.

12. Other

- 12.1 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.

² It is suggested that the more common arrangement is for the Chairman of the Board to authorise the Chief Executive's expenses and for the Chairman of the Remuneration Committee to authorise the Chairman's claims. An alternative would be for the Committee to authorise the expenses of both.

13. Authority

- 13.1 The Committee is authorised by the Board to investigate any activity within its terms of reference. The Committee is authorised to seek any information it requires from any employee or director of the Company, or any consultant or other provider of services to the Company in order to perform its duties. All employees, directors, consultants and other service providers of services are directed to co-operate with requests for information made by the Committee including requests to attend meetings of the Committee seek any information it requires from any employee of the Company in order to perform its duties.
- 13.2 In connection with its duties the Committee is authorised by the Board to obtain, at the Company's expense, any outside legal or other independent professional advice and within any budgetary restraints imposed by the Board, to appoint remuneration consultants, and to commission or purchase any relevant reports, surveys or information which it deems necessary to help fulfil its duties.
- 13.3 Although the Committee can seek the advice and assistance of the executive management, it must ensure that this role is clearly separated from their role within the business.