



DS SMITH PLC – REMUNERATION COMMITTEE TERMS OF REFERENCE

Membership

The Board shall appoint a Remuneration Committee comprising at least three independent non-Executive Directors, one of whom will be appointed as Chairman of the Committee. The Chairman of the Company may be a member of the Committee if considered independent on appointment as Chairman, but may not chair it. The Company Secretary shall be the Secretary of the Committee.

Appointments to the Committee are made by the Board, on the recommendation of the Nomination Committee and in consultation with the Chairman of the Remuneration Committee.

Meetings

- (i) The Committee will normally meet not less than three times each year. Further meetings may be called by the Board, or any member thereof.
- (ii) The quorum for decisions of the Committee shall be any two members present throughout the meeting.
- (iii) The Committee may invite members of the Board or other executives to attend its meetings.
- (iv) Minutes of meetings shall be taken by the Committee Secretary and shall be reviewed and approved by the Committee and signed by the Chairman of the Committee. The agenda for the subsequent Board Meeting shall provide the Chairman of the Committee the opportunity to give an oral report to the Board when appropriate.

Terms of Reference

The Board has delegated its powers, authorities and discretions to the Remuneration Committee in accordance with the following terms of reference, plus any other relevant matters referred to it by the Board. The Committee will have due regard to the principles of governance, to matters assigned to a remuneration committee under the Listing Rules and to the UK Corporate Governance Code (Code) and associated guidance. The Chairman of the Committee or, in his absence, another member of the Committee shall attend the Annual General Meeting to answer questions concerning matters falling within the Terms of Reference.

The Committee shall:

- (i) have delegated responsibility for determining the policy for Executive Director remuneration and setting remuneration for the Chairman, Executive Directors and senior management (being the Company Secretary and such other members of the executive management as it is designated to consider, which may include members of the Group Operating Committee and the Group Strategy Committee);
- (ii) review workforce remuneration and related policies and the alignment of incentives and rewards with culture, taking these into account when setting the policy for Executive Director remuneration;
- (iii) the remuneration of non- Executive Directors (other than the Chairman) shall be a matter for the Chairman and the Executive Directors. No individual shall be involved in any decisions as to their own remuneration;
- (iv) in determining such policy, take into account all factors which it deems necessary including relevant legal and regulatory requirements, the provisions and recommendations of the UK Corporate Governance Code (including clarity, simplicity, risk, predictability, proportionality, and alignment to culture) and associated guidance. The objective of such policy shall be to attract and retain executive management of a quality required to run the Company successfully without paying more than is necessary, having regard to the views of shareholders and other stakeholders. The remuneration policy should have regard to the risk appetite of the Company and alignment to the Company's long strategic term goals. Remuneration schemes should promote long-term shareholdings by executive directors that support alignment with long-term shareholder interests;
- (v) review the ongoing appropriateness and relevance of the remuneration policy;
- (vi) within the terms of the agreed policy, and in consultation with the Chairman and/or Group Chief Executive, as appropriate, determine the total individual remuneration package of the Chairman, each Executive Director, Company Secretary and other designated senior executives (which may include members of the Group Operating Committee and the Group Strategy Committee) including bonuses, incentive payments and share options or other share awards;
- (vii) in determining such packages and arrangements, give due regard to the comments and recommendations of the Code and associated guidance;
- (viii) where appropriate, adopt and modify such packages and arrangements for overseas senior executives to reflect local laws and remuneration practices;
- (ix) obtain reliable, up-to-date information about remuneration in other companies of a comparable size and complexity. To help it fulfil its obligations the Committee shall have full authority to appoint remuneration consultants and to commission or purchase any reports, surveys or information which it deems necessary, within any reasonable budgetary restraints imposed by the Board;
- (x) be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee;
- (xi) approve the design of, and determine targets for, any performance-related pay schemes operated by the Group and approve the total annual payments made under such schemes in so far as they relate to individuals referred to in (vi) above;

- (xii) 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 Executive Directors, Group Company Secretary and other designated senior executives and the performance targets to be used;
- (xiii) in relation to individuals referred to in (vi) above, ensure that contractual terms on termination, and any payments made, are fair to the individual, and the Group, that failure is not rewarded and that the duty to mitigate loss is fully recognized;
- (xiv) oversee any major changes in employee benefits structures throughout the Group; and
- (xv) agree the policy for authorising claims for expenses from the Directors.

Reporting responsibilities

- (i) The Remuneration Committee Chairman shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- (ii) The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- (iii) The Committee shall ensure that provisions regarding disclosure of information, including pensions, as set out in the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) and the Code are fulfilled and produce a report of the Group's remuneration policy and practices to be included in the Group's annual report and ensure each year that the Directors' Remuneration Report is put to shareholders for approval at the AGM. If the Committee has appointed remuneration consultants the annual report of the Company's remuneration policy should identify such consultants and state whether they have any other connection with the Company.
- (iv) Through the Chairman of the Board, ensure that the Company maintains contact as required with its principal shareholders about remuneration.
- (v) The Committee Chairman shall attend the annual general meeting to answer any shareholder questions on the Committee's activities.

Procedure

The Committee:

- (vi) shall have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;
- (vii) shall be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
- (viii) shall give due consideration to laws and regulations, the provisions of the Code and the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules and any other applicable Rules, as appropriate;
- (ix) shall arrange for periodic reviews of its own performance and, at least annually, review its 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;
- (x) shall ensure that meetings and proceedings of the Committee will be governed by the Company's Articles of Association; and
- (xi) may, at the cost of the Company, obtain such legal or other independent professional advice as is reasonably considered necessary to perform its duties.