

SMURFIT KAPPA PLC
Compensation Committee
Terms of Reference

Approved by the Board : March 2007

1.0 Membership

- 1.1 Members of the Committee shall be appointed by the Board . The Committee shall be made up of at least three members, all of whom shall be independent non-executive Directors.
- 1.2 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chairman of the Board, Chief Executive Officer, and Group V.P. Human Resources may be invited to attend all or part of any meeting as and when appropriate.
- 1.3. Appointments to the Committee shall be for a period of up to three years, which may be extended for two further three year periods.
- 1.7. The Committee Chairman shall be appointed from time to time by the Board. In the absence of the Committee Chairman, the remaining members present shall elect one of themselves to chair the meeting.

2.0 Secretary

The Company Secretary shall act as Secretary to the Committee.

3.0 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.

4.0 Frequency of Meetings

The Committee shall meet at least twice a year.

5.0 Notice of Meetings

- 5.1. Meetings of the Committee shall be summoned by the Secretary of the Committee at the request of any of its members.
- 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 and any other person required to attend no later than three 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.

6.0 Minutes of Meetings

The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance. Minutes of Committee meetings shall be circulated to all members of the Board.

7.0 Annual General Meeting

The Chairman of the Committee or his nominated representative shall attend the Annual General Meeting prepared to respond, if requested by the Chairman of the Board, to any shareholder questions on the Committee's activities.

8.0 Duties

The Committee shall:

- 8.1. determine and agree with the Board the framework or broad policy for the remuneration of the Company's Chairman, Chief Executive and the executive Directors. The Committee shall recommend and monitor the level and structure of remuneration for senior management as determined by the Board. The remuneration of non-executive Directors shall be a matter for the Board and, in respect of fees, following a recommendation from the Committee, and shall be within the limits set by shareholders;
- 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 members of the executive management of the Company are provided with appropriate incentives to encourage enhanced performance and are, in a fair and reasonable manner, rewarded for their individual contributions to the success of the Company;
- 8.3. continually 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 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 executive Directors and other senior executives and the performance targets to be used;
- 8.6. determine the policy for, and scope of, pension arrangements for each executive Director and other senior executives (as determined from time to time);

- 8.7. within the terms of the agreed policy and in consultation with the Chairman and/or Chief executive, 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;
- 8.8. in determining such packages and arrangements, give due regard to any relevant legal requirements, the provisions in the Combined Code and associated guidance;
- 8.9. review and note annually the remuneration trends across the Company or Group;
- 8.10. oversee any major changes in employee benefits structures throughout the Company or Group;
- 8.11. agree the policy for authorizing claims for expenses from the Chief Executive and Chairman;
- 8.12. ensure that disclosure of remuneration including pensions, is clear and transparent; and
- 8.13. be responsible for the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee on senior executive remuneration , and for obtaining reliable, up-to-date information about compensation in other comparable companies. The Committee shall have full authority to commission any reports or surveys which it deems necessary to help it fulfill its obligations.

9. Reporting Responsibilities

- 9.1. The Committee Chairman shall report formally to the Board on its proceedings after each meeting as appropriate
- 9.2. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

10. Other

- 10.1 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.