



# Smurfit Kappa Group plc

## Compensation Committee Terms of Reference

### 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. The Chair of the Board may also serve on the Committee as an additional member provided he or she was independent on appointment as Chair.

1.2. Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chair 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 and necessary. No person will be involved in any decisions on his or her own remuneration.

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 provided the director continues to be independent.

1.4. The Committee Chair shall be appointed from time to time by the Board. Prior to appointment the Committee Chair would normally have served on any Compensation Committee for at least 12 months. In the absence of the Committee Chair, the remaining members present shall elect one of themselves to chair the meeting. The Chair of the Board, who shall not be Chair of the Committee, may, notwithstanding the provisions of section 1.3, serve in excess of three three-year periods.

### 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 Chair of the Committee or his nominated representative shall attend the Annual General Meeting prepared to respond, if requested by the Chair 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 Chair, Chief Executive, the executive Directors and other senior executives (which at a minimum will include any employee reporting in to the Chief Executive Officer, as well as any other employees of the Company the Board designates from time to time). 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 the remuneration policy, take into account all factors which it deems necessary including relevant legal and regulatory requirements, the provisions and requirements of the UK Corporate Governance Code ("the Code"), the Listing Rules of the Stock Exchanges on which the Company is listed and associated guidance. Having regard to the view of shareholders and other stakeholders; the risk appetite of the Company, alignment to the Company's long term strategic goals and the Company's long-term sustainable success the objective of such policy shall be to:-

- attract, retain and motivate senior executives of the quality and calibre required to run the Company successfully
- 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;

A significant proportion of remuneration should be structured so as to link corporate and individual performance and designed to promote the long term 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;

8.7. 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 recognized;

8.8. in determining such packages and arrangements, give due regard to any relevant legal requirements, the provisions and recommendations of the Code, the Listing Rules of the Stock Exchanges on which the Company is listed and associated guidance, and guidelines issued by relevant shareholder representative organisations;

8.9. within the terms of the agreed policy and in consultation with the Chair and/or Chief Executive, as appropriate, determine the total individual remuneration package of the Chair and each executive Director and other senior executives including bonuses, incentive payments and share options or other share awards;

8.10. in determining such packages and arrangements, give due regard to any relevant legal requirements, the provisions in the Code and associated guidance;

8.11. to review the remuneration trends and related policies across the Company or Group and the alignment of incentives and reward with the Company's culture (including its purpose, values and strategy), taking this into account when setting the policy for executive Directors. The review will include matters such as any pay principles applied across the Company, salary, benefits and all incentives that drive behavior;

8.12. oversee any major changes in employee benefits structures throughout the Company or Group;

8.13. ensure effective engagement with, and encourage participation from, relevant stakeholders including (but not limited to) the workforce, in relation to remuneration and related policies and practices, ensuring that the views of relevant stakeholders are understood and considered as appropriate by the Committee and the Board.

8.14. agree the policy for authorising claims for expenses from executive Directors and the Chair;

8.15. ensure that disclosure of remuneration including pensions, is clear and transparent; and

8.16. be exclusively 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 companies of comparable scale and complexity. 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 Chair 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.

9.3 The Committee shall produce an annual report on the Company's remuneration policy and practices which

forms part of the Company's Annual Report, and ensure each year that it is put to shareholders for consideration at the Annual General Meeting.

9.4 The Committee shall ensure that provisions regarding disclosure of information including pensions as required by the Code, the relevant Listing Rules and any laws or regulations, are complied with in preparing the annual report.

9.5 When 20 per cent or more shareholder votes have been cast against any remuneration related resolutions, the Committee shall ensure that the Remuneration Report provides a summary of the impact that the feedback has had on the decisions that the Committee has taken and any actions or resolutions now proposed.

## **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;
- have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required; and
- be provided with appropriate and timely training, in the form of an induction programme for new members and on an on-going basis for all members.

10.4 Give due consideration to laws, regulations and any published guidelines or recommendations regarding the remuneration of directors of listed companies and formation and operation of share schemes including but not limited to the provisions of the Code, the requirements of the relevant Listing rules, Prospectus and Transparency Rules and any other applicable rules as appropriate.

## **11. Authority**

The Committee is authorised by the Board to obtain, at the Company's expense, outside legal or other professional advice on any matters within its terms of reference.

Approved by Board : 7 February 2019