

Remuneration Report

In accordance with section 439 of the Companies Act 2006, shareholders' approval of the Remuneration Report will be sought at the forthcoming Annual General Meeting ('AGM'). The Remuneration Report has been approved by the Board of Directors.

(A) COMPOSITION AND ROLE OF THE REMUNERATION COMMITTEE ('THE COMMITTEE')

The members of the Committee during the year under review were Mr R G Beeston (Chairman), Mr C J Bunker, Mr P J-C Mellier and Mr R E C Marton (until 31 August 2009). Mr G Davis became a member of the Committee when he joined the Board on 1 June 2010.

With the exception of Mr Beeston, all the members are considered independent. Since 5 December 2009, Mr Beeston is no longer considered independent because of his length of service (Combined Code B.2.1). However, the Board believes that Mr Beeston continues to demonstrate strong independence in judgement and, during the year under review, provided leadership for the Committee. Mr Davis will become Chairman of the Committee at the end of June 2010.

The members of the Committee have no personal financial interest, other than as shareholders of the Company, in the matters to be decided by the Committee, no potential conflicts of interest arising from cross-directorships and no day-to-day involvement in running the business.

The Committee operates under written terms of reference agreed by the Board which are available on the Company's website, www.dssmith.uk.com/downloads/RemunerationCommittee.pdf. The Committee is responsible for determining the remuneration of Executive Directors, the Chairman of the Company and the Company Secretary. It also considers the remuneration of senior executives reporting to the Group Chief Executive (taking into account recommendations from him).

(B) COMPLIANCE

The Board, in conjunction with the Committee, has taken the necessary steps to ensure that the Company complies with the provisions of the Combined Code, except in relation to the independence of Mr Beeston as explained above, which relate to Directors' remuneration. Certain disclosures in this Report fall within the scope of matters for review by the Auditors.

(C) ADVISERS TO THE COMMITTEE

Hewitt New Bridge Street has been appointed by the Committee to provide advice on the remuneration of Executive Directors and other senior executives. Hewitt New Bridge Street also provides advice to the Company in connection with the operation of the Company's share-based incentive schemes. The Committee consults with the Chairman of the Company and with the Group Chief Executive, who may attend meetings of the Committee, although they are not involved in deciding their own remuneration. The Committee is assisted by the Company Secretary and the Group Human Resources Director, and also receives advice from Mercer Limited, the Actuary to the Company's pension scheme, in relation to Executive Directors' pensions. Hewitt New Bridge Street is a signatory to the Code of Conduct for Remuneration Advisers. Hewitt New Bridge Street provided no other services to the Company during the year.

(D) GENERAL POLICY ON REMUNERATION

The Committee's overall policy is to ensure that the remuneration packages enable the Company to attract, retain and motivate Executive Directors and other senior managers of sufficient calibre to meet the Company's needs. In addition, the remuneration packages are designed to align the interests of executives and shareholders and to link a significant proportion of executives' remuneration to performance. To achieve this, the Company operates cash and share-based incentive schemes which are linked to the achievement of short-term and long-term

performance targets. As in previous years, the main elements of the remuneration policy in 2010/11 will be as follows:

- basic salary;
- pension provision;
- annual bonus scheme; and
- long-term incentives, comprising the Performance Share Plan.

Basic salaries and pension provision are not linked to performance (except when basic salaries are reviewed), whilst payments under the annual bonus scheme and any long-term incentive scheme operated by the Company are wholly dependent upon performance against agreed targets. Only basic salary is pensionable.

Variable performance-related remuneration for Mr M W Roberts and Mr S W Dryden for 2010/11 will account for approximately 57% of total target remuneration (excluding pensions and benefits).

The Board is ultimately accountable for executive remuneration but delegates responsibility to the Committee. The Committee addressed the following main issues during the year:

- the annual review of the Chairman's and Executive Directors' remuneration for 2009;
- the executive bonus arrangements and targets for 2009;
- long-term incentive award levels and targets for 2009 awards;
- oversight of remuneration policy for senior management and employees;
- policy changes for 2010/11;
- the terms of recruitment of Mr M W Roberts and departure of Mr A D Thorne; and
- the disclosures in this Report.

When setting Executive Directors' remuneration, the Committee looks at the pay and conditions in the rest of the workforce. Executive Directors' salaries in 2009/10 remained the same as in 2008/09 which compares to an average increase of 1% for the rest of the workforce. Whilst there is no overall policy on the relationship between Executive Directors' pay and that of the workforce the Company aims to pay fairly across the business.

Over the last year, the Company has performed significantly better than had been anticipated in a challenging environment. Whilst market conditions have been better than feared, this improvement has resulted in the main from the successful implementation of the action programme on costs and cash and the successful recovery of strong input cost increases.

The Company's profits are much higher than expected at the start of the year, the share price has recovered strongly over the last 12 months and the Company's total shareholder return over the last year is well ahead of the FTSE 250 Index. The Company has also performed well in comparison with its peers. However, the Board is not complacent and is strongly supporting the new Group Chief Executive in developing plans to deliver much improved profits and returns on capital going forwards.

Against this background, the Committee has considered the annual bonus and long-term incentive arrangements for 2010/11 and discussed them with the Association of British Insurers, RiskMetrics and some major investors. The changes from 2009/10 are described in sections (F) and (G) below.

(E) BASIC SALARIES

The basic salaries of Executive Directors are reviewed annually on 1 August, in conjunction with other aspects of remuneration. The basic

salary for each Executive Director is targeted at the rates of salary for similar roles within a selected group of UK businesses of similar size with substantial overseas operations. When determining the level of salary, the Committee takes into account market salary levels, the relative performance of the Group and of the individual Director, together with his experience in the particular job. The Committee also considers relevant information on the remuneration of other senior executives and the pay of employees elsewhere in the Group and, where appropriate, communicates its views on the levels of such remuneration to the Group Chief Executive. During its deliberations, the Committee has regard to salary levels in other countries where this is relevant for any non-UK based senior executive. The table of emoluments of the Directors is set out on page 51. The current basic salaries of Mr Roberts and Mr Dryden are £535,000 and £330,000 respectively. These were fixed on appointment on 4 May 2010 and 1 April 2008 respectively. Mr Roberts' basic salary will not be increased in 2010. Mr Dryden's basic salary has recently been reviewed and will be increased by 2% to £336,600 from 1 August 2010. Other senior executives' basic salaries will be increased by an average of 2% from 1 August 2010.

(F) ANNUAL BONUS

The Executive Directors participate in an annual bonus scheme which has been approved by the Committee. Following discussions with investors in 2009, for the financial year 2009/10 the maximum bonus payable was reduced from 100% to 75% of basic salary for Mr Thorne and Mr Dryden to take account of the expected reduction in profits in 2009/10. In addition, there was a much more demanding payment schedule than had been in place in previous years.

Under the scheme, the first 25% of salary worth of bonus is payable in cash, with the excess split equally between cash and deferred shares. The deferred shares vest three years after they are awarded and are held pursuant to the Deferred Share Bonus Plan. At that point, the Director receives the shares and a payment equal to the value of dividends payable on the vested shares during the deferral period. If the Director ceases employment with the Group during the deferral period, he will lose his right to the shares unless he is a defined 'good leaver' or the Committee considers that vesting is appropriate in the circumstances. The shares will vest in the event of a change of control or voluntary winding-up.

The annual bonus payable to Mr Thorne and Mr Dryden for the financial year 2009/10 was 50% based on profit before tax with the other 50% based on return on capital employed. The outcome of the results for the financial year 2009/10 means that Mr Thorne earned a bonus of 75% of salary (£413,400) and Mr Dryden earned a bonus of 75% of salary (£247,500). Full bonus was achieved for the profit before tax and return on capital employed targets and this required the Executive Directors to exceed the top end of the range of financial targets, a financial performance significantly ahead of what was anticipated at the start of the year with profits at the level achieved in 2008/09.

No deferral is being operated in respect of Mr Thorne's 2009/10 bonus since he ceased employment on 18 May 2010.

As indicated last year, the Committee has reviewed the maximum potential bonus for 2010/11 and, in light of the outcome for 2009/10 and the expected improvement in financial performance for 2010/11, the maximum bonus potential for 2010/11 for the Executive Directors will return to the previous level of 100% of basic annual salary. The bonus will continue to be based on the Group profit before tax and return on capital employed. The Committee has set a range of demanding targets around the Company's Plan for the year. Full bonus will require performance significantly ahead of Plan and the threshold above which payment starts to be made will be significantly above 2009/10 actual performance. At Plan, 50% of the maximum bonus will be payable.

The annual bonus for the other most senior executives for 2009/10 was based on an appropriate combination of Group profit before tax and personal performance for centre-based senior executives. In the case of senior divisional executives, their bonus schemes were based on divisional profit and cash flow relating to the operating performance of the business and/or division in which they are employed. For 2010/11, the bonus maximum will be either 60% or 70% of basic salary and the bonus metrics will be based on a mix of Group profit before tax, return on capital employed and Business Segment operating profit, subject to the achievement of a cash flow hurdle, as relevant to each individual's job.

The annual bonus schemes are not contractual and bonuses under the schemes are not eligible for inclusion in the calculation of the participating executives' pension scheme benefits.

(G) SHARE AWARDS

The Company operates a Performance Share Plan ('PSP') which was approved by shareholders in 2008. The individual grant limit under this Plan is 150% of basic salary per annum. In exceptional circumstances this may be increased to 200% of basic salary. As reported last year, in light of the low level of the Company's share price in mid-2009 the Committee reduced the 2009 award to Executive Directors to 100% of salary (70% of salary for the other most senior executives). Following the increase in the share price since then, the Committee considers it appropriate to return to 150% of salary awards for the Executive Directors. This is also the level promised to Mr Roberts when his recruitment was being negotiated. Similarly, award levels below Director level will also be increased to between 75% to 150% of salary for the other most senior executives for 2010.

The vesting of 2008 awards is based one-third on total shareholder return ('TSR') relative to the constituents of the FTSE 250 Industrial Goods and Services Supersector, one-third on average adjusted earnings per share ('EPS') and one-third on average adjusted return on average capital employed ('ROACE'). For those senior executives working in one of the four Business Segments, the measures were TSR, average adjusted operating profit for the relevant segment and average adjusted ROACE for the relevant segment.

Under the PSP, the Committee has the power to vary the metrics used each year and their relative weightings. It also has the power to review the specific targets for each award to ensure that they remain appropriate, but the new targets must be at least as challenging in the circumstances as the original targets were when they were set.

For 2009 awards, following a shareholder consultation, the vesting criteria were revised as follows:

- Recognising that it was very difficult at the time to set three-year financial targets and that the lack of visibility made it impractical to establish an appropriate range of EPS targets, the vesting of each award was split 80% on the Company's TSR relative to the constituents of the FTSE 250 Industrial Goods and Services Supersector and 20% based on ROACE;
- For those senior executives working in one of the four Business Segments, the measures were 80% TSR and 20% average adjusted ROACE for the relevant segment; and
- 25% of the TSR part vests if the Company is ranked median, rising so that 100% vests if the Company is ranked in the upper quartile. The threshold and upper targets for ROACE were 10.3% and 11.5%.

The Committee has given consideration to the terms of the 2010 PSP awards, taking into account the Company's current circumstances, priorities and more certain outlook for the future. The Committee considers that, with a new Group Chief Executive in place and markets

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still well below 2007 levels, the most appropriate balancing of the three criteria is to have an equal weighting between TSR and the two financial metrics. Accordingly, following a shareholder consultation, for 2010 awards it has been decided that it is appropriate that 50% will be based on TSR, 25% on EPS and 25% on ROACE. The targets will be as follows:

Percentage vesting as a proportion of that element of the award	Relative TSR ¹ (50% of award)	Average EPS ² (25% of award)	Average adjusted ROACE ³ (25% of award)
100%	Upper quartile	17.6p	12.2%
Between 25% and 100%	Between median and upper quartile	Between 14.8p and 17.6p	Between 11.1% and 12.2%
25%	Median	14.8p	11.1%

- 1 The Industrial Goods and Services Supersector within the FTSE 250 currently contains over 50 companies and is considered to provide a better basis for comparison than the FTSE 250 as a whole. The Committee considers there are too few publicly quoted competitors to DS Smith to form a more bespoke group.
- 2 Average adjusted EPS as disclosed in the Annual Report except that the Committee may adjust this figure in exceptional circumstances.
- 3 Average adjusted Group operating profit divided by the monthly average of capital employed in each year. The ROACE calculation will be based on the average ROACE for the forthcoming three financial years, commencing with the financial year starting immediately prior to the award.

For those senior executives working in one of the four Business Segments, the Committee has decided to apply the same targets as apply to other executives, to encourage a greater focus on Group performance. Therefore, 2010 awards will not be based on Business Segment performance at all.

Each element operates independently and is capable of vesting regardless of the Company's performance in respect of the other elements. The Committee considers that in the circumstances, these targets are demanding and no less challenging than the targets set last year.

As previously disclosed, to facilitate his recruitment in 2008, Mr Dryden was granted a conditional share award over 143,404 shares as compensation for lost entitlements to deferred share bonus awards relating to his previous employer. This award was made under the Replacement Deferred Share Bonus Plan which was formed specifically for this purpose and was granted under Listing Rule 9.4.2R(2). Full details of this Plan, including details of the second vesting, are set out in section (S) below.

Senior executives are expected to retain in shares half of the after-tax gains on the vesting of long-term incentive plan awards (including share options) until they have built up a shareholding equal to 100% of basic salary in the case of Executive Directors and 50% of basic salary in the case of other senior executives.

The interests of the Directors in the share capital of the Company and awards made under the PSP (last award 2009), Long-Term Incentive Plan (last award 2007), Deferred Share Bonus Plan (last award 2008) and Replacement Deferred Share Bonus Plan (last award 2008) and details of options granted to date under the Executive Share Option Scheme (last grant 2007) are shown on pages 98 to 101.

(H) BENEFITS IN KIND

Benefits in kind include provision of a company car, free fuel, permanent health insurance, life cover and private medical cover. Mr Thorne also had a driver.

(I) PENSIONS

During his employment Mr Thorne participated in a funded contributory defined benefit pension scheme with death in service cover. He had a normal pension age of 60 and his pension was based on an accrual rate

of one-thirtieth with reference to basic salary less a deduction equal to the basic State pension. This was subject to a maximum pension of two-thirds of final pensionable pay.

Mr Thorne's benefits from the Registered Group Pension Scheme were subject to a scheme-specific earnings cap (the 'Cap'). Consequently, the Company gave a promise to provide the balance of Mr Thorne's pension entitlement through a non-registered unfunded arrangement. A charge over certain assets of the Company has been made as security against future pension payments pursuant to this pension arrangement on behalf of Mr Thorne.

The Company has agreed that any shortfall in pension accrual which would otherwise have been foregone as a result of the termination of Mr Thorne's employment prior to his 60th birthday will be provided under his existing unfunded retirement benefit arrangements. As a consequence of the change in income tax rate and the potential impact on the cost of providing his unapproved benefits, the Committee decided that it was in the interests of the Company for Mr Thorne to take his pension from 1 April 2010 prior to the change in income tax rates.

The spouse's pension on death after retirement is two-thirds of the member's pension, before any reduction for early retirement or commutation of pension for cash.

Pensions in payment from the Registered Group Pension Scheme are increased annually in line with the increase in the UK Retail Prices Index, subject to a maximum guaranteed increase of 5% each year for pensionable service to May 2005 and 2.5% each year for service after May 2005, with the possibility of further discretionary increases. There is no allowance in the transfer value calculation basis for such discretionary increases or other discretionary benefits.

Mr Thorne contributed to the Registered Group Pension Scheme at the rate of 15% of the Cap.

Mr Dryden participates in the Company's Registered Defined Contribution Scheme with death in service cover equal to four times basic salary. Members of this scheme are required to contribute a minimum of 3% of their basic salary to qualify for matching Company contributions, with higher levels of Company contributions payable (up to a maximum of 6%) if the members pay a higher contribution. Mr Dryden has elected to pay contributions at a level that qualifies for the maximum Company contribution. Mr Dryden also receives a cash supplement of £65,000 per annum. This payment is not pensionable and is not considered to be salary for the purpose of calculating any bonus payment.

Mr Roberts receives a pension allowance of 30% of salary per annum plus death in service cover equal to four times basic salary.

(J) APPOINTMENT OF MR ROBERTS

On 4 May 2010, Mr Roberts joined the Company and was appointed Group Chief Executive. Mr Roberts' ongoing remuneration arrangements are as follows:

- basic salary of £535,000;
- provision of company car or car allowance, private medical insurance and permanent health insurance;
- pension allowance of 30% of salary;
- annual bonus potential of 100% of salary; and
- annual awards under the PSP of 150% of salary.

In order to facilitate the recruitment of Mr Roberts in unusual circumstances and to ensure that his interests are directly and immediately aligned with those of the Company's shareholders, the Company has agreed with him that he will be awarded a cash bonus and granted

several conditional share awards as detailed below principally as compensation for lost entitlements to bonus, deferred share awards and long-term share incentive awards relating to his previous employer, McBride plc. The conditional share awards will be granted under Listing Rules 9.4.2R(2) and are expected to be made as soon as practicable following the announcement of the Group's results for 2009/10.

The awards to be made to him are as follows:

- Substitute Cash Bonus Award and Substitute Share Bonus Award as compensation for loss of his cash and share bonus entitlement with his previous employer for the year 2009/10 as a result of his recruitment by the Company. He will receive a cash sum of £187,500 payable as soon as practicable after 1 September 2010 provided he remains in employment and has not been given or served notice of termination and will receive a conditional award of shares worth £112,500 that vest on 1 September 2013 as detailed below. The sums of £187,500 and the £112,500 have been calculated to reflect the proportion of the period of 12 calendar months beginning on 1 July 2009 during which Mr Roberts was actively employed by McBride plc and is based on an assessment of the likely bonus which would have become payable to him had he remained employed by McBride plc;
- Replacement Deferred Shares Award;
- Replacement 2007 LTIP;
- Replacement 2008 LTIP; and
- Recruitment Award.

The Replacement Deferred Shares Award and the Substitute Share Bonus Award (see above) are subject to substantially the same terms as the Company's Deferred Share Bonus Plan, as described on page 47, except that they will vest on 1 September 2012 and 1 September 2013 respectively, reflecting the time of vesting of the entitlements which they replace. The number of shares under the Replacement Deferred Shares Award and Substitute Share Bonus Award will be calculated by dividing £150,000 and £112,500 respectively by the middle market quotation of the Company's shares on the dealing day before the day of grant. The sum of £150,000 reflects the value of the shares as at October 2009 which Mr Roberts forfeited. The awards will lapse if Mr Roberts serves, or is served with, notice of termination of his employment or otherwise on actual cessation of his employment, other than in the event of certain good leaver circumstances or at the discretion of the Committee. The awards will vest early in the event of a takeover or similar corporate event. Mr Roberts will be entitled to a cash payment on vesting, representing a value equivalent to the dividends which would have been paid on his vested shares while they were subject to his awards. There are no performance conditions governing the vesting of the Replacement Deferred Shares Award and the Substitute Share Bonus Award because the awards they replicate had no performance conditions attaching to them.

The Replacement 2007 LTIP award and the Replacement 2008 LTIP award are subject to substantially the same terms (other than as to performance conditions) as the McBride plc 2005 Long-Term Incentive Plan under which Mr Roberts' original entitlements were awarded and they are due to vest on 10 October 2010 and 17 October 2011 respectively, reflecting the time of vesting of the original entitlements which they replace. The Replacement 2008 LTIP award is subject to a performance condition measuring the TSR of McBride plc up to the date Mr Roberts joined the Company and thereafter the Company's TSR against a comparator group of companies comprising the FTSE 250 Index (excluding investment trusts) constituted as at the date of grant of the award over a three-year performance period commencing on 1 July 2008. The award will vest in full if the TSR is ranked in the upper quartile

of the comparator group and on a straight-line basis if the TSR is ranked between median and upper quartile. This performance condition reflects the primary features of the performance condition applying to the original award it replaces, to the extent those features can be measured in relation to the Company as well as McBride plc. Since the 2007 LTIP award was due to vest in the near future, the Company calculated the value of shares subject to the Replacement 2007 LTIP award based on the value of shares under award in October 2009 and the likelihood the existing performance conditions would be satisfied. For that reason there are no further performance conditions governing the vesting of the Replacement 2007 LTIP award. The value of the Replacement 2008 LTIP award has been calculated based on the value of shares subject to the 2008 LTIP award as at October 2009. The number of shares under the Replacement 2007 LTIP award and the Replacement 2008 LTIP award will be calculated by dividing £315,000 and £608,000 respectively by the middle market quotation of the Company's shares on the dealing day before the day of grant. The awards will lapse if Mr Roberts serves, or is served with, notice of termination of his employment or otherwise on actual cessation of his employment, other than in the event of certain good leaver circumstances or at the discretion of the Committee. The awards will vest early in the event of a takeover or similar corporate event. If early vesting does occur in any of these circumstances then the number of vested shares shall be pro-rated and, in the case of the Replacement 2008 LTIP, subject to early measurement of the performance condition.

The Recruitment Award is being made to Mr Roberts to facilitate his recruitment and is also in lieu of the 2009 LTIP award which he would have been granted at McBride plc had he remained in employment. Once granted, the award is subject to substantially the same terms as the awards made under the Company's PSP in 2009, including the performance conditions which are described above, except that the award is due to vest on 19 October 2012, reflecting the time of vesting of the award he would have received. The number of shares under the Recruitment Award will be calculated by dividing £802,500 (the normal ongoing award level of 150% of his basic salary) by the middle market quotation of the Company's shares on the dealing day before the day of grant. The Committee considered that this level of award was necessary to recruit Mr Roberts. The award will lapse if Mr Roberts ceases employment, other than in the event of certain good leaver circumstances or at the discretion of the Committee. The award will vest in the event of a takeover or similar corporate event. If vesting does occur in any of these circumstances then the number of vested shares shall be pro-rated and subject to the measurement of the performance condition.

The number of shares subject to Mr Roberts' awards described above may be adjusted in the event of any variation of share capital or demerger, special dividend or other similar event. The awards cannot be assigned, charged or otherwise disposed of. Benefits under the awards are not pensionable. The awards will be satisfied with existing shares other than treasury shares. None of the awards can be amended to the advantage of Mr Roberts in relation to the basis for determining his entitlement to, and the terms of, the shares and/or cash to be provided under those awards without prior shareholder approval in general meeting except for minor amendments to benefit the administration of the awards, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment.

(K) SERVICE CONTRACTS AND COMPENSATION

The Committee's general policy is that the notice periods for Executive Directors appointed in future will not exceed one year, although on appointment it may be necessary in exceptional cases to offer a longer initial period which reduces to one year or less after a specific date.

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The service contract for Mr Thorne was dated 28 February 2001 and was terminable by 12 months' notice on either side. Notice was given by the Company on 30 October 2009 on the basis that Mr Thorne would continue as Group Chief Executive until the new Group Chief Executive started employment. Mr Thorne stepped down as Group Chief Executive on 4 May 2010 and his employment terminated on 18 May 2010. Mr Thorne will receive a maximum of £498,800 in connection with the termination of his employment in lieu of notice, determined by reference to the terms of his service contract, paid in instalments, and subject to a reduction for certain other earnings for the period prior to 30 October 2010. The Company has also procured that the car which was made available for Mr Thorne's use was transferred to him following his termination at no cost.

As noted in section (F) above, the outcome of the results for the financial year 2009/10 means that Mr Thorne earned a bonus of 75% of salary (£413,400), which will be paid to him in cash (less required deductions). No bonus is payable to him in relation to 2010/11.

The Committee has exercised its discretion under the relevant share incentive schemes so that, subject to satisfaction of relevant performance conditions and time pro-rating where relevant, his share options and awards will vest or be capable of exercise.

The service contracts for Mr Roberts and Mr Dryden are dated 4 May 2010 and 1 April 2008 respectively. The service contracts may be terminated by 12 months' notice by the Company, and by the Executive Director. The Company may terminate the contract with immediate effect by making a payment equal, in Mr Roberts' case, to basic salary and pensions allowance for any unexpired period of notice and, in Mr Dryden's case, to basic salary for any unexpired period of notice. The Company may make such payment in a lump sum or in monthly instalments from the termination date. These monthly payments will be reduced to take account of any alternative employment or consultancy income during the period over which such instalments are payable.

(L) POLICY ON EXTERNAL APPOINTMENTS

Executive Directors are allowed to accept external appointments as a non-Executive Director of up to two other companies provided that these are not with competing companies and are not likely to lead to conflicts of interest. In normal circumstances, the Group Chief Executive may not accept more than one external appointment. Executive Directors are normally allowed to retain the fees paid from these appointments.

Mr Thorne had no external appointments. Mr Roberts has no external appointments. Mr Dryden is a non-Executive Director of Fiberweb plc and received fees of £34,833 for the period from 1 June 2009 (the date he was appointed to the board of Fiberweb plc) to 30 April 2010.

(M) FEES FOR NON-EXECUTIVE DIRECTORS AND THE CHAIRMAN

The remuneration for non-Executive Directors consists of annual fees for their services as members of the Board and, where relevant, for their work on selected Committees. Non-Executive Directors have letters of appointment for a term of three years whereupon they are normally renewed but generally for no more than three terms in aggregate. Their respective dates of appointment are shown on pages 40 and 41.

The Chairman's remuneration consists of an annual fee for his service as Chairman of the Board and his letter of appointment is for a term of three years. His appointment may be terminated by three months' notice by the Company and by the Chairman.

The letters of appointment detail the time commitment expected of each non-Executive Director and are available for viewing at the registered office during normal business hours and prior to and at the AGM.

The rates for the Chairman's and non-Executive Directors' fees from July 2010 are as follows:

Chairman's and non-Executive Directors' fees	Base fee (£)	Senior Independent non-Executive Director fee (£)	Chairman of Audit Committee fee (£)	Chairman of Remuneration Committee fee (£)	Total (£)
P M Johnson	168,000	–	–	–	168,000
R G Beeston	45,000	–	–	–	45,000
C J Bunker	45,000	2,500	–	–	47,500
G Davis	45,000	–	–	7,500	52,500
P J-C Mellier	49,200	–	–	–	49,200
J C Nicholls	45,000	–	8,500	–	53,500

In line with the decision not to raise the salaries of the Executive Directors and other senior executives, the non-Executive Directors' and the Chairman's fees were not increased in 2009. However, fees for the Chairman, the non-Executive Directors, and chairmanship fees in respect of the Remuneration and Audit Committees, were recently reviewed by the Board as a whole. The review took into account market practice with reference to the comparator group. The Chairman's fees will be increased by £3,500 and the non-Executive Directors' fees will be increased by £1,000 with effect from 1 August 2010.

Neither the non-Executive Directors nor the Chairman are eligible for pension scheme membership and they do not participate in any of the Group's annual bonus or other incentive arrangements.

The Company's Articles of Association enable the Board to set the remuneration of Directors within the limits set by shareholders. The current aggregate limit is £750,000 and the aggregate amount paid in the financial year to the non-Executive Directors was £362,420. Executive Directors are remunerated in respect of their executive appointments, under the terms of their service contracts, and receive no additional fees for serving as Directors.

Non-Executive Directors are expected to build up and then maintain a shareholding that is equivalent to 50% of their annual fee from the Company within two years of their date of appointment. The Directors' interests in shares can be seen on page 54.

(N) DIRECTORS' EMOLUMENTS (AUDITABLE)

	Salary/fees £'000	Annual bonus £'000	Deferred bonus £'000	Benefits £'000	Pensions supplement £'000	2010 total £'000	2009 total £'000
Chairman							
P M Johnson	168	–	–	23	–	191	189
Group Chief Executive							
A D Thorne	551	413	–	3	–	967	565
Group Finance Director							
S W Dryden	330	165	83	28	65	671	422
Non-Executives							
R G Beeston	54	–	–	–	–	54	54
C J Bunker	54	–	–	–	–	54	53
P J-C Mellier	49	–	–	–	–	49	49
J C Nicholls*	19	–	–	–	–	19	–
	1,225	578	83	54	65	2,005	1,332

* Appointed 1 December 2009

	Salary/fees £'000	Annual bonus £'000	Deferred bonus £'000	Benefits £'000	Compensation for loss of office £'000	2010 total £'000	2009 total £'000
Past Directors							
G M B Adams	3	–	–	–	–	3	44
R E C Marton	15	–	–	–	–	15	44
Total	18	–	–	–	–	18	88

Mr Dryden received a non-pensionable cash supplement during the year. The total emoluments of Mr Thorne for 2009/10 were £967,000 (2008/09: £565,000). The total emoluments, excluding the deferred bonus, of Mr Dryden were £588,000 (2008/09: £422,000).

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(O) DIRECTORS' INTERESTS UNDER THE PERFORMANCE SHARE PLAN (AUDITABLE)

Details of the Directors' interests in the PSP, which is described in more detail on pages 47 and 48, are as follows:

Executive Directors	Interests under the PSP at 30 April 2009	Awards granted/ commitments made during year	Awards lapsed/ crystallised in year	Date of award	Market price on date of award (p)	Market price at date of vesting (p)	Interests under the PSP at 30 April 2010	Vesting date if performance conditions met
A D Thorne	619,325	–	–	–	–	–	619,325	17 Sept 11
	–	776,338	–	22 Jul 09	71.0	–	776,338	22 Jul 12
S W Dryden	370,786	–	–	–	–	–	370,786	17 Sept 11
	–	464,788	–	22 Jul 09	71.0	–	464,788	22 Jul 12

The vesting of each award granted in 2008 is split into equal thirds, based on the Company's TSR compared to the constituents of the FTSE 250 Industrial Goods and Services Supersector, average adjusted EPS and average ROACE. 25% of the TSR part vests if the Company is ranked median, rising until 100% vests if the Company is ranked in the upper quartile. The threshold (at which 25% vests) and maximum targets are 16.5p and 19.0p for EPS and 11.5% and 12.5% for ROACE.

The vesting of each award granted in 2009 is split 80% based on the Company's TSR compared to the constituents of the FTSE 250 Industrial Goods and Services Supersector, and 20% based on the average ROACE. 25% of the TSR part vests if the Company is ranked median, rising until 100% vests if the Company is ranked in the upper quartile. The threshold (at which 25% vests) and maximum targets are 10.3% and 11.5% for ROACE.

Mr Thorne stepped down from the Board on 4 May 2010 and his employment terminated on 18 May 2010. The performance conditions attached to the award granted in 2008 were not met as at 18 May 2010. Accordingly, the award has lapsed. The performance conditions for the 2009 award were tested by reference to 18 May 2010. 100% of the TSR element will vest on 24 June 2010, subject to a time pro-rata reduction to reflect the unexpired portion of the performance period at cessation. Accordingly, 34.9% of the TSR element will vest and so 216,753 shares will be released to Mr Thorne on 24 June 2010. The performance conditions for the ROACE element were not met and accordingly that element of the award has lapsed. In accordance with the rules of the PSP £7,152.84 will be paid on the same date in respect of the time pro-rated dividends earned since the award was made.

(P) DIRECTORS' INTERESTS IN SHARE OPTIONS (AUDITABLE)

Following shareholder approval of the PSP in September 2008, the Executive Share Option Scheme ceased to be operated, the last award having been made in 2007. Directors' interests in share options over ordinary shares are as follows:

Executive Director	Options held at 30 April 2009	Options granted during year	Options exercised during year	Options lapsed during year	Options held at 30 April 2010	Exercise price (p)	Dates from which exercisable	Expiry date
A D Thorne	243,979	–	–	–	243,979	135.23	26 Jul 05	25 Jul 12
	241,245	–	–	–	241,245	149.22	31 Jul 06	30 Jul 13
	207,500	–	–	–	207,500	159.00	2 Aug 08	1 Aug 15
	239,050	–	–	–	239,050	149.00	1 Aug 09	31 Jul 16
	155,600	–	–	–	155,600	240.00	31 Jul 10	30 Jul 17

All of the above options were granted for £nil consideration. The market price of the ordinary shares at 30 April 2010 was 135.2p and the range during the year was 58p to 143p. Aggregate gains made by Directors on exercise of share options in the year were £nil (2008/09: £nil). There is no retest facility for options granted since 2004. For these share options to become exercisable, the growth in the Company's normalised EPS must match or exceed the growth in the UK Retail Prices Index plus an average of 3% per annum over three years. During the transition to IFRS, the Committee ensured that a consistent basis was used to measure earnings per share performance. Options granted in 2002, 2003 and 2005 became exercisable when they passed their respective performance conditions in 2008 and options granted in 2006 became exercisable when they passed their performance conditions in 2009. Based on EPS performance to 30 April 2010, the options granted in 2007 will fail their performance conditions and therefore will lapse.

For this purpose, the EPS growth is based on adjusted EPS as disclosed in the Annual Report, except that the Committee may adjust this figure in exceptional circumstances where this is appropriate. The verification of the calculation of EPS growth has been performed by Hewitt New Bridge Street, in their capacity as advisers to the Committee.

The performance condition attached to Mr Thorne's share options granted in 2002, 2003, 2005 and 2006 was met and accordingly these options will remain exercisable until 18 November 2010. Performance in relation to the options granted in 2007 will be tested following the publication of the 2009/10 results. It is expected that these performance conditions will not be met. Accordingly, the award will lapse immediately.

(Q) DIRECTORS' INTERESTS UNDER THE LONG-TERM INCENTIVE PLAN (AUDITABLE)

Following shareholder approval of the PSP in September 2008, the Long-Term Incentive Plan ('LTIP') ceased to be operated, the last award having been made in 2007. Details of the Directors' interests in the LTIP are as follows:

Executive Directors	Interests under the Plan at 30 April 2009	Awards granted/commitments made during year	Awards lapsed/crystallised in year	Date of award	Market price on date of award (p)	Market price at date of vesting (p)	Interests under the Plan at 30 April 2010	Vesting date if performance conditions met
A D Thorne	237,500	–	237,500	27 Jul 06	150.0	–	–	27 Jul 09
	156,768	–	–	26 Jul 07	238.2	–	156,768	26 Jul 10

The awards made under the LTIP will vest based on the Company's TSR (being the increase in the share price and the value of reinvested dividends) compared to the TSR of the constituents of the FTSE 250 Index (excluding investment trusts). If the Company's TSR is ranked at the upper quartile of the group or higher, the full award will vest reducing on a straight-line basis to 30% of the award vesting for median performance. None of the award vests for below median performance. TSR performance is measured over a single period of three financial years starting with the year in which the award is made.

In addition to the TSR condition, no awards will vest, irrespective of TSR performance, unless the Company's EPS growth matches or exceeds the growth in the Retail Prices Index over the three-year period. For this purpose, following the introduction of IFRS, the EPS growth will be based on adjusted EPS as disclosed in the Annual Report, except that the Committee may adjust this figure in exceptional circumstances where this is appropriate.

The calculation of TSR performance is performed by Hewitt New Bridge Street, in their capacity as advisers to the Committee.

The awards made under the LTIP in 2006 lapsed during the year as the performance conditions were not met. Based on performance to 30 April 2010, the awards made under the LTIP in 2007 also lapsed as the performance conditions were not met.

(R) DIRECTORS' INTERESTS UNDER THE DEFERRED SHARE BONUS PLAN (AUDITABLE)

Details of the Directors' interests in the Plan are as follows:

Executive Directors	Interests under the Plan at 30 April 2009	Awards granted/commitments made during year	Awards lapsed/crystallised in year	Date of award	Market price on date of award (p)	Market price at date of vesting (p)	Interests under the Plan at 30 April 2010	Vesting date
A D Thorne	69,473	–	–	26 Jul 07	238.7	–	69,473	26 Jul 10
	153,122	–	–	23 Jul 08	115.3	–	153,122	23 Jul 11

Mr Thorne stepped down from the Board on 4 May 2010 and his employment terminated on 18 May 2010. His interests under the Plan as disclosed above will vest in full on 24 June 2010. In accordance with the rules of the Plan £32,908.66 will be paid on the same date in respect of the dividends earned since the awards were made.

(S) DIRECTORS' INTERESTS UNDER THE REPLACEMENT DEFERRED SHARE BONUS PLAN (AUDITABLE)

Executive Directors	Interests under the Plan at 30 April 2009	Awards granted/commitments made during year	Awards lapsed/crystallised in year	Date of award	Market price on date of award (p)	Market price at date of vesting (p)	Interests under the Plan at 30 April 2010	Vesting date if performance conditions met
S W Dryden	38,504	–	38,504	1 Apr 08	156.5	125.4	–	1 Mar 10
	74,674	–	–	1 Apr 08	156.5	–	74,674	1 Mar 11

In recognition of the loss of his entitlement to deferred share bonus awards relating to his previous employment, Mr Dryden was made an award of 143,404 shares (which is neither pensionable nor transferable) on 1 April 2008, the date on which he joined DS Smith Plc. The Committee made this award, in exceptional circumstances, to facilitate the recruitment of Mr Dryden as the new Group Finance Director. The number of shares awarded was determined by reference to the value of the entitlement to shares he forfeited under his previous arrangements.

The first tranche vested on 1 March 2009, as reported in the 2009 accounts, and the second tranche vested on 1 March 2010 and 38,504 shares were transferred to Mr Dryden on 9 March 2010 (allowing time for the market to assimilate the Interim Management Statement). At the same time, Mr Dryden sold 15,820 of the acquired shares at a price of 125.4p per share in order to pay the income tax, NIC and dealing expenses due following the vesting. In normal circumstances, the remaining shares will vest on 1 March 2011, as shown in the table above, subject only to Mr Dryden's continued employment with the Company. This date corresponds to the date when Mr Dryden's arrangements in his previous employment would have vested.

(T) DIRECTORS' INTERESTS IN SHARES

The beneficial interests of the Directors and their families in the ordinary shares of the Company were as shown below:

Name of Director	30 April 2009*		30 April 2010	
	Beneficial	Non-beneficial	Beneficial	Non-beneficial
P M Johnson	255,000	–	255,000	–
A D Thorne	331,862	–	331,862	–
S W Dryden	32,797	–	55,481	–
R G Beeston	50,000	–	50,000	–
C J Bunker	10,000	–	20,000	–
P J-C Mellier	10,000	–	20,000	–
J C Nicholls	19,130	–	19,130	–

* Or at date of appointment

There have been no changes to the shareholdings set out above between the financial year end and the date of the Report. It is currently intended that any ordinary shares required to fulfil entitlements under the Performance Share Plan, the Deferred Share Bonus Plan, the Substitute Bonus Award, the Replacement Deferred Share Award, the Replacement 2007 LTIP, the Replacement 2008 LTIP, the Recruitment Award and the Replacement Deferred Share Bonus Plan will be provided by the David S Smith Group General Employee Benefit Trust (the 'Trust'), which buys shares on the market to do so. The Trust will also be used to fulfil certain entitlements under the Executive Share Option Scheme (along with new issue shares for other entitlements).

(U) DIRECTORS' PENSION ENTITLEMENTS (AUDITABLE)

Mr Thorne was a member of the defined benefit scheme provided by the Group during the year, with death in service cover. His pension entitlement and corresponding transfer values increased as follows:

Name of Director	Gross increase in accrued pension (1) £	Increase in accrued pension net of inflation (2) £	Total accrued pension at 31 March 2010 (3) £	Transfer value of net increase in accrual over period (net of Director's contribution) (4) £	Transfer value of accrued pension at 31 March 2010 (5) £	Transfer value of accrued pension at 30 April 2009 (6) £	Total change in value during period (net of Director's contribution) (7) £
A D Thorne	28,860	28,860	173,908	707,639	4,468,967	3,148,759	1,304,038

Pension accruals shown are the amounts which would be paid annually on retirement, based on service to the end of the period. Transfer values have been calculated in accordance with the Group Pension Scheme Trustee's method and assumptions for the calculation of Cash Equivalent Transfer Values. The value of net increase (4) represents the incremental value to the Director of his service during the year, calculated on the assumption that service terminated at 31 March 2010. It is based on the accrued pension increase (2) after deducting the Director's contribution. The change in transfer value (7) includes the effect of fluctuations in the transfer value due to factors beyond the control of the Company and Directors, such as stock market movements. It is calculated after deducting the Director's contribution.

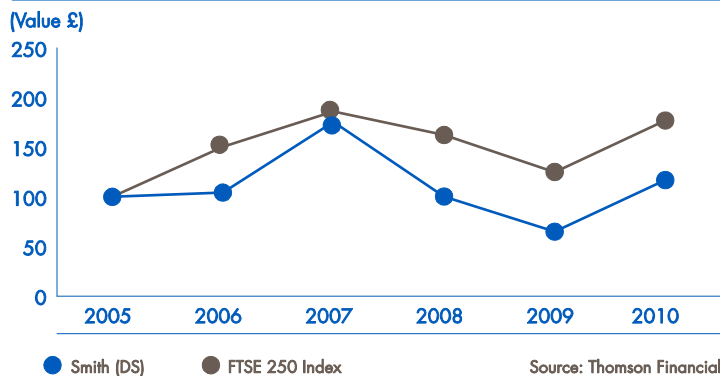
Mr Thorne commenced receipt of these benefits on 31 March 2010 and so figures have been provided at that date. Mr Thorne elected to receive a lump sum of £1,246,609 in lieu of part of his pension entitlement. The accrued pension (3) is prior to commutation and shows the gross pension and the figures in columns (2) and (4) are based on this. The transfer value (5) in the table allows for the lump sum payment. If allowance is excluded, in accordance with Companies Act Regulations, the value reduces to £3,222,358 and the change in value becomes £57,429.

(V) TOTAL SHAREHOLDER RETURN PERFORMANCE

The following graph illustrates the Company's total shareholder return performance since 1 May 2005, in accordance with paragraph 4 of the Directors' Remuneration Report Regulations 2002, relative to the FTSE 250 Index.

The Company is a member of the FTSE 250 Index and, accordingly, this index is considered to be the most appropriate comparator group for this purpose.

Total shareholder return



This graph looks at the value, by 30 April 2010, of £100 invested in Smith (DS) over the last five financial years compared with that of £100 invested in the FTSE Mid 250 Index. The other points plotted are the values at intervening financial year ends.

On behalf of the Board

BOB BEESTON

Chairman of the Remuneration Committee
23 June 2010