

|                         |  |             |     |                   |   |
|-------------------------|--|-------------|-----|-------------------|---|
| <b>MEETING DATE</b>     | Tue, 10 Jul 2018 11:00 am                        | <b>TYPE</b> | EGM | <b>ISSUE DATE</b> | Tue, 26 Jun 2018  |
| <b>MEETING LOCATION</b> | Melia White House, Albany Street, London NW1 3UP |             |     |                   |  |
| <b>CURRENT INDICES</b>  | FTSE 100   |             |     |                   |   |
| <b>SECTOR</b>           | Containers & Packaging                           |             |     |                   |   |

### COMPANY OVERVIEW

DS Smith plc is a holding company engaged in the supply of recycled packaging for consumer goods. It provides corrugated packaging solutions throughout Europe as well as plastic packaging solutions worldwide. The Company originally listed on the London Stock Exchange in 1960 and is currently a constituent of the FTSE 250 index.

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### PROPOSALS

### ADVICE

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## 1 Approve Acquisition

For

Shareholders are being asked to approve the acquisition by the Company of the entire issued share capital of Europac pursuant to the terms and subject to the conditions contained in the offer document to be approved by the Spanish Securities and Exchange Commission.

**Background:** On 4 June 2018, DS Smith announced its Proposed Offer for the entire issued share capital of Europac, a leading Western European integrated packaging business for cash consideration of EUR 1,667 million (approximately £1,453 million). DS Smith will absorb or refinance Europac's outstanding financial indebtedness at Completion. Headroom has been built into the New Debt Facility Agreement to ensure that DS Smith is able to refinance Europac's financial indebtedness, if necessary, including where change of control provisions apply. On 4 June 2018, the Company also announced it had initiated a strategic review of DS Smith's Plastics division, in accordance with DS Smith's stated strategy to be the leading supplier of sustainable packaging solutions and increasing focus on the production of high quality, cost effective corrugated packaging. The Company will update investors with regards to this process at the appropriate time.

**Principal Terms & Conditions of the Offer:** In order for the Proposed Offer to become unconditional, the following conditions precedent must be met: (i) the Shareholders must approve the Resolution at the General Meeting; (ii) at least 49,618,920 Europac Shares being tendered in acceptance of the Proposed Offer (including the treasury shares currently held by Europac), representing greater than 50 per cent. of Europac's entire share capital. DS Smith has received Acceptance Undertakings, in aggregate covering a total of 58,520,671 Europac Shares, representing 58.97 per cent. of the entire share capital of Europac as at the Latest Practicable Date; and (iii) the EU Commission making a decision to approve the Acquisition or, to the extent the Acquisition or any matter arising from it is referred to the competent authorities in one or more Member States, those competent authorities making a decision to the same effect.

**Financing the Acquisition:** The Proposed Offer will be financed through: (a) approximately £1,000 million (c. EUR 1,148 million) net of expenses fully underwritten Rights Issue; and, (b) the utilisation of up to €740 million (c. £645 million) from a new, fully committed debt facility (the New Debt Facility Agreement).

**Rationale:** The Board believes that the Acquisition has a highly compelling strategic rationale, will create significant value for customers and expects it to create consistent and attractive returns for Shareholders, including: (i) Exceptional scale opportunity to enhance DS Smith's customer offer in a key packaging growth region; (ii) Clear opportunity to develop Europac's packaging assets; (iii) Strengthens DS Smith's global supply chain; (iv) Significant cost synergies, delivering estimated €50 million (c. £44 million) annual run-rate pre-tax cost synergies identified from procurement and operational efficiencies by the end of 30 April 2021 with over 50 per cent. achieved in the first full financial year; and (v) Anticipated to be accretive to EPS and offering an expected pre-tax return on invested capital above DS Smith's pre-tax weighted average cost of capital in the first full financial year following Completion.

**Recommendation:** Such transactions are considered on the basis of whether the transaction has been adequately explained and whether there is sufficient independent oversight of the recommended transaction. The circular contains full details of the transaction and there is a sufficient balance of independence on the Board. This provides assurance that the decision was taken with appropriate independence and objectivity.

Triodos supports this resolution.

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## SUPPORTING INFORMATION FOR RESOLUTIONS

### Proposal 1 - Approve Acquisition

**Rights Issue:** DS Smith is proposing to raise approximately £1,000 million (c. €1,148 million) of net proceeds pursuant to the Rights Issue. The Rights Issue is being fully underwritten by the Joint Underwriters, subject to certain customary conditions. The Rights Issue price of 350 pence per New Ordinary Share represents a 36.3 per cent. discount to the closing middle market price of DS Smith of 550 pence per Ordinary Share on 1 June 2018, being the latest practicable date. The Company will offer 293,064,829 New Ordinary Shares to qualifying Shareholders at a price of 350 pence per New Ordinary Share, payable in full on acceptance. The Rights Issue will be offered on the basis of: 3 New Ordinary

Shares for every 11 existing Ordinary Shares held on the Record Date, and so in proportion to any other number of existing Ordinary Shares then held and otherwise on the terms and conditions.

**New Debt Facility Agreement:** On 4 June 2018, DS Smith entered into a €740 million bridge facility agreement (c.£645 million) (the New Debt Facility Agreement) with Goldman Sachs and J.P. Morgan Securities plc as mandated lead arrangers, Goldman Sachs International Bank and JPMorgan Chase Bank, N.A., London Branch as original lenders, Goldman Sachs international Bank and J.P. Morgan Securities plc as the CNMV guarantee issuing banks and J.P. Morgan Europe Limited as agent (the Facility Agent). The New Debt Facility Agreement provides for DS Smith to receive one loan from the Original Lenders, which may be used to finance the Acquisition, pay related costs and expenses and for refinancing any existing indebtedness of the Target Group. The Loan is available to be drawn until the earlier of: (i) 31 March 2019; (ii) the date on which the Offer lapses or is withdrawn, annulled or declared ineffective; and (iii) the Offer Settlement Date (the Availability Period). Drawing the Loan is subject to the satisfaction of customary conditions precedent.

**Acceptance Undertakings:** It is noted that DS Smith has received undertakings to accept the Acquisition from a total of 58.97 per cent. of the entire share capital of Europac (the Acceptance Undertakings). The Acceptance Undertakings comprise: (i) the Irrevocable Undertakings, which are binding in all circumstances, from certain members of the Isidro family, including the Executive Chairman, the Executive Vice Chairman and two further Board members of Europac, and other key shareholders representing 52.83 per cent. of the entire share capital of Europac; and (ii) the Treasury Shares Commitment, being agreement from the Board of Europac that it will procure acceptance at the start of the acceptance period for the Acquisition in respect of all treasury shares held by Europac representing 6.14 per cent. of the entire share capital of Europac (subject to fiduciary duties and to issuing the mandatory board report taking into account the relevant financial and legal advice).

DS Smith currently intends to seek the delisting of the Europac Shares as soon as practicable following Completion. DS Smith intends to call such a meeting to be held within three months of Completion to vote in favour of the delisting of the Europac Shares, and to make an application for delisting to the CNMV as soon as practicable following that shareholders' meeting, and, in any event, within six months of Completion. The delisting will be carried out in compliance with all applicable legal requirements. If the Proposed Offer is accepted by a high number of shareholders, it is currently intended that DS Smith and Europac will apply to the CNMV for the authorisation to delist Europac Shares without making a delisting tender offer. If the CNMV does not require a delisting tender offer, DS Smith currently intends to adopt all measures that may be necessary to facilitate the acquisition of any remaining Europac Shares held by minority shareholders, placing a standing purchase order in the market at the same price offered under the Proposed Offer, until the effective delisting of Europac. It is DS Smith's current intention to make use of any and all legal procedures available to itself or to Europac (whether immediately following Completion or in the future) in order to seek to attain full ownership of Europac.

## COMPANY ENGAGEMENT

A draft copy of the report was sent to the Company for comments.

## BOARD AND COMMITTEE COMPOSITION (post-Meeting)

| DIRECTOR                    | GENDER | INDEPENDENT BY |         |      | BOARD | AC | RC | NC | SC | TENURE |
|-----------------------------|--------|----------------|---------|------|-------|----|----|----|----|--------|
|                             |        | PIRC           | COMPANY |      |       |    |    |    |    |        |
| Gareth Davis                | M      | Yes            | Yes     | Ch   | -     | M  | C  | -  | 8  |        |
| Miles Roberts               | M      | No             | No      | CEO  | -     | -  | -  | -  | 8  |        |
| Adrian Marsh                | M      | No             | No      | Exec | -     | -  | -  | -  | 4  |        |
| Chris Britton               | M      | Yes            | Yes     | NED  | M     | M  | M  | -  | 5  |        |
| Ian Griffiths               | M      | Yes            | Yes     | NED  | M     | M  | M  | -  | 4  |        |
| Jonathan Nicholls           | M      | Yes            | Yes     | SID  | C     | M  | M  | -  | 8  |        |
| Kathleen O'Donovan          | F      | Yes            | Yes     | NED  | M     | C  | M  | -  | 5  |        |
| Louise Smalley              | F      | Yes            | Yes     | NED  | M     | M  | M  | -  | 4  |        |
| Number of Meetings          |        |                |         | -    | -     | -  | -  | -  |    |        |
| Number of NED only Meetings |        |                |         | -    |       |    |    |    |    |        |

PIRC assesses a non-executive director's independence according to PIRC's shareholder guidelines. Comments represent PIRC's analysis based on information in the report and accounts. AC = Audit Committee, RC = Remuneration Committee, NC = Nomination Committee, SC = Sustainability Committee, C = Chairperson of Committee, M = Member of Committee.

## BOARD OF DIRECTORS (post-Meeting)

|                            |  |                               |         |                   |                               |  |
|----------------------------|--|-------------------------------|---------|-------------------|-------------------------------|--|
| <b>GARETH DAVIS</b>        |  |                               |         |                   | <b>CHAIRMAN</b>               |  |
| <b>AGE</b>                 | n/d  | <b>TENURE</b>                 | 8 Years | <b>COMMITTEES</b> | R,N*                          |  |
| <b>OTHER POSITION</b>      | Wolseley plc [Ch]; ex-Imperial Tobacco Group plc [CEO]; ex-William Hill plc [Ch]   |                               |         |                   |                               |  |
| <b>INDEPENDENT BY PIRC</b> | Y  | <b>INDEPENDENT BY COMPANY</b> |         |                   | Y                             |  |
| <b>COMMENT</b>             | Independent upon appointment. There are concerns over his aggregate time commitments as he is also Chairman of two other FTSE 350 companies. |                               |         |                   |                               |  |
| <b>MILES ROBERTS</b>       |  |                               |         |                   | <b>CHIEF EXECUTIVE</b>        |  |
| <b>AGE</b>                 | n/d  | <b>TENURE</b>                 | 8 Years | <b>COMMITTEES</b> | None                          |  |
| <b>OTHER POSITION</b>      | Aggreko plc [NED]; ex-Care UK plc [NED]; ex-McBride plc [CE]; ex-Poundland Group plc [SID]   |                               |         |                   |                               |  |
| <b>INDEPENDENT BY PIRC</b> | N  | <b>INDEPENDENT BY COMPANY</b> |         |                   | N                             |  |
| <b>SEVERANCE</b>           | 12 month rolling   |                               |         |                   |                               |  |
| <b>COMMENT</b>             | Group Chief Executive since May 2010.  |                               |         |                   |                               |  |
| <b>ADRIAN MARSH</b>        |  |                               |         |                   | <b>EXECUTIVE DIRECTOR</b>     |  |
| <b>AGE</b>                 | n/d  | <b>TENURE</b>                 | 4 Years | <b>COMMITTEES</b> | None                          |  |
| <b>OTHER POSITION</b>      | ex-AstraZeneca plc [CFO]; ex-Pilkington plc [CFO]; ex-Tesco plc [Head of Finance]  |                               |         |                   |                               |  |
| <b>INDEPENDENT BY PIRC</b> | N  | <b>INDEPENDENT BY COMPANY</b> |         |                   | N                             |  |
| <b>SEVERANCE</b>           | 12 month rolling   |                               |         |                   |                               |  |
| <b>COMMENT</b>             | Group Finance Director.  |                               |         |                   |                               |  |
| <b>CHRIS BRITTON</b>       |  |                               |         |                   | <b>NON-EXECUTIVE DIRECTOR</b> |  |
| <b>AGE</b>                 | n/d  | <b>TENURE</b>                 | 5 Years | <b>COMMITTEES</b> | A,R,N                         |  |
| <b>OTHER POSITION</b>      | Dr Gerard [Ch]; Graze [Ch]; ex-Alliance Boots GmbH [NED]; ex-B&B Investment Partners LLP [Co-Fnd, MD]; ex-Diageo [Exec]                      |                               |         |                   |                               |  |
| <b>INDEPENDENT BY PIRC</b> | Y  | <b>INDEPENDENT BY COMPANY</b> |         |                   | Y                             |  |

|                            |  |                               |                                    |                   |        |
|----------------------------|--|-------------------------------|------------------------------------|-------------------|--------|
| <b>IAN GRIFFITHS</b>       |  |                               | <b>NON-EXECUTIVE DIRECTOR</b>      |                   |        |
| <b>AGE</b>                 | n/d  | <b>TENURE</b>                 | 4 Years                            | <b>COMMITTEES</b> | A,R,N  |
| <b>OTHER POSITION</b>      | ITV plc [COO, gp FD]; ex-EMAP plc [FD]; ex-Ernst & Young [n/d]   |                               |                                    |                   |        |
| <b>INDEPENDENT BY PIRC</b> | Y  | <b>INDEPENDENT BY COMPANY</b> |                                    |                   | Y      |
| <b>JONATHAN NICHOLLS</b>   |  |                               | <b>SENIOR INDEPENDENT DIRECTOR</b> |                   |        |
| <b>AGE</b>                 | n/d  | <b>TENURE</b>                 | 8 Years                            | <b>COMMITTEES</b> | A*,R,N |
| <b>OTHER POSITION</b>      | lbstock plc [SID]; Shaftesbury Plc [Ch]; ex-Great Portland Estates plc [Ch]; ex-Hanson Plc [gp FD]; ex-Old Mutual Plc [gp FD]; ex-SIG plc [NED]  |                               |                                    |                   |        |
| <b>INDEPENDENT BY PIRC</b> | Y  | <b>INDEPENDENT BY COMPANY</b> |                                    |                   | Y      |
| <b>KATHLEEN O'DONOVAN</b>  |  |                               | <b>NON-EXECUTIVE DIRECTOR</b>      |                   |        |
| <b>AGE</b>                 | n/d  | <b>TENURE</b>                 | 5 Years                            | <b>COMMITTEES</b> | A,R*,N |
| <b>OTHER POSITION</b>      | ex-ARM Holdings plc [SID]; ex-BTR plc [CFO]; ex-Court of the Bank of England [Dir]; ex-EMI Group plc [NED]; ex-Great Portland Estates plc [SID]; ex-Invensys plc [CFO]; ex-O2 plc [NED]; ex-Prudential plc [NED] |                               |                                    |                   |        |
| <b>INDEPENDENT BY PIRC</b> | Y  | <b>INDEPENDENT BY COMPANY</b> |                                    |                   | Y      |
| <b>LOUISE SMALLEY</b>      |  |                               | <b>NON-EXECUTIVE DIRECTOR</b>      |                   |        |
| <b>AGE</b>                 | n/d  | <b>TENURE</b>                 | 4 Years                            | <b>COMMITTEES</b> | A,R,N  |
| <b>OTHER POSITION</b>      | Whitbread plc [HR Dir]; ex-BP [HR]; ex-Esso Petroleum [HR]   |                               |                                    |                   |        |
| <b>INDEPENDENT BY PIRC</b> | Y  | <b>INDEPENDENT BY COMPANY</b> |                                    |                   | Y      |

## BOARD COMPOSITION

### BOARD COMPOSITION FOLLOWING THE EGM

|                    |        |            | FTSE 100 MEAN |            |
|--------------------|--------|------------|---------------|------------|
|                    | Number | % of Board | Number        | % of Board |
| Executive Director | 2      | 25.0       | 2.9           | 26.7       |
| Independent NEDs   | 5      | 62.5       | 5.9           | 55.0       |
| Connected NEDs     | 0      | 0.0        | 0.9           | 8.5        |
| Other              | 1      | 12.5       | 1.0           | 9.4        |

### BOARD COMMITTEES FOLLOWING THE EGM

|              |                   |         |                       |                          | FTSE 100 MEAN     |                       |
|--------------|-------------------|---------|-----------------------|--------------------------|-------------------|-----------------------|
|              | Number of Members | % Women | % Independent by PIRC | % Independent by Company | Number of Members | % Independent by PIRC |
| Whole Board  | 8                 | 25.0    | 75.0                  | 75.0                     | 10.7              | 54.7                  |
| Audit        | 5                 | 40.0    | 100.0                 | 100.0                    | 3.9               | 92.5                  |
| Remuneration | 6                 | 33.33   | 83.33                 | 100.0                    | 4.2               | 89.0                  |
| Nomination   | 6                 | 33.33   | 83.33                 | 100.0                    | 5.0               | 81.5                  |

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