REDEFINING

PACKAGING FOR A CHANGING WORLD

ANNUAL REPORT 2023

DS Smith

2022/23 HIGHLIGHTS

FINANCIAL

£8,221M
Revenue
(2022: £7,241m) (2023: +11%[3])

10.5%
Return on sales[1]
(2022: 8.5%) (2023: +190bps[3])

+35%
Adjusted operating profit[1,3]
(2022: £616m) (2023: £861m)

£661M
Profit before tax
(2022: £378m) (2023: +71%[3])

+14.3%
ROACE[2]
(2022: +10.8%)

18.0P
Dividend per share
(2022: 15.0p) (2023: +20%)

1.3X
Net debt/EBITDA
(2022: net debt/EBITDA 1.6x)

£354M
Free cash flow[1]
(2023 cash conversion: 101%)

NON-FINANCIAL

762M
units of plastic replaced since 2020 (target of one billion units of plastic replaced by 2025)

15%
CO_2e tonnes reduction since 2019 (10% CO_2e tonnes reduction vs 2022)

100%
reusable or recyclable packaging manufactured (target achieved)

6%
reduction in accident frequency rate vs 2022

1. Based upon continuing operations, before adjusting items and amortisation. These are all non-GAAP performance measures - see note 32 to the consolidated financial statements.
2. Operating profit before amortisation and adjusting items as a percentage of the average monthly capital employed over the previous 12 month period.
3. Based on constant currency.

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THE DS SMITH DIFFERENCE

WHY INVEST IN DS SMITH?

Our scale, innovation, sustainability credentials and strong purpose set us apart.

STRONG MARKET DRIVERS

Helping our customers by designing out waste, keeping valuable materials in use and making it easier for consumers to reuse and recycle packaging.

We have already replaced over 762 million items of single-use plastic from customers' supply chains.

STRONG CUSTOMER BASE

Ever-deeper relationships with our predominant customer base of blue-chip, resilient fast moving consumer goods (FMCG) and consumer brands. Market share growth through exceptional service, innovative products and security of supply.

AN INDUSTRY LEADER

A leading supplier of innovative, sustainable packaging solutions in more than 30 countries with continued investment in our asset base, research & development (R&D) and innovation.

A SUSTAINABILITY LEADER

The only solely fibre-based major packaging company in Europe and Europe's largest cardboard and paper recycler. We are driving the transition to the circular economy with ambitious targets in plastic replacement and reducing greenhouse gas (GHG) emissions, resulting in improved ESG ratings.

STRONG FINANCIAL POSITION

Revenue growth +11 per cent.

Adjusted operating profit growth +35 per cent.

Strong free cash flow and leverage reduced to 1.3x net debt/EBITDA.

WINNING WITH CUSTOMERS

AT A GLANCE

DS Smith is a leading provider of sustainable fibre-based packaging across Europe and North America which is supported by recycling and paper-making operations. It plays a central role in the value chain across sectors including FMCG, industrials and e-commerce.

PACKAGING

We are a leading international sustainable packaging company, with innovative packaging solutions made from recycled and/or recyclable material. We deliver innovative, fully fibre-based corrugated products across Europe and North America for consumer products, e-commerce, promotion, transit and industrial packaging. We complement our product range with consultancy on supply chain optimisation and creative design.

c. 25,000 employees

c. 8.6 billion m² corrugated board sold in 2022/23

PAPER

We are a leading international manufacturer of corrugated case material (CCM), which is the paper used for conversion into corrugated board. We also manufacture specialist paper grades such as plasterboard liner. We operate 13 CCM paper mills, 11 in Europe and two in the US. Of those, two are kraftliner mills (virgin paper – one in the US, one in Europe) and the remainder are principally dedicated to the production of recycled CCM (testliner). We also have two small mills in Europe producing specialist paper grades.

c. 4,000 employees

c. 4.0 million tonnes CCM produced in 2022/23

RECYCLING

We provide a full recycling and waste management service. We are Europe's largest cardboard and paper recycler and are also one of the leading full service recycling and waste management companies in Europe. We collect quality paper and cardboard for recycling from a range of sectors which provides cost efficient raw material for the Group's recycled paper-making processes. We also sell used fibre to third parties globally.

c. 1,000 employees

c. 5.7 million tonnes fibre managed in 2022/23

WHERE WE OPERATE

Our business operates in four geographic segments.

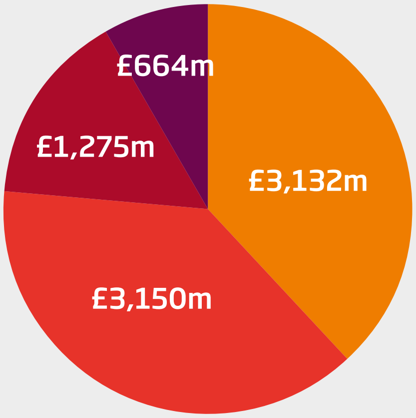
Northern Europe
Belgium, Denmark, Finland, Germany, Netherlands, Norway, Sweden, Switzerland and United Kingdom

Southern Europe
France, Italy, Portugal and Spain

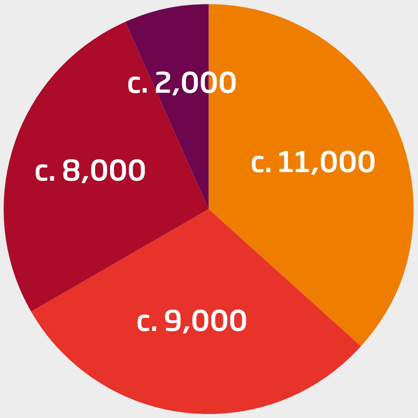
Eastern Europe
Austria, Bosnia and Herzegovina, Bulgaria, Croatia, Czechia, Estonia, Greece, Hungary, Latvia, Lithuania, North Macedonia, Poland, Romania, Serbia, Slovakia, Slovenia and Türkiye

North America
United States

2022/23 Revenue



2022/23 Employees



OUR PURPOSE AND VALUES

REDEFINING PACKAGING FOR A CHANGING WORLD

Our Purpose to Redefine Packaging for a Changing World focuses our DS Smith team on the rapidly evolving world around us, as consumers' lives and shopping habits change, and digitalisation accelerates. It encourages us to look outside the confines of the packaging industry and forward, to see how these changes will influence shopping patterns, impact on the environment, and the role packaging can play in a more sustainable experience for all.

Our Purpose sharpens our instincts and encourages us to tackle some of the world's biggest challenges, such as replacing problem plastics. It feeds all parts of our organisation, including people, policies, R&D, design and customer interactions.

WE DELIVER OUR PURPOSE THROUGH OUR STRATEGIC GOALS...

To delight our customers: by delivering outstanding results to them as we increase their sales, reduce their costs, manage their risk and become circular ready

To realise the potential of our people: by creating a safe environment where every colleague can develop their skills and ideas

To lead the way in sustainability: by bringing our customers into the circular economy using recyclable materials responsibly in our circular business

To double our size and profitability: by driving operational and commercial excellence, growing our market share and expanding into new markets

See pages 16-17 for more information

AND OUR NOW & NEXT SUSTAINABILITY STRATEGY...

Our focus is on:

Circularity
Designing out waste and pollution, and keeping materials in use

Carbon
Decarbonising our operations and value chain

People & Communities
Creating a safe, diverse and inclusive workplace and being active in our communities

Nature
Protecting and regenerating nature

See pages 24-29 for more information

WHICH HELPS US DELIVER OUR VISION TO BE THE LEADING SUPPLIER OF SUSTAINABLE PACKAGING SOLUTIONS

Underpinned by our values:

Be caring
We take pride in what we do and we care about our customers, our people and the world around us

Be trusted
We can always be trusted to deliver on our promises

Be challenging
We are not afraid to constructively challenge each other and ourselves to find a better way forward

Be tenacious
We get things done

Be responsive
We seek new ideas and understanding and are quick to react to opportunities

UNDERSTANDING OUR CUSTOMERS

DYNAMICS OF OUR MARKETS

Sustainability

Packaging has grown in the consciousness of consumers, and more of it now arrives in the home environment. Given our innovation and sustainability credentials, concerns about plastic and over-packaging create opportunities for us.

Greater focus is also placed on sustainable supply chains and our customers are looking for strong ESG credentials in their suppliers.

Retail

The increased cost of living has driven footfall to discount supermarkets, growing the demand for shelf-ready packaging that optimises costs, and generating opportunity for us to innovate in this space for our customers.

E-commerce

Growth has steadied but the opportunity in e-commerce remains significant. High-quality packaging is an essential element of this supply chain, putting us in a unique position to develop innovative, sustainable solutions.

Digital and data

Enhancing our capability is critical to our growth agenda. We are testing new applications throughout our business, including deploying real time data analysis within our supply chain and manufacturing processes as part of our approach to monitoring inventory, and reducing costs.

See more www.dssmith.com

$28bn

The corrugated packaging market size in Europe was $28 billion in 2022 (source: Smithers Pira).

We support many of the world's largest FMCG companies, delivering scale, quality and innovation to meet their sustainability agendas.

Change brings innovation and opportunity

Concerns around climate change have prompted consumers to consider the way they relate to packaging, and purchasing choices are increasingly influenced by those companies offering more sustainable solutions.

There is mounting pressure on retailers and brands to live up to consumers' sustainability expectations, and with our strong customer base in comparably resilient FMCG markets, we are well positioned to maximise the opportunity this brings and support our customers to meet that demand.

Sustainability also continues to rise up the agenda for governments, with many proposing legislative changes aimed at limiting the use of single-use plastics and encouraging reuse. Consumers remain keen to use less plastic, and in meeting that demand, we have already replaced 762 million pieces of plastic in partnership with our customers since 2020.

Innovation is at the heart of our response to consumer trends, and this autumn, we will launch our flagship Global R&D and Innovation Centre for ideation, design, testing, piloting and collaboration in Redditch, UK. Elements of this facility take inspiration from the car industry and deploy robotics to install and test pilot product and service innovations, so that customers can visualise how we can meet consumer demand for sustainable solutions, help them transition to the circular economy, and drive their sustainability agenda.

As the world continues to evolve and consumer preferences shift with it, we continue to tailor our solutions, helping our customers to respond to these trends while meeting our shared sustainability ambitions.

SNAPSHOT OF OUR CUSTOMERS

We align to our customers' needs, responding with agility and helping drive their sustainability agenda. Expanding into Europe and building new, state-of-the-art sites that meet demand for innovative, sustainable solutions, we go where our customers are.

THE DS SMITH DIFFERENCE

> "We collaborate with DS Smith for the long term, and for the past ten years we have partnered on an exclusive supply basis. The strength of such relationships is put to the test in the hardest times, and DS Smith has proven a core partner to us.
>
> They have demonstrated time and again that they can carry the responsibility of our exclusive agreement, and have the right culture to protect and prioritise our business, especially when it comes to shielding consumers from inflationary costs, for which we appreciate the very conscientious approach they take."

Vinzenz Gruber
Executive Vice President & President, Europe, Mondelēz International

11%

11% REVENUE GROWTH

2022/23 was an exceptional year for DS Smith, demonstrating the quality and value we deliver for our customers.

INNOVATING FOR OUR CUSTOMERS

Sustainability sits at the heart of our business, and innovation and R&D are its critical enablers. To ensure we continue to meet customers' needs, we are undertaking research into the impact of the modern supply chain on packaging, and continue to explore how alternative, bio-based fibres can be used as a raw material to design out problem plastics in our new Fibre Laboratory at Kemsley Mill, UK.

Our differentiators and continued investment position us to succeed. We are driving the transition to the circular economy by partnering with our predominantly FMCG customer base as a leading supplier of innovative, sustainable packaging solutions.

Our customers value:

Local market presence

We invest with our multinational customers, who choose us because we offer consistency of service levels across territories.

Security of supply

We provide quality and security of supply that further strengthens long-standing, deep customer relationships.

Forward-thinking and innovation

Demand for sustainable packaging drives the need for innovation – our Circular Design Metrics help our customers create sustainable packaging.

Tailored packaging solutions

We tailor solutions in response to consumer trends, such as growing demand for fibre-based packaging and evolving shopping habits and channels.

Sustainable supply chains

We use our Circular Design Principles to bring customers into the circular economy and meet their sustainability commitments, and they value our ambitious goal to reduce GHG emissions by aligning our global operations to our validated 1.5°C target.

Replacing plastic

We have replaced over 762 million items of plastic since 2020, and continue to explore alternative fibres drawn from bio-based materials.

CHAIR'S STATEMENT

Our customers continue to value the exceptional service, innovative products and security of supply we provide, and this has helped us to strengthen our relationships with them.

Geoff Drabble
Chair

Strong strategic progress

I am delighted with the strategic progress we have made this year. Our customers continue to value the exceptional service, innovative products and security of supply we provide, and this has helped us to strengthen our relationships with them and gain market share. During the pandemic and over the last year we have focused on delivering for our customers, innovating with them and helping them become more efficient while achieving their sustainability goals, resulting in closer working relationships.

Our strong performance this year would not have been possible without the commitment and hard work of our colleagues and on behalf of the Board, I would like to thank them all, as well as welcoming those who joined DS Smith during the year.

We continue to be excited by the long-term growth drivers of corrugated packaging and our strong performance and financial position enable us to continue to invest in our business, supporting our customers and driving profitable growth for DS Smith.

Our new packaging sites in Italy and Poland were opened in the year and are now fully operational. These sites provide state-of-the-art technology and the capacity to allow us to take advantage of the customer demand and growth in these regions, and we are confident in the returns they will deliver. We continue to invest in our products and services, innovating to help our customers drive their sustainability agenda. We are also investing for the environment to drive efficiency and reduce our greenhouse gas (GHG) emissions, supporting the delivery of our Science-Based Targets initiative (SBTi) validated target.

Sustainability

The structural growth drivers remain strong in our industry with sustainability driving change in our customers' offerings and how we work with them. Sustainability has always been at the heart of our business, both in how we operate, but also how we help our customers solve their sustainability challenges. In the year, we saw a further significant acceleration in our customers' aspirations for plastic replacement, commitment to carbon reduction and move towards a circular economy.

In 2022/23, we refreshed our Now & Next Sustainability Strategy (read more on pages 24 to 29). The refreshed strategy incorporates the value of nature-based solutions for climate change adaptation and mitigation, and builds on a strong foundation of health and safety and diversity, equity and inclusion. This includes ambitious targets to transition to the low carbon, circular economy of the future that will benefit people, nature and business.

The Board

In September 2022 Adrian Marsh, Group Finance Director, informed the Company that he planned to retire from his role once a successor was in place. Adrian has been instrumental in the growth and success of the Company over the last decade which has been a period of great progression for the business. On a professional level, he has significantly developed the finance function and our colleagues within it to reflect the growth and internationalisation of the Group, and on a personal level, the Board and I have greatly enjoyed working with him over many years. On behalf of the Board and the Company, I would very much like to thank Adrian for his major contribution and commitment to DS Smith and wish him well in his retirement.

I am also pleased to welcome Richard Pike as Adrian's replacement. Richard has been Chief Financial Officer of Biffa plc, a UK sustainable waste management business, for the last four years and has enjoyed a highly successful career in finance, including a decade of leadership roles in manufacturing. Richard joined as Group Finance Director designate on 29 March 2023 and will take over from Adrian on the Board on 30 June 2023.
I would also like to welcome our new Non-Executive Director, Eric Olsen, who joined the Board in May of this year. Eric's extensive experience in the fields of finance, human resources, strategy, operations and global leadership will contribute a deepening of the range of perspectives brought to the Board's discussions (see our Board of Directors on pages 70 to 73 for more information).

Health and safety

Our values and priorities continue to drive the culture and operating practices within our business. Our primary areas of focus are always for the safety, health and wellbeing of our employees and serving our customers in these challenging times. Once again, I am very proud of our people, working to serve our customers in a safe operating environment. Despite the many challenges we have faced, this is the 15th consecutive year we have seen an improvement in our health and safety KPI (see page 16), an area that is a key priority for the Board.

Strong financial performance and position

We have delivered another year of strong profit growth and cash generation, reducing our net debt/EBITDA leverage ratio to 1.3.

Our capital allocation priorities remain focused on disciplined investment to support growth with our customers and drive shareholder returns while maintaining a robust balance sheet. The Board considers the dividend to be a very important component of shareholder returns.

Our strong financial performance and our good cash management allow us to grow our dividend. In respect of 2022/23, we paid an interim dividend of 6.0 pence and propose a final dividend of 12.0 pence per share, taking the total dividend for this year to 18.0 pence per share. This represents a significant growth of 20% versus 2021/22 and a cover of 2.0-2.5 times, in line with our progressive policy (see the Financial review on pages 36 to 41 for more information).

Our strategic direction and outlook

While economic conditions have continued to be volatile and box volumes have remained lower than normal, trading for the year to date is in line with our expectations. Our strong customer relationships in the resilient FMCG sector, together with the investments we are making to drive cost efficiencies and growth, give us confidence for the future.

ENGAGING WITH STAKEHOLDERS: SECTION 172 STATEMENT

The Board aims to promote the success of the Company for the benefit of its shareholders as a whole, taking into account the long-term consequences of its decisions and looking at those decisions through a variety of lenses. This involves the Board and management considering in detail and discussing the interests of the Company's stakeholders including our customers; our people; our investors; our suppliers; local communities and non-governmental organisations; the importance of maintaining our reputation for high standards of business conduct and acting fairly as between shareholders; and the environment. More information about our stakeholders is set out on pages 14 and 15. More information about the Board balancing stakeholder interests is set out on pages 74 and 75. Examples of what that has looked like in practice over the past year are summarised below. Engagement with all our stakeholders is led by our executive teams, who in turn regularly update Board members, via presentations and briefings. In the governance section of this Annual Report we use s172 to highlight the examples referred to below. These illustrate aspects of the Board's approach to its duties under section 172 of the Companies Act 2006:

Stakeholder	Strategic Report	Governance
Our customers	Pages 4 to 7 (collaboration), 14 (engagement)	Page 79 and 80 (engagement with our customers via updates from sales, marketing and innovation functions)
Our people	Pages 14 and 21 (engagement and feedback), 21 (decisions made in consultation with employees), 21 (engagement on health and safety), 21 (global recognition programme)	Pages 79 (engagement with our workforce), 79 (EWC meetings), 79 (EWC representative attending Remuneration Committee meetings and Remuneration Committee Chair attending EWC Executive meetings), 79 (update on diversity, equity and inclusion and employee resource groups), 80 (in-person site visits)
Our investors	Page 14 (engagement)	Pages 79 (engagement with our shareholders), 79 (briefing on views of institutional investors)
Our suppliers	Page 15 (engagement and supplier standards)	Page 79 (engagement with our suppliers via updates from Group procurement)
The environment and communities	Pages 15 (engagement with stakeholders on environmental matters and charitable giving), 15 (engagement with ESG rating agencies)	Pages 75 (briefing on next phase of activity to realise commitment to align to a 1.5°C scenario), 80 (engagement with other stakeholders including briefing on community engagement)
Governments and non-governmental organisations	Page 15 (engagement)	Page 80 (briefing on engagement with other interested stakeholders including on topics such as the new Packaging and Packaging Waste regulations)

This statement is made in conformity with the requirement to explain how directors fulfil section 172 of the Companies Act 2006.

GROUP CHIEF EXECUTIVE'S REVIEW

The route to the circular economy depends upon new thinking, so alongside our high-quality asset base, we continue to invest into innovation, digital and data to drive sustainable solutions.

Miles Roberts
Group Chief Executive

Leading the transition to the circular economy

We have delivered an exceptional performance over the past 12 months despite the challenging environment, achieving a 35 per cent increase in profitability and continued market share gains. As well as a year of progress, it cannot be denied that it has also been a year of volatility. Our thoughts remain with all those that are suffering as a result of Russia's invasion of Ukraine.

Against an uncertain geopolitical and macroeconomic backdrop, our consistent and long-term strategy has enabled us to be both dynamic and dependable in meeting our customers' evolving needs. We have provided quality and security of supply that further strengthened our relationships, while continuing to invest into innovative and sustainable products and services, strengthening our lead in the circular economy.

This positions us well to maximise on opportunities for growth, and we continue to build on a platform of high-quality assets in North America and Europe that answer demand for leading-edge innovations. Operations at two new, state-of-the-art packaging facilities in Castelfranco Emilia, Italy, and in Belchatow, Poland are progressing well, and we announced investment into the expansion of three of our German sites in Nördlingen, Bavaria and Arenshausen and Arnstadt in Thuringia.

In tandem, we continue to invest into innovation, digital and data, because the route to the circular economy depends upon new thinking. From our packaging to our processes, our designers and innovators are pursuing every new opportunity to create circular solutions to eliminate waste and pollution, circulate products and materials, and regenerate nature.

In line with this, the construction of our Global R&D and Innovation Centre for ideation, design, testing, piloting and collaboration in Redditch, UK, will launch this autumn, supporting customers to visualise the value we can bring.

Our own sustainability agenda goes from strength to strength and in 2022/23, we refreshed our Now & Next Sustainability Strategy, to ensure that it is fit for our dramatically changing world.

Demonstrating our commitment to reducing carbon emissions, this year new and more energy efficient initiatives have launched at our sites in Viana, Portugal, Lucca, Italy, Aschaffenburg, Germany, and Rouen, France.

We are committed to the most ambitious carbon reduction target in the industry: a 1.5°C science-based target to reduce Scope 1, 2 and 3 greenhouse gas (GHG) emissions 46 per cent by 2030 compared to 2019. We have also committed to reach Net Zero GHG emissions by 2050. Our achievements are being recognised independently, where we have been featured in the S&P Global 2023 Sustainability Yearbook, alongside some of the world's best performing companies for corporate sustainability.

This is a collective achievement across the Group, delivered through the combined talent of our world class people.

In 2022/23 we have increased our focus on wellbeing, diversity, equity and inclusion, and are investing in development across the organisation. And, supporting all we do and of the utmost importance, I am delighted to share that our safety statistics have again improved, for the 15th year in a row.

In looking back, I am proud of the drive and commitment shown by my colleagues at DS Smith. In looking forward, I am excited and energised for what I know we can and will achieve for the future.

Looking ahead, I am confident in our ability to deliver our Purpose of Redefining Packaging for a Changing World, maximising the growth opportunities that a changing world will inevitably bring.

Q&A

How are you supporting employees through the challenges of the past year, especially in relation to the cost of living?

Our colleagues have demonstrated professionalism, agility and commitment in a year characterised by change, and the strength of our long-standing customer relationships comes as a direct result of employees' efforts to support and delight them, again and again. We can rightly be proud of all that we have achieved together.

We have a strong Purpose and values to underpin our culture and we aim to give every one of our colleagues the platform to realise their potential. We do this through a number of programmes including our diversity, equity and inclusion initiatives and networks, development for all activities and wellbeing support.

The inflationary pressures of the last year have had deep impacts around the world, and it is important that we continue to listen to our colleagues. To that end, we have run local engagement surveys and listening sessions to inform our actions and address key concerns. We have a range of support systems in place across all our sites that our colleagues can call on, if they are in difficulty. These include support with financial, health and wellbeing-related issues.

How have you managed inflation and higher input prices?

We continue to manage the inflationary cost pressures experienced in the market through significant risk management and hedging, alongside our forward-looking procurement approach and long-standing, strong supplier relationships.

How do strategic reviews or closures undertaken in parts of DS Smith's business fit with your growth agenda?

We periodically evaluate our operations to make sure that they are delivering the best value for our customers. Changing market dynamics over recent years – especially within recycling – require us to adapt our business model to meet these evolving trends, and evaluate which assets are best suited to service our customers and support the growth of the business. DS Smith continues to deliver strong profitable growth, and strategic reviews are typical of the good cost management and focus on emerging customer needs that have always been a hallmark of our business. They are part of what enables any business to ensure they maintain the right infrastructure to deliver future growth.

What progress have you made against your Now & Next Sustainability Strategy?

Since launching Now & Next three years ago, owing to the hard work of our teams across Europe and North America, we have already achieved a third of our sustainability targets on or ahead of schedule, including our target to manufacture 100 per cent reusable or recyclable packaging, to launch 100 biodiversity projects in our local communities and to maintain our use of 100 per cent recycled or chain of custody certified papers.

We have set an ambitious 1.5°C science-based target, which has been validated by the Science Based Targets initiative, requiring a 46 per cent reduction in Scope 1, 2 and 3 GHG emissions by 2030 compared to 2019. Since 2019/20, we have reduced our Scope 1, 2 and 3 emissions by 15 per cent. We have now refreshed Now & Next, ensuring that it is fit for our changing world, leverages our resources in the areas that matter the most to our stakeholders, and responds to the commercial opportunity of the circular economy.

How are you working to influence the wider sustainability agenda for your industry?

We believe that collaborative approaches to innovation are required to help the entire industry and our customers transition to the circular economy. We are playing active roles in technical working groups such as 4evergreen, CPI and FEFCO to progress the dialogue on innovation in sustainable materials. We are active in the legislative environment relating to policy on the decarbonisation of heat, reuse and recycling, and extended producer responsibility (EPR). In all of these engagements, we remain true to our Purpose and belief in the value of the circular economy.

What do you see the coming year bringing for DS Smith?

I am very proud of our performance this year. We go into the next 12 months having continued to gain market share with forward momentum. We are pleased that we have been able to keep customers supplied throughout the year's upheaval, and while there has been some softening in industrials, FMCG remains more resilient, so we expect to withstand some uncertainty ahead.

By leveraging our scale, our deep customer relationships and innovative solutions, we have a strong platform to grow our market share over the next year. Our focus will be on delivering value for all our stakeholders including employees, customers, suppliers and shareholders.

OUR STRATEGY

Our strategy is based on balancing the requirements of our core stakeholders and delivering on our Purpose:

To delight our customers
How we engage with customers

See more on pages 18-19

To realise the potential of our people
How we engage with our people

See more on pages 20-23

To lead the way in sustainability
How we engage with society

See more on pages 24-29

To double our size and profitability
How we engage with our investors

See more on pages 30-34

TO BE THE LEADER IN SUSTAINABLE PACKAGING SOLUTIONS

OUR RELATIONSHIPS AND RESOURCES

Our people and values

We employ c. 30,000 people globally and invest in and develop them so they can realise their potential. Our values and management standards guide how we operate.

Manufacturing and other physical assets

We have an extensive network of packaging manufacturing sites, paper mills, recycling depots and innovation centres, supported by the infrastructure of the countries in which we operate.

Our relationships

We interact in a way consistent with our corporate values to build and maintain trusted relationships with our customers, suppliers and communities.

Intellectual capital

We have substantial customer understanding, innovation and patented designs.

Digital and data

Integration of digital and data will help increase manufacturing capacity and service levels, and deliver best in class customer experience.

Financial capital

We are funded by a combination of shareholder equity, debt and reinvested cash flow.

Natural capital

We operate a circular model through the recycling of natural material, in particular wood fibre.

1 CCM
Paper is converted into corrugated board and then into packaging

2 Boxes
Packaging is used by our customers, retailers and consumers

3 Used packaging
Used packaging is collected and brought to our recycling facilities

4 OCC and recovered fibre
OCC and recovered fibre are converted into paper again

CCM: corrugated case material, the paper used to form corrugated board.
OCC: old corrugated cases, i.e. used corrugated board, a feedstock for recycled paper.

HOW WE CREATE VALUE

1. Insight
Our strong relationships with our customers in fast moving consumer goods (FMCG), retail and industrial sectors help us gain insights in changing consumer, retail and regulatory trends and how they impact use of packaging. We use this knowledge to inform our innovation.

2. Innovation
Innovation is at the heart of our business. We have a five-year, £100 million investment programme in research and development (R&D) to accelerate our work in the circular economy and plastic replacement.

We collaborate with our customers to create sustainable packaging solutions in our impact centres and are able to test and pilot designs and then share best practice across all regions.

We are also innovators in the use of light-weight corrugated board. Our proprietary technology to test the strength of corrugated board as it is manufactured means we can use the optimum paper weight required.

3. Design
All of our designers use our Circular Design Principles to improve the sustainability of packaging. Through our network of designers and PackRight Centres, we create packaging that fulfils our customers' requirements for all stages of the primary product's journey, whether replacing plastic, improving protection in transit, ease of identification in the supply cycle, or presenting the primary product to maximise sales.

4. Manufacturing
Our paper mills manufacture CCM and our corrugated plants convert CCM into corrugated board, then print, cut and pre-glue the boxes, which are then shipped flat on pallets, ready for assembly and filling at our customers' factories. We maximise the efficiency of our manufacturing, for example, using light-weight papers where possible to reduce the cost and carbon impact of the packaging produced.

OUR DIFFERENTIATORS

- Scale
- Innovation
- Sustainability and circular economy

MARKET DRIVERS

- Responding to retail channel changes
- E-commerce
- Sustainability

THE VALUE WE CREATE

Satisfied customers
We develop packaging that helps our customers sell more, reduce costs, manage risks and become circular-ready.

Packaging that is sustainable
Our packaging is usually fully recyclable and made from largely recycled material. We recycle more packaging than we produce.

Replacing plastic
We have replaced 762 million units of plastic with alternative fibre-based solutions since 2020.

Returns to our capital providers
Investors benefit from strong operational and financial performance.

Safety and opportunity for our people
We aim to create equality of opportunity for people to grow and develop throughout their career in a safe working environment.

Leadership in sustainability
We are leading the transition on packaging sustainability through our engagement with major organisations such as the Ellen MacArthur Foundation.

Community involvement
We have an active programme of community involvement in addition to satisfying a societal need for recyclable packaging.

See pages 14-15 for more information on our stakeholders

UNDERSTANDING OUR STAKEHOLDERS

Our strategic goals are aligned with the requirements of all our stakeholders, so that we are delivering for all.

WHY THIS STAKEHOLDER IS IMPORTANT TO US	THEIR CONCERNS	OUR RESPONSE
OUR CUSTOMERS		
Our customers are largely fast moving consumer goods (FMCG) companies that produce goods typically sold in supermarkets and via e-commerce channels. We make corrugated packaging for some of the largest global food brands, online retailers and industrial customers and sell paper and recycling materials to third parties.	Customers are increasingly concerned about sustainability, both in terms of recyclable packaging materials and reducing overall lifecycle impact, including optimisation in the supply chain. They are interested in transparency in the supply chain, compliance with laws and regulation, and competitive pricing. They are also focused on the quality of the product and security of the supply chain and meeting their own sustainability targets.	Our customers require an innovative and flexible partner with reliable world-class supply chains and scale. We continue to innovate with new sustainable solutions including using our Circular Design Metrics and provide more ways to work with customers than ever before. Our packaging is fully sustainable which means it helps our customers achieve their own sustainability targets. Read more on pages 18-19
OUR PEOPLE		
We are c. 30,000 people across 34 countries worldwide, speaking 26 languages. We are inspired by our Purpose and are diverse in our thinking. A safe and inclusive workplace is a fundamental foundation for a successful company and a crucial part of achieving our strategic goal, 'to realise the potential of our people'. We want all of our people to come to work every day feeling that they are safe and that they are included, no matter their background.	Our people are interested in a company they can be proud of, a strong supportive culture in which they feel safe, recognised, included and fairly rewarded, and one in which they can fulfil their potential.	We are committed to ensuring our employees work in a safe, fair and productive environment and invest in their development. We base our approach to, and expectation of, our employees on our five DS Smith values. By giving everyone a voice, we provide a meritocracy with development opportunities for all and recognition of personal achievement regardless of gender, ethnicity, age or religion. We encourage feedback and have mechanisms through our employee works councils including the European Works Council, biennial employee survey and more regular pulse surveys, which inform local action plans and sharing of best practice. Read more on pages 3 and 20-23
OUR INVESTORS		
Our shares are listed on the London Stock Exchange, and we raise our debt from banks and through listed bonds. Our equity and bonds are owned by a wide range of investors in the UK, Europe, the US and beyond. We engage with many of our largest shareholders, as well as some smaller shareholders, on financial performance and topical issues of particular interest to them.	Our investors are concerned about financial and operational performance, sustainability strategy and ESG scores, compliance with laws and industrial relations.	We engage with equity investors and analysts through regular meetings and conferences, including the Annual General Meeting, and similarly engage with our banking syndicate, fixed income investors and ratings agencies periodically. We aim to provide long term shareholder value creation. We also regularly attend meetings and conferences focused on sustainability and showcase our latest sustainable solutions.

WHY THIS STAKEHOLDER IS IMPORTANT TO US	THEIR CONCERNS	OUR RESPONSE
OUR SUPPLIERS		
We have approximately 40,000 suppliers, ranging from small suppliers of goods and services to large paper manufacturers, from whom we source substantial volumes of paper for our corrugated board. Suppliers want to know how they can support us in delivering our sustainability plans through the products and services we purchase from them.	Our suppliers are also concerned with compliance with laws, competitive pricing and sustainability.	Our suppliers are required to comply with our Global Supplier Standard (GSS), which sets out ways of working. We engage with our suppliers on a variety of topics, including circularity and carbon. This includes our target for 100 per cent of our strategic suppliers to set their own science-based targets by 2027.
NATURE		
We depend on nature for the air we breathe, the food we eat and as a global business for the range of resources it provides. Protecting and regenerating forests and biodiversity is essential to ensure the survival of plant and animal species, genetic diversity and natural ecosystems. Biodiverse natural ecosystems provide clean water and air, contributing towards resource security and human health.	The climate crisis, deforestation, biodiversity loss, water scarcity and waste to landfill are priorities.	Decarbonisation and protection of nature is core to our Purpose and leadership in sustainability. We are accelerating decarbonisation of our global operations toward our ambitious 2030 target and Net Zero commitment. We strive to send zero waste to landfill and minimise our water withdrawal from the environment. We manage our own forests responsibly and require those we source from to do the same, while continuing to expand our biodiversity programmes in our forests and paper mills.
OUR COMMUNITIES		
Contributing to local communities is a core social responsibility for any organisation. Engaging our people and communities aids training, employee skills and continued prosperity of our people and local communities. As a large, global employer, we can equip our people and communities with useful resources, particularly to promote sustainable development.	Ensuring we are a responsible, sustainable business offering communities support above and beyond employment.	Our Purpose guides our community programmes and The DS Smith Charitable Foundation which support local initiatives, including environmental and education-focused charities, such as the Good Planet Foundation in France. Our Charitable Foundation has donated over £200,000 in 2022/23, including £50,000 to Turkish Red Crescent for humanitarian relief efforts. Read more on pages 24-29
GOVERNMENTS AND NON-GOVERNMENTAL ORGANISATIONS		
The primary focus of regulators and policy makers has been on: climate change, plastic packaging, waste, eco-design and extended producer responsibility (EPR). We engage in detailed consultations with governments on the topics of recycling and reuse, EPR and the decarbonisation of heat. We participate in industry organisations across the UK, EU and North America to combine our influence.	Sustainability and the circular economy, reducing our greenhouse gas (GHG) emissions, energy and water, and reducing waste and landfill.	We take a leadership role with relevant non-governmental organisations, such as our global partnership with the Ellen MacArthur Foundation. We are engaging with leading ESG organisations such as the Science-Based Targets initiative to set meaningful and ambitious goals around our carbon emissions, and we remain part of the 4evergreen industry alliance to increase awareness of the benefits of fibre-based packaging materials in a circular and sustainable economy.

OUR STRATEGY AND KPIS

Our strategy is based on balancing the requirements of our core stakeholders.

OUR STRATEGIC PILLARS

TO DELIGHT OUR CUSTOMERS

We do this by:

- Delivering on our commitment for quality and service
- Driving innovation and value-added packaging solutions
- Improving service levels
- Driving circularity and continuing to deliver market-leading sustainable solutions.

TO REALISE THE POTENTIAL OF OUR PEOPLE

We do this by:

- Ensuring the health, safety and wellbeing of all our employees
- Creating a working environment where they feel proud, engaged and developed
- Focusing on embedding diversity and inclusion by expanding resource groups and local networks.

TO LEAD THE WAY IN SUSTAINABILITY

We do this by:

- Designing out waste and pollution, and keeping materials in use
- Decarbonising our operations and value chain
- Creating a safe, diverse and inclusive workplace and being active in our communities
- Protecting and regenerating nature.

OUR NON-FINANCIAL KPIS

On-time, in-full deliveries (OTIF)

The proportion of our orders that are delivered on time, in-full across our businesses.

Why this is a KPI

Packaging is an essential part of an efficient supply chain. Delivering as promised is a critical component to ensuring we remain a trusted partner to our customers.

2023	**96%**
2022	94%
2021	95%

2023 Target: 97%

Our corrugated packaging customers by volume

DS Smith has a higher proportion of FMCG and other consumer goods customers than the market average.

Why this is a KPI

We work with large customers in resilient sectors such as FMCG and aim to grow share with these customers.

2023	**84%**
2022	83%
2021	82%

Accident frequency rate (AFR)

The number of lost time accidents (LTAs) per million hours worked.

Why this is a KPI

The AFR is the number of LTAs per million hours worked. We believe all employees contribute to a safe working environment and culture and our focus is on individual ownership.

Health and safety KPIs	2022/23	2021/22
Total LTAs[1]	**91**	96
AFR[2]	**1.82**	1.93

1. LTA: number of accidents resulting in lost time of one shift or more.
2. AFR: number of LTAs per million hours worked.

FTSE Women Leaders Report 2022

This is an independent framework which sets recommendations to improve the representation of women on boards and in leadership positions.

Why this is a KPI

We are using this as a KPI to track progress in delivering gender balance aligned to the FTSE 350 and 50 of the largest private companies.

Overall FTSE ranking (up from 41 in 2021)	40
Women on DS Smith Plc Board	37.5%[1]
Senior leadership*	34.5%[2]

1. Compared to FTSE 100 average of 40.5%.
2. Compared to FTSE 100 average of 34.3%.

* Senior leadership defined as our four Executive Committees and their direct reports: Group Operating Committee; Group Strategy Committee; Group Health, Safety, Environment and Sustainability Committee; and Group M&A Committee.

Carbon reduction

Reduce Scope 1, 2 and 3 GHG emissions 46 per cent by 2030 compared to 2019 and reach Net Zero by 2050.

Why this is a KPI

It is important that we play our part in reducing global greenhouse gas emissions, helping prevent the worst impacts of climate change and future-proof business growth in line with the goals of the Paris Agreement.

2023	**7,391,418 tonnes CO_2e**
2022	8,250,702 tonnes CO_2e
2021	8,373,310 tonnes CO_2e

2030 Target: 4,651,383 tonnes CO_2e

Plastic replacement

Help our customers remove one billion pieces of problem plastics by 2025.

Why this is a KPI

Our customers approve of corrugated packaging as a renewable alternative to plastic that, when recycled, prevents waste from entering landfills and oceans, reducing the impact on marine life and the natural world.

2023	**762 million units***

2025 Target: 1 billion units

* Cumulative to the end of 2022/23.

TO DOUBLE OUR SIZE AND PROFITABILITY

We do this by:

- Being well positioned in developed markets
- Working with major FMCG brands
- Driving market share gains
- Investing behind fundamental growth drivers.

For further information on the definitions and calculations of our financial KPIs and other non-GAAP performance measures, please see note 32 to the consolidated financial statements.

OUR FINANCIAL KPIS

LFL corrugated box volume growth

Like for like (LFL) volume of corrugated box products sold measured by area.

Why this is a KPI

We target volume growth of at least GDP +1 per cent because we expect to win market share by delivering value to our customers.

2023	-5.8%
2022	5.4%
2021	3.5%

2023 Target: 3%

Return on sales

Earnings before interest, tax, amortisation and adjusting items as a percentage of revenue.

Why this is a KPI

The margin we achieve reflects the value we deliver to our customers and our ability to charge for that value. It is also driven by our scale. A higher return on sales makes the profit more resilient to adverse effects.

2023	10.5%
2022	8.5%
2021	8.4%

2023 Target: 10% - 12%

Net debt/EBITDA

Net debt (calculated at average FX rates and after deducting IFRS 16 lease liabilities) over earnings before interest, tax, depreciation, amortisation and adjusting items for the preceding 12-month period (adjusted for acquisitions and disposals made during the financial year, and to remove the income effect of IFRS 16, *Leases*). This definition is in accordance with the Group's covenants.

Why this is a KPI

Net debt/EBITDA is a key measure of balance sheet strength and financial stability.

2023	1.3x
2022	1.6x
2021	2.2x

2023 Target: <2.0x

Cash conversion

Free cash flow before tax, net interest, growth capex, pension payments and adjusting items as a percentage of earnings before interest, tax, amortisation and adjusting items. Free cash flow is the net movement on debt before cash outflow for adjusting items, dividends paid, acquisition and disposal of subsidiary businesses (including borrowings acquired) and proceeds from issue of share capital.

Why this is a KPI

We focus on cash conversion as part of our wider focus on capital management and maintaining a prudent balance sheet. Working capital is a key focus within the business in order that all capital is employed where it can best deliver returns for the business.

2023	101%
2022	142%
2021	150%

2023 Target: >100%

Adjusted return on average capital employed

Earnings before interest, tax, amortisation and adjusting items as a percentage of average capital employed, including goodwill, over the prior 12-month period.

Why this is a KPI

Our target ROACE to be delivered throughout the economic cycle is above our cost of capital. ROACE is a key measure of financial success and sustainability of returns and reflects the returns available for investment in the business and for the servicing of debt and equity. All investments and acquisitions are assessed with reference to this target.

2023	14.3%
2022	10.8%
2021	8.2%

2023 Target: 12% - 15%

TO DELIGHT OUR CUSTOMERS

84%
FMCG and other consumer goods

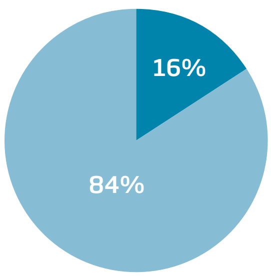
762M
units of plastic replaced since 2020

96%
OTIF deliveries

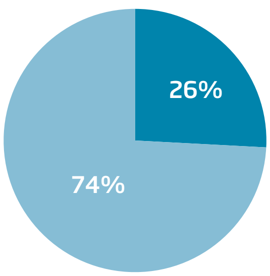
Packaging

Our Packaging customers include the world's biggest brands and multinational companies stretching across Europe and North America. We serve customers predominantly producing FMCG and other consumer goods, together with industrial sectors including automotive and construction.

Our corrugated packaging customers by volume



European industry average corrugated packaging by volume



Industrial FMCG and other consumer goods

Source: DS Smith analysis

Our priority is to provide quality, sustainable packaging solutions that address the challenges of a fast-changing world. We continue to invest in our innovation strategy to ensure each new product we create starts with in-depth research and insight, before our expert designers create solutions, using our Circular Design Principles, that meet local requirements but also have the ability to scale across the countries where we operate.

Circular Design Metrics in action

Responding to consumer concerns on plastic waste, and in partnership with home care product manufacturer Saponia d.d., we deployed our Circular Design Metrics to remove up to 8,000kg of plastic per year, and achieved 99.8 per cent recyclability, for their top-selling laundry detergent box.

"DS Smith is a partner that supports our sustainability and environmental strategy and we are proud to work together to replace problem plastics and improve recyclability."

Dajana Mrčela
CEO of Saponia d.d.

Case study: Replacing plastic with Velux

We partnered with Velux, one of the largest manufacturers of roof windows, to create a packaging solution that removes problem plastics while fitting into the existing manufacturing process. Velux, present in 36 countries, sought to remove single-use plastic in its packaging but required a solution that retained a specific shape to integrate with Velux's efficient automated packing line. DS Smith design experts across Europe developed sustainable corrugated packaging elements that are fully fibre-based and recyclable. The result is an 80 per cent decrease in the amount of carbon produced in the manufacturing process and the removal of over 700,000 pieces of plastic to date.

Joining our leading-edge Castelfranco Emilia site in Italy, this year we also launched our state of the art facility in Belchatow, Poland. These sites reflect our investment across our portfolio of packaging plants, as we increase our ability to deliver volume, introduce new efficient technologies and further establish a geographic footprint close to where our customers operate.

Paper

Our mills in Europe and the US produce a wide range of high-quality finished paper products, primarily for container board products, all made from 100 per cent recycled or chain of custody certified fibre sources.

The high performing packaging papers we produce, such as recycled corrugated case materials and kraftliners, are vital for our own packaging division to produce fibre-based packaging solutions. Our range of speciality papers includes plasterboard liners which are widely used in the construction industry.

With an innovative R&D focus and a stringent quality assurance programme, we provide customers with the high performing quality papers they need for their manufacturing operations. Our customers also benefit from our commitment to lower our impact on the environment and increase the efficiency of our paper-making operations. For example, we have partnered with E.ON, one of Europe's largest energy companies, to build a new waste-to-energy and combined heat and power plant at Aschaffenburg Mill, which will reduce GHG emissions.

Recycling

Our recycling and waste management services help our customers waste less and recycle more. Across Europe and North America and from municipalities to some of the best-known brands and retailers in the world, our expertise helps our customers maximise their recycling strategies.

The paper and cardboard we collect for recycling feeds our own paper mills as part of our closed loop recycling business model, while also being sold into our global network of third-party paper mills. By working with our customers to build recyclability into their supply chains, we are helping to provide sustainable solutions that the wider society demands from organisations.

Case study: Award-winning work with the Cotswold Company

The Confederation of Paper Industries awarded Cotswold Co with its coveted Recycling Award, for their work with us on increasing recycling from their customers' homes.

"I am immensely proud of Cotswold Co and very grateful to DS Smith for all their advice and guidance to ensure our sustainability ideals are becoming a reality."

Jacquie Silvester
Head of Sustainability and Improvement at Cotswold Co

TO REALISE THE POTENTIAL OF OUR PEOPLE

+29%
leadership-led health and safety activities

45,000
leadership safety talks

176,000
observation tours

Ensuring the health, safety and wellbeing of all

Focusing on health, safety and wellbeing is critical to achieve our ambition.

Health and safety culture

During 2022/23 we saw the reaffirmation of our health and safety (H&S) Vision Zero, which underpins our safety culture across the whole organisation to empower our employees to act proactively to identify and eliminate risks. We continue to make significant progress; the overall number of employee accidents and accident frequency rate (see page 16) have reduced by 6 per cent to a record low.

Leaders from across the business led over 80 health and safety workshops. When leaders engage in H&S, we see a positive impact on our H&S employee engagement index, with a 65 per cent increase this year. To strengthen our safety culture, we continue to focus on leadership safety programmes to create H&S role models and this helped us record another 29 per cent increase in leader-led health and safety activities compared to last year (approximately 45,000 safety talks, 176,000 observation tours and 150,000 leadership-led risk assessments). In 2023/24 we will continue striving towards our Vision Zero ambition and ensure our health and safety culture is adopted across our site network.

Wellbeing of our people

We launched a global wellbeing survey this year to understand local initiatives and activities against our wellbeing framework. The survey confirmed every site has an active programme with examples such as physical and mental health support, phased retirement programmes, site risk assessments for employees with a disability and workplace assessments. In 2023/24 we will launch a wellbeing week to promote activities that will help every employee with their wellbeing.

Engaging our employees

A working environment that motivates and enables our workforce is critical to a continued positive customer experience. Understanding how people feel about working for DS Smith is an important part of our people agenda. Alongside surveys we use several approaches to engage our people.

During 2022/23 leaders ran over 350 listening sessions with their teams to explore the results from the October 2021 employee survey. Over 700 actions were taken to address feedback on topics such as communication, health and safety, customer focus, work organisation and inclusion.

To assess the impact of the engagement survey actions and pilot an improved approach to listening, we ran a series of targeted pulse surveys between January and March 2023. In total 4,700 employees, in 12 countries across all regions, were invited to participate. The average response rate increased and there was an average increase in engagement by 5 per cent and enablement by 3 per cent, with some locations recording improvements of more than 20 per cent. Our recognition programme, The Smithies, helps to engage employees by celebrating what they do. We have monthly local awards, and an annual online global awards ceremony celebrating finalists and winners across seven categories.

In October 2022, over 2,500 colleagues around the world joined to celebrate 33 finalists, seven winners and a special Diversity & Inclusion Trailblazers award. In 2023/24 we will launch a new Energy Efficiency Improvement award to support our sustainability ambition.

Our European Works Council (EWC), which includes 50 representatives from across the business, meets twice a year with management to provide feedback and discuss opportunities to improve. The EWC Executive holds monthly meetings with regional leads to ensure we have a regular two-way dialogue on employee matters across Europe.

In 2023/24, we will continue to engage our people and plan to build on the success of the pilot to run targeted pulse surveys more frequently, to give opportunities for our employees to provide regular feedback and drive action.

Developing our employees

As a business we are evolving and growing through innovation in sustainability and aim to be a leader in circularity. Ensuring we have the right skills to deliver our ambition is critical to our success. We are actively investing in development to realise the potential of our people.

Our e-learning platform, DS Smith Learning Percipio, has 7,000 courses available in multiple languages. We continue to expand the availability of learning and during 2022/23 we saw a further increase in the numbers of people making use of e-learning with 96,506 hours of development completed.

Over the last two years we have created Learning Academies to develop critical skills in Sales, Marketing, Innovation (SMI), Operations, Finance, Digital and Data. In 2022/23 we had 1,176 colleagues receive learning through our SMI Academy across all countries.

Leadership and talent development

Developing our future leaders is key to our growth ambition. We continue to partner with Saïd Business School for leadership development with over 200 leaders having attended the Global Leadership Programme or Aspire Programme over the last five years. Over 40 per cent of participants have been promoted and retention rates are significantly higher than the Company average. We see increased collaboration, networking and sharing of best practice due to the relationships built through the programmes.

We have expanded the developmental support given to first line managers built on the foundation of the First Line Manager (FLM) programme (implemented four years ago) with all our people managers provided with access to these development paths.

To support talent earlier in their career, a new development centre was piloted in Finance and UK Packaging to help individuals better understand their potential. We have created a new Compass programme, piloted in Eastern Europe, to help individuals prepare for future roles by assessing where they are today and providing access to career development opportunities.

Case study: Compass programme

This programme is aimed at the development of future managers and equipping people with greater understanding of the wider business, an improved internal network and visibility of internal career opportunities.

Graduates are critical to developing a diverse talent pipeline. During 2022/23 we welcomed 40 new hires, bringing the total number of graduates who are currently on one of our programmes to 77. Our schemes include Sales, Operations, Procurement, IT, Finance and Human Resources and are supported by a new structured two-year development pathway.

In 2023/24 we will continue to focus on the development of our people through our early career and leadership programmes.

Creating a modern, inclusive and diverse culture

We are committed to increasing the diversity of our workforce to better reflect the communities in which we operate. Together, we are building an inclusive environment where everyone can realise their potential and thrive. In order to accelerate progress across our diversity, equity and inclusion (DE&I) agenda we are:

- Working in partnership with employee resource groups (ERGs) to raise greater awareness and commitment to our DE&I agenda, measured by the geographic footprint and number of employees participating in ERGs
- Strengthening leadership capability to create an inclusive and equitable working environment
- Improving the use of demographic data to establish a baseline for our wider DE&I ambition.

During 2022/23 colleagues in DS Smith worked together to create three new ERGs. We are now proud to support our LGBTQ+ and allies, culture and ethnic diversity, gender diversity and disability and allies networks with over 250 members and an executive sponsor engaged with each ERG. Colleagues working in our sites receive regular updates via posters and through manager briefings.

Definition of DE&I

Diversity is the range of human characteristics present within the organisation.

Equity means providing everyone with what they need to succeed – recognising that not everyone starts from the same place.

Inclusion describes how people feel about their experience in an organisation. Whether they feel it promotes and sustains a sense of belonging.

Case study: Culture and ethnic diversity network

This year, during UK Black History Month, colleagues from the Black community shared experiences in their personal and professional lives. In 2023/24 the network will promote World Day for Cultural Diversity for Dialogue and Development, UN International Day of Peace and World Kindness Day.

Our Equal Opportunities & Anti-Discrimination policy is being embedded through training and awareness campaigns. During 2022/23 we focused on developing diverse candidate shortlists which has resulted in a 7 per cent increase in the percentage of female hires in the UK.

We are in the process of reviewing specific people processes and have recently asked for feedback on the onboarding experience. We also plan to work with our employee networks to agree the mechanisms that will help accelerate the development of underrepresented groups, including sponsorship, reverse mentoring and targeted development.

We have achieved gender parity in our graduate intake for the third year in a row. In addition, a total of 29 per cent attending our leadership programmes were female.

Refer to pages 27 to 46 of our Sustainability Report 2023 for more information.

Diversity of our team

The overall percentage of females in DS Smith increased by 0.4 per cent to 22.9 per cent[1] in the financial year 2022/23. Our total number of employees as at 30 April 2023 was 29,519 of which 22,761 (77.1 per cent) were male and 6,758 (22.9 per cent) were female.

As reported in November 2022 in the 2022 FTSE Women Leaders Report, representation of women in our senior leadership (defined in accordance with the requirements of the FTSE Women Leaders Review as those on our four Executive Committees – Group Operating Committee; Group Strategy Committee; Group Health, Safety, Environment and Sustainability Committee; and Group M&A Committee – and their direct reports) increased by 1.6 per cent to 34.5 per cent in the 12 months to 31 October 2022.

The Financial Conduct Authority (FCA) has introduced a requirement this year for listed companies to report on new board diversity targets and provide data on the gender and ethnic diversity of the board and in its executive management. Following the FCA's definition, executive management for these purposes, means the members of our four Executive Committees. However, we have included Board members who are also in executive management only in the board members column, and not in the executive management column, in the below tables. We are committed to improving diversity across all protected characteristics and will continue to make progress in line with the new requirements from the FCA.

FCA gender diversity reporting as at 30 April 2023:	Number of board members*	Percentage of the board	Number of senior positions on the board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
Men	5	62.5%	4	10	76.9%
Women	3	37.5%	–	3	23.1%
Not specified/prefer not to say	–	–	–	–	–

FCA ethnic diversity reporting as at 30 April 2023:	Number of board members*	Percentage of the board	Number of senior positions on the board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
White British or other White (including minority-white groups)	7	87.5%	4	12	92.3%
Mixed/Multiple ethnic groups	1	12.5%	–	–	–
Asian/Asian British	–	–	–	1	7.7%
Black/African/Caribbean/Black British	–	–	–	–	–
Other ethnic group, including Arab	–	–	–	–	–
Not specified/prefer not to say	–	–	–	–	–

* The number of board members includes those who are members of both the Board and the executive management.

We asked all members of the Board and executive management to voluntarily self-disclose the data on their gender and ethnicity, using the terminology requested by the FCA. Further information about the diversity of our Board is set out in the Nomination Committee Report on pages 81 to 83.

Our continued focus on female retention, development and recruitment has led to year on year improvements in our gender pay gap and this year we have achieved parity for the first time (see our UK Gender pay gap report).

It continues to be a challenge to attract women into manufacturing, however we are making progress. We have an aspiration to improve gender diversity towards 40 per cent women in senior leadership by 2030. In 2023/24 we will review how we use demographic data to establish a baseline for our wider DE&I ambition.

1. Deloitte have provided independent third-party limited assurance for this 2022/23 metric. See the assurance statement on page 63 for information.

TO LEAD THE WAY IN SUSTAINABILITY

762M
units of plastic replaced with corrugated since 2020/21

10%
reduction in total GHG emissions since last year

100%
reusable or recyclable packaging manufactured

Now & Next Sustainability Strategy

Our Purpose of 'Redefining Packaging for a Changing World' has always reflected the need for a new approach to packaging. One of our greatest opportunities is to engage our customers on the circular economy, helping some of the world's leading brands to reach their sustainability goals.

Since launching Now & Next in September 2020, our customers, employees and other stakeholders have been encouraged by the way in which our strategy captures the opportunity of the circular economy, from closing the loop through better design to protecting natural resources and reducing waste and pollution.

Due to the hard work of our teams across Europe and North America, by the end of 2022/23, we had already achieved a third of our targets on or ahead of schedule. During this time, the world has changed in many ways, not least as a result of the Covid-19 pandemic, the war in Ukraine and the cost of living crisis. The need to take decisive action on climate change and to regenerate nature has never been greater and our stakeholders expect that we use our expertise, scale and innovation to deliver our ambitions, as a purely fibre-based packaging business that has sustainability at its heart.

In 2022/23, we refreshed our Now & Next Sustainability Strategy, ensuring that it is fit for our dramatically changed world and that it enables us to leverage our resources in the areas that matter the most to our stakeholders, responding to the commercial opportunity of the circular economy. We maintained the popular 'Now' and 'Next' concept to prioritise action on the challenges facing the world today, whilst keeping an eye on the future.

We have organised our ambitions into four strategic pillars: Circularity, Carbon, People & Communities and Nature, and set ambitious targets to transition towards the low-carbon, circular economy of the future that we believe will benefit people, nature and business.

Circularity

We are designing out waste and pollution through circular design and helping our customers to remove one billion pieces of problem plastic by 2025. We are keeping materials in circulation by manufacturing 100 per cent recyclable or reusable packaging and we have set a new target to launch up to five new innovative reusable packaging pilots by 2025. Our long-term ambition is for all our packaging to be recycled or reused and to send zero waste to landfill by 2030.

Carbon

We are decarbonising our entire global business to meet our 1.5°C science-based target: by 2030, reduce Scope 1, 2 and 3 greenhouse gas (GHG) emissions 46 per cent compared to 2019.

We are encouraging 100 per cent of our strategic suppliers to set their own science-based targets by 2027 and we are committed to reaching Net Zero GHG emissions by 2050.

People & Communities

We are playing an active role in our local communities and are equipping our people to lead the transition to a circular economy. Our ambition is to engage 100 per cent of our people on the circular economy by 2025. We are committed to increasing the diversity of our workforce to better reflect the communities in which we operate. This includes ensuring that inclusive leadership workshops are completed by all leadership teams across sites by 2025, improving gender diversity to 40 per cent female representation in senior leadership positions and improving gender and ethnic diversity across our overall workforce year on year by 2030, and to set an aspiration for other protected characteristics by 2030. We continue to strengthen our human rights due diligence.

Nature

We are protecting nature by measuring and improving biodiversity in our own forests, in addition to implementing biodiversity programmes at our paper mills. We have set a new target to develop water management plans for 100 per cent of our paper mills and packaging plants by 2025. Our long-term ambition is to take a science-based approach to regenerate nature and to reduce the water withdrawal per tonne of production by 10 per cent by 2030 for our paper mills located in regions at risk of water stress.

Materiality assessment

Reflecting the pace of change in the world, in 2022/23 we conducted a refresh of our last materiality assessment to ensure that Now & Next captures shifts in prioritisation since the assessment undertaken three years ago.

We adopted a 'double materiality' approach, capturing both 'impact' and 'financial' materiality. This meant that impacts that the business has on people and the environment ('inside-out'), alongside the impacts that people and the environment have on the business ('outside-in'), were evaluated. Topic prioritisation was tested using qualitative analysis of industry trends, alongside broad stakeholder engagement utilising surveys and interviews.

The assessment concluded that the circular economy and climate change should remain our top priorities, being of critical importance for both the business and for people and the environment. Biodiversity and the regeneration of nature emerged as nascent topics that had increased in importance and health and safety, diversity and inclusion and human rights were also identified as important. These findings informed the development of Now & Next.

Refer to page 61 of our Sustainability Report 2023 for more information, including our materiality matrix.

Now & Next Sustainability Strategy progress

Our Now & Next Sustainability Strategy tackles the sustainability challenges facing us today, as well as those that will impact future generations. Our strategy contributes to the UN Sustainable Development Goals (SDGs) as indicated below.

Now & Next Sustainability Strategy target			2022/23	2021/22	Status
Circularity	**Design out waste and pollution**	By 2025, optimise fibre for individual supply chains in 100 per cent of new packaging solutions	**64%**	26%	Ahead
		By 2030, optimise every fibre for every supply chain	**Ongoing**	Ongoing	On track
		By 2025, help our customers to take one billion pieces of problem plastic off supermarket shelves	**762 million cumulative total since 2020/21**		Ahead
		By 2030, send zero waste to landfill	**204,637 tonnes**	255,920 tonnes	On track
	Keep materials in circulation	By 2025, test up to five reuse pilots and continue to manufacture 100 per cent recyclable and reusable packaging	**New target**		Early stage
		By 2030, aim for all our packaging to be recycled or reused	**Ongoing**	Ongoing	On track
Carbon	**Decarbonise our operations and value chain**	By 2030, reduce Scope 1, 2 and 3 GHG emissions by 46 per cent compared to 2019	**7,391,418 tonnes CO_2e**	8,250,702 tonnes CO_2e	On track
		By 2027, encourage 100 per cent of our strategic suppliers (representing 76 per cent of purchased goods and services emissions) to set their own science-based targets.	**32%**		On track
		By 2050, reach Net Zero GHG emissions	**Ongoing**	Ongoing	On track
People & Communities	**Engage people and communities**	By 2025, engage 100 per cent of our people on the circular economy	**57%**	50%	On track
		By 2030, engage 10 million people on the circular economy and circular lifestyles	**8.4 million cumulative total since 2020/21**		Ahead
		100 per cent of our sites engaged in community activities each year	**100%**	100%	Achieved
	Provide a safe and inclusive workplace	Reduce the Accident Frequency Rate (AFR) every year	**1.82**	1.93	On track
		Strive to achieve Vision Zero	**Ongoing**	Ongoing	On track
		By 2025, inclusive leadership workshops completed by all leadership teams across sites	**New target**		On track
		By 2030, improve gender diversity towards 40 per cent women in senior leadership and set an aspiration for other protected characteristics	**34.5%**	31.8%	On track
	Respect human rights	By 2025, complete SEDEX SAQ roll out to all sites and perform appropriate auditing of SAQs	**56%**		On track
		Continue to improve human rights due diligence each year	**Ongoing**	Ongoing	On track
Nature	**Protect and regenerate forests and biodiversity**	By 2025, measure and improve biodiversity in our own forests and assess our dependencies on nature	**Ongoing**	Ongoing	On track
		By 2025, biodiversity programmes in place at each of our paper mills	**13**	12	On track
		Set targets to regenerate nature taking a science-based approach	**New target**		Early stage
	Water management	By 2025, 100 per cent of our paper mills and packaging sites to have water management plans	**New target**		Early stage
		By 2030, 10 per cent reduction in water withdrawal intensity at mills at risk of water stress compared to 2019	**$8.9m^3$ / t nsp**	$8.1m^3$ / t nsp	Behind

See our Basis of Preparation, available online from the DS Smith ESG Reporting Hub, for full methodology notes.

Now & Next progress highlights

Circularity

Designing out waste and pollution

Our plastic replacement programme continued at pace during the year towards our ambition to replace one billion units of problem plastics by 2025. In 2022/23, we continued to replace plastic with recyclable, corrugated alternatives, bringing the cumulative total to 762 million since we set our target in 2020/21. Whilst overall sales are lower compared to last year, we continue to see strong appetite for corrugated packaging as a recyclable alternative to plastic.

We have launched a number of campaigns targeted towards replacing common sources of plastic for our FMCG customers, such as produce trays, bottle holders and takeaway food boxes. We have continued to develop our ability to capture and report data relating to plastic replacement, from which analysis can be used to react more quickly to opportunities to convert plastic-based solutions to recyclable alternatives.

We optimise packaging to fit the unique supply chains of our customers, using no more material than necessary. In 2022/23, we optimised 64 per cent of new packaging specifications for unique supply chains (2021/22: 26 per cent), driving innovation in design to reduce complexity in logistics and lessen downstream GHG emissions. This involves optimising packaging for efficiency, driving savings through small improvements to packaging dimensions, shape and materials that can multiply over thousands of units, resulting in lower environmental impact and financial savings for our customers.

We continue to see strong approval of our Circular Design Metrics from our customers. We have developed the methodology for analysing supply chain data from our customers and improved the tracking of design projects that more precisely specify packaging to a customer's unique supply chain.

The metrics are supported by our Circular Design Principles, utilised by our expert design community of more than 700 designers. This ensures that supply chain conditions are integrated into the design process, resulting in leaner packaging that maintains properties such as strength, resilience and recyclability.

Keeping materials in circulation

In 2022/23, over 99.7 per cent of our manufactured packaging continued to be either reusable or recyclable (a target achieved last year), enabling recyclability at scale. We participated in technical working groups such as 4evergreen, CPI and FEFCO to progress the dialogue on innovation that extends the useful life of material. In our R&D efforts, we are prototyping innovations that include fully recyclable, translucent packaging and conducting research into alternative fibres.

We have set a new target to launch up to five packaging reuse pilot schemes by 2025, of which innovation in materials development, borne out of R&D, will play an important role.

We continue to advocate for segregated recycling infrastructure as a means to address the 'reject' non-fibre material that enters our circular business, which is the predominant source of waste that we send to landfill. In 2022/23, 204,637 tonnes of waste were sent to landfill (2021/22: 255,920 tonnes), a reduction driven by the implementation of several projects.

These include significant reductions made at Kemsley, Rouen and Belisce mills; with waste-to-energy at Kemsley Mills (partly powering the steam generation that is supplied to the mill), incineration for local energy generation purposes at Rouen Mill and, in partnership with a local factory, for use in cement production at Belisce Mill, demonstrating the circular economy in other parts of our operations.

Carbon

Decarbonising our operations

Our 1.5°C science-based target is to reduce Scope 1, 2 and 3 GHG emissions 46 per cent by 2030 compared to 2019 and to reach Net Zero GHG emissions by 2050. In 2022/23, our total GHG emissions across all three scopes were 7,391,418 tonnes CO_2e (2021/22: 8,250,702 tonnes CO_2e), which is a 10 per cent reduction compared to last year and a 15 per cent reduction since the base year (2019/20: 8,645,693 tonnes CO_2e).

This improvement was primarily driven by the 'K4' steam and electricity supply contract at Kemsley Mill, which is powered by a new, highly efficient third-party owned and operated combined heat and power (CHP) plant. During the year, a third party took over operation of the CHP plant at Aschaffenburg Mill to begin its adaptation to generate energy from waste, alongside natural gas, using a highly efficient CHP process.

At the start of the year, several renewable electricity contracts and a power purchase agreement became active, including a 100 per cent renewable electricity tariff for all of our UK Packaging and Recycling operations. We launched several energy efficiency initiatives, including an energy management checklist, case studies and workshops, delivered as part of our Group-wide ISO 50001 energy management system at 100 per cent of our in-scope sites (addressing 90 per cent of the Group energy consumption). Finally, reduced production levels compared to last year lowered energy consumption and therefore emissions.

Throughout the year, we worked with a specialist energy consultancy to develop our plans to achieve the science-based target, including decarbonisation templates for our packaging plants. The templates identify the major technical solutions that will need to be implemented, such as solar and heat pumps, in addition to green electricity sourcing and energy efficiency opportunities.

Our decarbonisation roadmap for our paper mills continued to be delivered whilst being refined, optimising for best cost solutions and improving assessments relating to future alternative fuel availability.

Decarbonising our value chain

In 2022/23, our procurement and paper sourcing teams began to engage our strategic suppliers to set their own science-based targets as part of our supplier engagement programme, customised to the carbon maturity of each supplier.

We joined the Supplier Leadership on Climate Transition initiative, founded by some of our key customers, to actively encourage our least mature suppliers to begin the process of calculating their carbon footprint, setting a science-based target and implementing an emissions reduction programme.

This work has initially prioritised our strategic paper suppliers, given that they represent our largest source of upstream emissions. Next year, we will begin to engage higher maturity suppliers as a CDP Supply Chain member.

We estimate that in 2022/23, 32 per cent of our Scope 3 Category 1 (Purchased Goods and Services) emissions were generated by suppliers who have set, or are in the process of setting, their own science-based target.

We continue to engage with our suppliers on the circular economy and assess the sustainability practices of our suppliers using EcoVadis, in addition to requiring that our suppliers adhere to our Global Supplier Standards. We have seen significantly increased engagement from our customers on carbon, who, using our Circular Design Metrics, are able to compare the carbon footprint of different packaging specifications to reduce the carbon footprint of their packaging.

See page 63 for our Group GHG emissions table, published as part of our Task Force on Climate-related Financial Disclosures (TCFD) reporting.

People & Communities

Engaging our people and communities on the circular economy

In 2022/23, we engaged 57 per cent (2021/22: 50 per cent) of our people on the circular economy, reaching our colleagues through various channels, from team briefings and email newsletters to the Circular Economy Master Class, delivered by the University of Exeter. We developed new resources as part of our online Sustainability Hub, which features news, case studies and video content to help our people to develop their circular economy knowledge.

We achieved our target to engage 5 million people on the circular economy by 2025 ahead of our plan and decided to extend our target to 10 million people, with a cumulative total of 8.4 million since setting our target in 2020/21. This includes our community activities such as delivery of our circular economy lesson plan in schools and engagements on social media.

By the end of the year, 100 per cent of the sites included in our community programme (those with greater than 50 full time employees) had engaged with their communities for the fourth year running. Activities and donations, aligned to our three community programme priorities of biodiversity, circular economy and circular design, were delivered by our employees, including the distribution of eco-gesture booklets for young children in France, planting trees in the Hoombos Forest in the Netherlands and building a second outdoor learning space in Hungary.

Respecting human rights

In 2022/23, we began to roll out the SEDEX (supplier ethical data exchange) platform to integrate human rights compliance monitoring and reporting into our standard practices. We set a new target to complete the roll out of the SEDEX SAQ questionnaire to all sites by 2025, reaching 56 per cent of sites this year, which includes ways to assess potential risk and to manage identified issues relating to human rights. This builds on the launch of our Human Rights policy at the end of the previous year. We continued a programme of business ethics compliance training, which includes modules relating to modern slavery.

Providing a safe and inclusive workplace

As part of our strategic pillar, 'to realise the potential of our people', we are committed to providing a safe and inclusive workplace. We integrated 'Vision Zero', our health and safety campaign which focuses on leadership, engagement, processes and culture to achieve our health and safety target of zero harm, into our Now & Next Sustainability Strategy to raise the profile of this important topic.

We announced new aspirations to improve gender diversity towards 40 per cent women in senior leadership, improve gender and ethnic diversity across our overall workforce year on year and set an aspiration of other protected characteristics by 2030, emphasising our commitment to developing an inclusive culture where everyone is valued, respected and engaged at work.

See pages 20 to 23 for how we are providing a safe and inclusive workplace.

Nature

Protecting and regenerating forests and biodiversity

In 2022/23, our project to measure and improve biodiversity in our North American forest progressed to implement interventions to protect the local gopher tortoise population on our land. This is a species native to the south-eastern United States and is considered a 'keystone species', supporting other local wildlife and biodiversity. Alongside this, 13 of our paper mills (2021/22: 12) continued to develop their biodiversity activities as part of their biodiversity programmes this year. This includes, for example, a beehive project at Reading Mill, aiding pollination to support local plant life.

Our protection and regeneration of forests and biodiversity is enforced by our 100 per cent recycled, FSC®, SFI or PEFC certification scheme requirements, both in our own forests and in the chain-of-custody certification for all of the papers we source. During the year, we established a deforestation working group, currently focused on assessing the implications of upcoming deforestation regulation and opportunities for closer commodities risk surveillance and monitoring.

As this work evolves, we will assess our dependencies on nature and set targets to regenerate nature taking a science-based approach. We are supportive of the Task Force on Nature-related Financial Disclosures (TNFD) framework and the need to factor nature into business decisions to drive more restorative and nature-positive outcomes.

Water management

We continue to take a risk-based approach to water management, which includes water stress mitigation planning and focused water withdrawal reduction actions in the regions most likely to be impacted by future water stress. In 2022/23, we maintained water stress mitigation plans at the 29 sites identified as at risk of water stress. This includes business continuity planning, regular contact with relevant stakeholders (e.g. the water authority and local community) and monthly water performance tracking.

Given the importance of protecting water as a finite natural resource, we are taking this work to a new phase, with a new Now & Next target to implement water management plans at 100 per cent of our paper and packaging sites by 2025. This will go beyond mitigation planning to proactive stewardship, including the identification of water saving opportunities.

In 2022/23, the average water withdrawal per tonne of production at paper mills located in regions at risk of water stress increased compared to last year at 8.9 m^3/t nsp (tonne net saleable production) (2021/22: 8.1 m^3/t nsp), attributed to a greater number of shutdown periods, requiring drainage and refilling.

Governance of sustainability

Delivery of our Now & Next Sustainability Strategy and our action on other ESG/sustainability issues is underpinned by strong governance. Our Group Operating Committee (GOC), the Group Chief Executive's management board for leading Group-wide priorities, includes sustainability at the heart of its agenda. Accountability for sustainability ultimately lies with the Group Chief Executive and the Board considers ESG/sustainability-related risks, opportunities and strategy as core to the Group's operations. The GOC meets on a monthly basis as the 'Health, Safety, Environment and Sustainability (HSES)' Committee.

Topics discussed this year included:

- Circular economy, including recyclability and biodiversity
- Now & Next progress, including monthly GHG forecasts
- Roadmaps to deliver the 1.5°C science-based target
- Supplier engagement for Scope 3 emissions reduction
- Government affairs and the policy environment
- Community affairs programme
- ESG ratings performance.

The HSES Committee is supported by the Sustainability Leadership Team (SUS LT), chaired by the Head of Corporate Affairs, which is a multi-functional group with divisional and functional senior level membership. Divisional and functional leadership receive regular performance updates and are consulted on decisions relating to their businesses.

Our sites, which hold operational-level responsibility for health, safety and environment issues, are supported by expert project teams and a sustainability network which help to launch initiatives, progress delivery and resolve challenges. These groups include horizontal collaborations such as our Recyclability Forum and our Deforestation Working Group, both of which bring together people from a variety of levels and in different parts of the business.

The Group Sustainability, Government and Community Affairs teams partner with the business to deliver our sustainability programme whilst furthering our policy agenda. Finally, the Group ESG Reporting team produces environmental, social and governance (non-financial) data to support the delivery of sustainability and oversee the necessary governance and assurance arrangements required to meet the Group's non-financial reporting commitments.

This governance structure is described in greater detail, in the context of climate change, on page 53 as part of our Task Force on Climate-related Financial Disclosures (TCFD) reporting.

Alignment with international frameworks

We support several international frameworks that are relevant to corporate responsibility and ethical business conduct, including:

- United Nations Global Compact (UNGC)
- United Nations Declaration of Human Rights and the Convention on the Rights of the Child
- International Labour Organization (ILO) Eight Fundamental Conventions
- Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises.

For information on our policies, procedures and performance, please refer to our Sustainability Report.

ESG ratings

CDP: A- Forests, A- Water Security, A- Climate Change

EcoVadis: Platinum

MSCI: AA

S&P Global Corporate Sustainability Assessment: 73, featured in the '2023 Sustainability Yearbook'

Sustainalytics: 'Low ESG Risk'

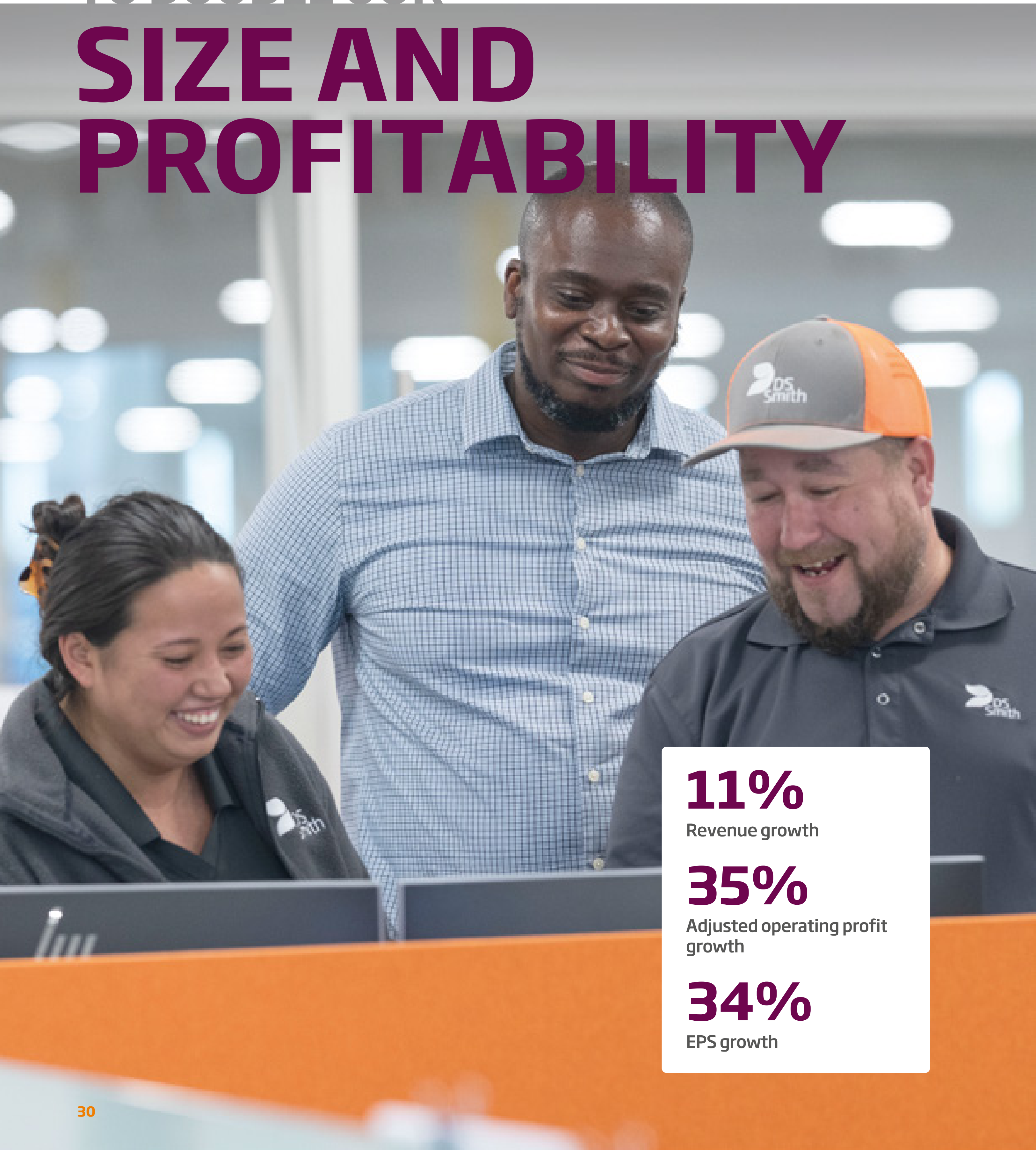
Circulytics: A-

FTSE4Good: Included since 2012

ISS: 'Prime' B-

UN Global Compact: Member since 2013

TO DOUBLE OUR SIZE AND PROFITABILITY



11%
Revenue growth

35%
Adjusted operating profit growth

34%
EPS growth

OPERATING REVIEW

Deep customer relationships and cost mitigation driving profit growth

The macroeconomic backdrop has remained challenging, with overall market demand worse than we originally expected, particularly in the second half of the year when we saw an impact from de-stocking by our customers and weak end consumer demand, leading to a full-year decline in our like for like box volumes of 5.8 per cent.[4] The medium-term target for box volume growth of GDP+1 per cent was 3 per cent and has been heavily distorted by inflation. Despite this, our strong customer relationships and focus on quality and service enabled us to gain market share in the more resilient fast moving consumer goods (FMCG) and other consumer-related sectors, now representing 84 per cent of our volumes.

For the 12-month period, revenue grew to £8,221 million (2021/22: £7,241 million), up 11 per cent on a constant currency basis and 14 per cent on a reported basis; with the decline in box volumes (£295 million) more than offset by higher selling prices (£1,196 million) across the Group which reflect the lag in recovery of the increases in input costs during the period 2021 to 2023. £1,026 million of this increase was due to higher packaging prices with the remainder of £170 million due to increases in the price of external sales of paper and energy, offset by a decline in the price of recycling materials.

The impact of box and other volume decline led to a £99 million reduction in adjusted operating profit. Despite our continued cost and risk mitigation programmes, input costs were significantly impacted by inflationary price rises which led to an increase in costs, excluding the impact of volume declines, of £872 million versus the comparable period; with rises in raw material costs of £426 million, energy costs of £73 million and other costs, including labour and distribution, of £373 million. The impact of higher energy costs has been mitigated by our three-year rolling energy hedging programme and reduced consumption as we managed paper production, particularly in the second half of the year.

Group return on sales grew during the year to 10.5 per cent (2021/22: 8.5 per cent), and within our medium-term target range of 10 to 12 per cent reflecting the increase in profitability despite the dilutive impact of inflation on both revenues and costs.

Basic earnings per share from continuing operations grew 71 per cent on a constant currency basis to 35.8 pence. Adjusted basic earnings grew by 34 per cent on a constant currency basis to 43.0 pence per share, reflecting the growth in profitability.

Return on average capital employed increased significantly by 350 bps to 14.3 per cent. The improving trend in profitability through the year combined with the improving returns from acquisitions and investments means ROACE was at the upper end our medium-term target range of 12 to 15 per cent.

Cash flow and net debt

During the year, the Group generated free cash flow[8] of £354 million (2021/22: £519 million), reflecting strong profits partly offset by a working capital outflow and increased capital expenditure spend. Cash conversion[7,8] as defined in our financial KPIs (note 32), was 101 per cent, in line with our target of being at or above 100 per cent.

The working capital outflow of £121 million included a net benefit in the year of £69 million in respect of margin calls to manage our energy hedging position. The remaining balance of £181 million as at 30 April 2023 is expected to reverse in the financial year to 30 April 2024. The underlying working capital outflow reflects a decline in energy and raw material prices, principally paper, at the end of the financial year, partly mitigated by good cash collection and inventory management.

Cash generated from operations before adjusting cash items of £1,092 million (2021/22: £1,092 million) was used to invest in net capex of £526 million, which increased by 27 per cent on the prior year. We have continued to invest in a number of ongoing customer-led projects together with our de-carbonisation and energy efficiency programmes.

Net debt as at 30 April 2023 was £1,636 million (30 April 2022: £1,484 million), principally due to the increased capital expenditure and working capital outflow described above, together with an additional interim dividend cash payment due to a change in the timing of payments, as well as adverse movement in foreign exchange rates. Our net debt/EBITDA[6] ratio (calculated in accordance with our banking covenant requirements) improved to 1.3 times (2021/22: 1.6 times), substantially below our banking covenant of 3.75 times and within our medium-term target of at or below 2.0 times. The final payment of the Interstate put option was delayed by the beneficiary and had it been paid our leverage would have been 1.4 times. Standard & Poor's have reconfirmed our investment grade credit rating with a stable outlook. The Group remains fully committed to maintaining its investment grade credit rating.

* See notes on page 34

Investing for growth

Over the last decade the Group has grown strongly through organic and inorganic growth as we have built a comprehensive platform of geographic coverage and capability to support our customers in our chosen markets. The structural drivers for growth in corrugated packaging remain more relevant than ever and support our long-term strategy of fully fibre-based solutions for a predominantly FMCG customer base. The consistent progress with our customers, as evidenced by record customer rating metrics and continued market share gains, gives us the confidence to invest further to support customers, drive growth and deliver attractive returns.

Our capital expenditure for 2023/24 is expected to be around £500 million. In addition to maintenance and health and safety focused expenditure, this will be allocated across three main areas: investing in new product and service innovation including helping our customers drive their sustainability agendas; investing in our capacity and capability in both our packaging operations and aligning our paper capability to our customers' needs; and investing to drive environmental and operational efficiency. We continue to invest to achieve our Science Based Targets initiative approved CO_2 reduction target of 46 per cent from 2019 to 2030, and our commitment to achieving net zero carbon emissions by 2050.

Leading the way in sustainability

Sustainability has been at the heart of our business for many years as we have developed and grown into a solely fibre-based corrugated packaging business. Our customers value the investment we make in sustainable solutions and our approach to design using our leading circular design metrics. We work diligently with them to address their sustainability challenges and have replaced 762 million of their units of plastic since 2020 and 297 million in 2022/23.

As well as supporting our customers' sustainability challenges we also continue to make good progress in delivering against our own sustainability targets. We have reduced our CO_2 emissions by 10 per cent in the year (15 per cent compared to 2019), maintained our target to manufacture 100 per cent reusable or recyclable packaging and launched biodiversity programmes at 13 of our mills.

We are delighted our progress has been recognised with further improvements in our rating by a number of external indices including S&P Global and Sustainalytics, and through our continuing high ratings at CDP, MSCI and EcoVadis.

Dividend

The Board considers the dividend to be an extremely important component of shareholder returns. Today, we are announcing a final dividend of 12.0 pence per share, taking the total dividend for this year to 18.0 pence per share, an increase of 20 per cent and consistent with our policy of 2.0-2.5 times dividend cover over the medium term.

Subject to approval by shareholders at the AGM to be held on 5 September 2023, the final dividend will be paid on 3 October 2023 to shareholders on the register at the close of business on 8 September 2023.

Progress against medium-term targets

Medium-term targets Continuing operations	Delivery in 2022/23
Organic volume growth[4] ≥GDP[5]+1%, being 3%	(5.8%)
Return on sales[2] 10% – 12%	10.5%
ROACE[3] 12% – 15%	14.3%
Net debt/EBITDA[6] ≤2.0x	1.3x
Cash conversion[7,8] ≥100%	101%

* See notes to the financial tables on page 34.

Our medium-term targets and key performance indicators

We measure our performance according to both our financial and non-financial medium-term targets and key performance indicators. Our financial key performance indicators and medium-term targets have been discussed above.

Non-financial key performance indicators

DS Smith is committed to providing all employees with a safe and productive working environment. We are pleased, once again, to report improvements in our safety record, with our accident frequency rate (defined as the number of lost time accidents per million hours worked) reducing by a further 6 per cent to 1.8, reflecting our ongoing commitment to best practice in health and safety. We are proud that 265 out of a total of 325 reporting sites achieved our target of zero accidents this year and we continue to strive for zero accidents for the Group as a whole.

In the year we achieved a good performance in our customer service measure of OTIF (on-time, in full) deliveries at 96 per cent, a significant improvement on the prior year (94 per cent). Management remains fully committed to our target of 97 per cent OTIF deliveries and the highest standards of service, quality and innovation to all our customers and we will continue to strive to meet the demanding standards our customers expect.

Operating review

Unless otherwise stated, all commentary and comparable analysis in the Overview and Operating review relates to the continuing operations of the Group, on a constant currency basis.

Group

£m	**Year ended 30 April 2023**	Year ended 30 April 2022	Change - reported	Change - constant currency
Revenue	**£8,221m**	£7,241m	14%	11%
Adjusted operating profit*	**£861m**	£616m	40%	35%
Operating profit	**£661m**	£443m	75%	71%

* Operating profit before amortisation and adjusting items (refer to note 4 of the consolidated financial statements).

Revenue grew 11 per cent with lower box volumes more than offset by higher selling prices in packaging and increases in the price of external sales of paper and energy.

Adjusted operating profit grew 35 per cent driven by improved selling prices and effective cost mitigation more than offsetting volume declines and inflation.

Northern Europe

	Year ended 30 April 2023	Year ended 30 April 2022	Change - reported	Change - constant currency
Revenue	**£3,132m**	£2,790m	12%	11%
Adjusted operating profit*	**£212m**	£139m	53%	51%
Return on sales[2]	**6.8%**	5.0%	180bps	180bps

* Operating profit before amortisation and adjusting items (refer to note 4 of the consolidated financial statements).

In Northern Europe, organic corrugated box volumes across the region declined more than the Group average due to weaker overall economic conditions and very strong growth in the comparative period. Germany experienced higher levels of decline due to a larger market exposure to the industrial sector, with the UK market impacted by a decline in the e-commerce sector following particularly strong growth over a number of years. Revenues increased by 11 per cent in the region due to a combination of increases in box prices in packaging and an increase in sales prices for externally sold paper and volumes of recycled fibre.

Adjusted operating profit grew substantially due to the increase in both paper and packaging price drop-through as well as strong cost management, partly offset by inflation and costs of £17 million related to the strategic review of our UK recycling depot network.

Southern Europe

	Year ended 30 April 2023	Year ended 30 April 2022	Change - reported	Change - constant currency
Revenue	**£3,150m**	£2,736m	15%	12%
Adjusted operating profit*	**£501m**	£324m	55%	51%
Return on sales[2]	**15.9%**	11.8%	410bps	400bps

* Operating profit before amortisation and adjusting items (refer to note 4 of the consolidated financial statements).

Southern Europe saw a lower decline in box volumes than the Group average, reflecting a positive market share performance partially mitigating the overall economic conditions, with France weaker than Iberia and Italy reflecting weakness in overall household consumption.

Revenues grew by 12 per cent, due to the impact of increases in both packaging and paper pricing. Adjusted operating profit grew by over 50 per cent compared to the prior period, due to a very positive performance from the former Europac business acquired in 2019 as well as the drop-through of price increases in packaging. Accordingly, return on sales for the region grew to the highest within the Group.

Eastern Europe

	Year ended 30 April 2023	Year ended 30 April 2022	Change - reported	Change - constant currency
Revenue	**£1,275m**	£1,118m	14%	14%
Adjusted operating profit*	**£76m**	£73m	4%	4%
Return on sales[2]	**6.0%**	6.5%	(50bps)	(50bps)

* Operating profit before amortisation and adjusting items (refer to note 4 of the consolidated financial statements).

Organic corrugated box volumes in Eastern Europe declined less than the Group average, reflecting a relatively consistent performance of the region over the last few years. Turkey saw the largest decline due to the impact of the recent earthquake.

Revenues grew 14 per cent, principally reflecting increases in packaging and paper pricing, and adjusted operating profit grew 4 per cent, reflecting the recovery of higher paper prices offset by cost inflation and costs of £19 million related to the decision to close our Trakia paper mill in Bulgaria.

North America

	Year ended 30 April 2023	Year ended 30 April 2022	Change – reported	Change – constant currency
Revenue	**£664m**	£597m	11%	(2%)
Adjusted operating profit*	**£72m**	£80m	(10%)	(21%)
Return on sales[2]	**10.8%**	13.4%	(260bps)	(270bps)

* Operating profit before amortisation and adjusting items (refer to note 4 of the consolidated financial statements).

Packaging volumes in the region declined more than the Group average, reflecting the overall economic environment and labour shortages particularly in the first half, which temporarily restricted our production capacity at certain sites.

Revenues decreased 2 per cent with increased packaging prices offset by the decline in volumes and reduced pricing from external paper volumes sold in the export market. Adjusted operating profit reduced due to export paper price declines in the second half and inflationary increases in costs.

Outlook

While economic conditions have continued to be volatile and box volumes have remained lower than normal, trading for the year to date is in line with our expectations. Our strong customer relationships in the resilient FMCG sector, together with the investments we are making to drive cost efficiencies and growth, give us confidence for the future.

Notes to the financial tables

Note 32 explains the use of non-GAAP performance measures. These measures are used both internally and externally to evaluate business performance, as a key constituent of the Group's planning process, they are applied in the Group's financial and debt covenants, as well as in establishing the targets against which compensation is determined. Reporting of non-GAAP measures alongside reported measures is considered useful to enable investors to understand how management evaluates performance and value creation internally, enabling them to track the Group's adjusted performance and the key business drivers which underpin it over time. Reported results are presented in the consolidated income statement and reconciliations to adjusted results are presented on the face of the consolidated income statement, in note 2, note 4, note 8, and note 32.

1. Operating profit (adjusted EBITA) is before adjusting items (as set out in note 4 to the consolidated financial statements) and amortisation of £113 million.
2. Operating profit before amortisation and adjusting items as a percentage of revenue.
3. Operating profit before amortisation and adjusting items as a percentage of the average monthly capital employed over the previous 12-month period. Average capital employed includes property, plant and equipment, right-of-use assets, intangible assets (including goodwill), working capital, provisions, capital debtors/creditors, biological assets and assets/liabilities held for sale.
4. Corrugated box volumes on a 12-month basis (based on area (m^2) of corrugated box sold), adjusted for working days, on an organic basis.
5. GDP growth for rolling 12-months (year on year) for the countries in which DS Smith operates, weighted by our sales by country = 3 per cent. Source: Eurostat (16 May 2023) and ONS.
6. EBITDA being operating profit before adjusting items, depreciation and amortisation and adjusted for the full-year effect of acquisitions and disposals in the period. Net debt is calculated at average exchange rates as opposed to closing rates. Ratio as calculated in accordance with bank covenants. See note 32 to the consolidated financial statements on non-GAAP measures for reconciliation.
7. Free cash flow before tax, net interest, growth capital expenditure, pension payments and adjusting cash flows as a percentage of operating profit before amortisation and adjusting items.
8. Free cash flow is the net movement on debt before cash outflow for adjusting items, dividends paid, acquisitions and divestment of subsidiary businesses (including borrowings acquired) and proceeds from issue of share capital.


DS Smith

FINANCIAL REVIEW

Delivering profit growth in a challenging economic environment.

Adrian Marsh
Group Finance Director

Overview

2022/23 has seen the Group respond with strength to significant market and macroeconomic uncertainty, delivering profit growth with its highest recorded adjusted operating profit and achieving its medium-term targets for return on average capital employed, return on sales and leverage.

The business saw revenue growth of 14 per cent (constant currency 11 per cent) as a short-term decline in packaging volumes were more than offset by sales mix and average selling prices. Adjusted operating profit grew by 40 per cent (constant currency 35 per cent) reflecting the recovery of increased costs in the current and previous years.

During these significant periods of macroeconomic uncertainty, the Group remains committed to achieving its medium-term financial measures and key performance indicators, as established by the Board, together with maintaining its investment grade credit rating. The principal measure of return on average capital employed (ROACE) for the year was 14.3 per cent (2021/22: 10.8 per cent), which was towards the top of the target range of 12 to 15 per cent – and a 350 basis point improvement from the previous year. The results are described below:

- Organic corrugated box volume reduced by 5.8 per cent (2021/22: an increase of 5.4 per cent)
- Revenue increased 11 per cent on a constant currency and 14 per cent on a reported basis to £8,221 million (2021/22: £7,241 million)
- Adjusted operating profit of £861 million, an increase of 35 per cent on a constant currency basis and 40 per cent on a reported basis (2021/22: £616 million)
- 65 per cent increase in operating profit to £733 million on a reported basis; 61 per cent increase on a constant currency basis (2021/22: £443 million)
- 71 per cent increase in statutory profit before tax to £661 million on a constant currency basis and 75 per cent increase on a reported basis (2021/22: £378 million)
- Adjusted return on sales at 10.5 per cent (2021/22: 8.5 per cent)
- Adjusted return on average capital employed of 14.3 per cent (2021/22: 10.8 per cent)
- Net debt to EBITDA ratio of 1.3 times (2021/22: 1.6 times)
- Cash conversion 101 per cent (2021/22: 142 per cent).

Unless otherwise stated, the commentary below references the continuing operations of the Group.

Non-GAAP performance measures

The Group presents non-GAAP measures alongside reported measures, in order to provide a balanced and comparable view of the Group's overall performance and position. Non-GAAP performance measures eliminate amortisation and unusual or non-operational items that may obscure understanding of the key trends and performance. These measures are used both internally and externally to evaluate business performance, as a key constituent of the Group's planning process, they are applied in the Group's financial and debt covenants, as well as comprising targets against which compensation is determined. Amortisation relates primarily to customer contracts and relationships arising from business combinations. Unusual or non-operational items include business disposals, restructuring, acquisition-related and integration costs and impairments, and are referred to as adjusting items.

Reporting of non-GAAP measures alongside statutory measures is considered useful by investors to understand how management evaluates performance and value creation, enabling them to track the Group's performance and the key business drivers which underpin it and the basis on which to anticipate future prospects.

Note 32 explains further the use of non-GAAP performance measures and provides reconciliations as appropriate to information derived directly from the financial statements. Where a non-GAAP measure is referred to in the review, the equivalent measure stemming directly from the financial statements (if available and appropriate) is also referred to.

Trading results

Revenue increased by 14 per cent on a reported basis to £8,221 million (2021/22: £7,241 million). Packaging price rises across the year, reflecting cost inflation, coupled with higher selling prices of paper and recyclate in the first half of the year increased revenue by £1,196 million, offsetting volume reduction effects of £398 million.

Reported revenues are subject to foreign currency translation effects. In the year, the euro accounted for 60 per cent of Group revenue. As such, the movements of the euro against sterling during the year constituted the majority of the £182 million of positive foreign exchange translation impact. On a constant currency basis, revenues increased by 11 per cent.

Corrugated box volumes reduced by 5.8 per cent (2021/22: 5.4 per cent growth) driven by a significant destocking in the supply chain reflecting the economic uncertainty and sentiment in the Group's core markets and segments. The prior year volumes were particularly high (8.4 billion m^2 of box sales) reflecting significant supply chain filling across all European markets as countries moved out of Covid-19 restrictions. The average of the previous two years' volumes of (8.2 billion m^2 of box sales) represents a more normalised single year.

Adjusted operating profit of £861 million on a reported basis is an increase of 40 per cent (2021/22: £616 million). This is largely attributable to price rises (£1,196 million) exceeding the impact of volume reduction of £99 million and input cost increases of £872 million. Constant currency growth was 35 per cent as foreign exchange translation benefited adjusted operating profit by £20 million. The price rises in the year also reflect the full year effect of price rises put into effect in 2021/22 to recover the significant cost increases experienced in the second half of that year.

Operating profit at £733 million, is an increase of 61 per cent on a constant currency basis and 65 per cent on a reported basis (2021/22: £443 million), as lower amortisation and adjusting items added to the adjusted operating profit improvement.

On a reported basis, depreciation increased to £312 million (2021/22: £290 million) reflective of investment in new packaging production capacity in Italy and Poland. Amortisation decreased to £113 million (2021/22: £138 million) as intangibles arising on earlier acquisitions completed their amortisation term.

The key measure of return on average capital employed improved by 350 basis points to 14.3 per cent (2021/22: 10.8 per cent). This performance is at the upper end of the Group's medium-term target of 12 to 15 per cent and builds on the momentum seen in the second half of the prior year.

The Group has continued to focus on margin recovery through commercial excellence, ongoing cost management and efficiency programmes. Adjusted return on sales increased by 200 basis points to 10.5 per cent (2021/22: 8.5 per cent), within the medium-term target of 10 to 12 per cent.

Income statement – from continuing operations (unless otherwise stated)	**2022/23 £m**	2021/22 £m
Revenue	8,221	7,241
Adjusted operating profit[1]	861	616
Operating profit	733	443
Adjusted return on sales[1]	10.5%	8.5%
Adjusted net financing costs[1]	(74)	(70)
Share of profit of equity-accounted investments, net of tax	2	7
Profit before income tax	**661**	**378**
Adjusted profit before income tax[1]	**789**	**553**
Adjusted income tax expense[1]	(197)	(131)
Adjusted earnings[1]	**592**	**422**
Profit from discontinued operations, net of tax	11	–
Adjusted basic earnings per share[1]	43.0p	30.7p
Profit for the year attributable to owners of the parent (including discontinued operations)	**502**	**280**
Basic earnings per share from continuing and discontinued operations	36.6p	20.4p
Basic earnings per share from continuing operations	35.8p	20.4p

1. Adjusted to exclude amortisation and adjusting items (see note 8).

Adjusting items

Adjusting items before tax and financing costs were £15 million (2021/22: £35 million) which relates to the pending acquisition of the final 10 per cent of the shares in Interstate Resources LLC. This is due to the crystallisation of the put option for the final 10 per cent stake during the financial year. In relation to this, costs of hedging the dollar payment of the liability have been incurred which will continue until the payment is made.

There have been no new adjusting items from continuing operations in the financial year, in line with guidance.

Settlement of certain costs and obligations arising from the disposal of the Plastics division in 2021 resulted in a gain in adjusting items in profit from discontinued operations of £11 million.

Adjusting items in 2023/24 are expected to be £nil.

Interest, tax and earnings per share

Net finance costs were £74 million (2021/22: £70 million). The increase of £4 million on last year is primarily due to rises in interest rates more than offsetting the effects of lower levels of debt. The employment benefit net finance expense of £1 million is £2 million lower than prior year.

Adjusting financing costs in the prior year related to the final unwind of the Interstate Resources put option.

The share of profits of equity-accounted investments was lower than the prior year at £2 million (2021/22: £7 million) as the conflict in Ukraine continues to impact our associate there.

Profit before tax increased by 75 per cent on a reported basis to £661 million (2021/22: £378 million), driven by the increase in operating profit and a reduction in amortisation offset by increased financing costs. Adjusted profit before tax of £789 million (2021/22: £553 million) increased by 43 per cent on a reported basis, again due to the increase in the underlying adjusted operating profit.

The tax charge of £169 million (2021/22: £98 million) reflects the impact of higher profits. The Group's effective tax rate on adjusted profit, excluding amortisation, adjusting items and associates, was 25.0 per cent (2021/22: 24.0 per cent).

Reported profit after tax, amortisation and adjusting items for continuing and discontinued operations was £503 million (2021/22: £280 million). The increase in operating profit led to an increase of 75 per cent in basic earnings per share from continuing operations on a reported basis to 35.8 pence (2021/22: 20.4 pence), with adjusted earnings per share from continuing operations 40 per cent higher at 43.0 pence (2021/22: 30.7 pence) on a reported basis, 34 per cent higher on a constant currency basis.

Acquisitions and disposals

In recent years, the Group's strategy has focused on organic growth in order to support growth with our major customers.

During 2019/20, the Group agreed to the purchase of a further 10 per cent holding in Interstate Resources for £106 million, following the exercise of part of the pre-existing put option by the former owners of that business. A cash settlement of £82 million was made in June 2020 with the balance paid in October 2021. The final 10 per cent stake remains subject to the put option conditions, which have now been met in the 2022/23 financial year with a final expected payment of $129 million which will be paid in 2023/24.

In the first half of 2021/22, the Group disposed of its non-core Dutch paper mill operations for a consideration net of transaction costs of £35 million.

Cash flow

Reported net debt of £1,636 million (30 April 2022: £1,484 million) has increased from the prior year, as the rise in EBITDA from the strong business performance was offset by a net working capital outflow of £121 million, due largely to the decline in energy prices and paper raw material purchase prices at the end of the financial year, net capital expenditure of £526 million, £111 million higher than the previous year and higher tax payments. The working capital outflows were mitigated by maintaining focus on cash management, in particular cash collection and inventory management. The Group's energy and carbon hedges remained at a high value during the year and in order to manage our counterparty risk, margin calls of £267 million were made, of which £181 million relates to positions maturing after the year end. After the effect of benefits from prior year margin calls reversing, the net benefit to working capital of this credit risk management was £69 million. There was no impact on income from these actions. The debt was also impacted by both the absolute amount of dividends paid and also, following shareholder feedback, the acceleration of the 2022/23 interim dividend payment date to January 2023 which resulted in an additional payment of £83 million in the year compared to the previous year.

Trade receivables factoring is £21 million lower than April 2022 at £360 million. This is a reduction of some 35 per cent from the peak balance of £559 million in 2018. Going forward the Group expects to continue to sell high credit quality receivables under this programme within the range £350-400 million outstanding at any one time. Such arrangements enable the Group to optimise its working capital position and reduces the quantum of early payment discounts given.

Net capital expenditure increased by £111 million to £526 million in the year. The Group continued to focus on growth and efficiency capital projects, which represented 59 per cent of the reported spend in the year, with energy efficiency and carbon reduction projects representing 12 per cent of spend. Major investments in greenfield packaging plants in Italy and Poland were a significant portion of this, with the sites fully operational in 2022/23. Proceeds from the disposal of property, plant and equipment were £19 million (2021/22: £16 million).

Tax paid of £136 million is £40 million higher than the prior year driven by increasing levels of profit in 2021/22.

Net interest payments of £76 million increased by £14 million over the prior year driven by higher interest rates. Timing of payments on maturing US private placements and Euro medium-term notes accounts for the majority of the difference between cash interest paid and finance costs reported in the income statement, partly offset by amortisation of debt issuance fees.

Cash outflows associated with adjusting items increased by £1 million to £14 million as programmes which commenced in previous years concluded and minimal cash outflows are anticipated in 2023/24.

Prior year disposal proceeds of £35 million related to the sale of the de Hoop mill.

Cash generated from operations before adjusting cash items was flat at £1,092 million. Net cash inflow was £49 million, a £284 million decrease on the prior year. This reflects the effect of working capital outflows in the current year, increased net capital expenditure and tax payments and includes the impact of bringing forward of the date of settlement of the interim dividend.

Cash flow	**2022/23 £m**	2021/22 £m
Cash generated from operations before adjusting cash items	1,092	1,092
Capital expenditure (net of disposal of fixed assets)	(526)	(415)
Tax paid	(136)	(96)
Net interest paid	(76)	(62)
Free cash flow	**354**	**519**
Cash outflow for adjusting items	(14)	(13)
Dividends	(289)	(166)
Acquisitions and disposals of businesses, net of cash and cash equivalents	–	12
Other	(2)	(19)
Net cash flow	**49**	**333**
Issue of share capital	4	7
Loans, borrowings and finance leases divested	–	1
Foreign exchange, fair value and other movements	(205)	(30)
Net debt movement – continuing operations	**(152)**	**311**
Net debt movement – discontinued operations	–	–
Opening net debt	(1,484)	(1,795)
Closing net debt	**(1,636)**	**(1,484)**

Statement of financial position

At 30 April 2023, shareholder funds decreased to £4,084 million, from £4,232 million in the prior year. Profit attributable to shareholders of £502 million (2021/22: £280 million), together with an actuarial gain on employee benefits of £11 million (2021/22: £68 million gain) and foreign currency translation gain of £194 million (2021/22: loss of £40 million), was offset by a net reduction in the cash flow hedge reserve of £645 million (2021/22: £712 million gain) driven by the significant reduction in the underlying value of our commodity hedge positions as energy prices fell. Dividends paid in the year were £289 million (2021/22: £166 million).

Equity attributable to non-controlling interests was £3 million (2021/22: £2 million). The Group's banking covenants stipulate the methodology upon which the net debt to adjusted earnings before interest, tax, depreciation and amortisation (EBITDA) ratio is to be calculated. The effects of IFRS 16 *Leases*, adopted since 1 May 2019, are excluded by the banks from the ratio's determination. The ratio has reduced to 1.3 times, with an increase in adjusted EBITDA and a reduction in adjusted net debt. This represents an improvement from the previous year-end position of 1.6 times. The ratio remains compliant with the covenant requirements, which across all banking debt is 3.75 times. As the payment associated with the exercise of the second tranche of the Interstate Resources put option is still outstanding at 30 April 2023, this has not been factored in to the calculated ratio. If the payment was included, the ratio would increase to c. 1.4 times. The Group's publicly traded euro and sterling bonds are not subject to any financial covenants. The bonds are, however, subject to a coupon step up of 125 basis points for any period the Group falls below an investment grade credit rating.

The covenant calculations also exclude income statement items identified as adjusting by the Group and any interest arising from the defined benefit pension schemes. At 30 April 2023, the Group has substantial headroom under its covenants, with the future outlook assessed as part of the annual going concern review. The Group's investment grade credit rating from Standard & Poor's remains stable at investment grade, which takes into account all the items excluded from covenant calculations and working capital.

Statement of financial position	**30 April 2023 £m**	30 April 2022 £m
Intangible assets	2,927	2,906
Property, plant and equipment	3,529	3,128
Right-of-use assets	224	199
Inventories	619	703
Trade and other receivables	1,257	1,229
Cash and cash equivalents	472	819
Derivative financial instruments	319	811
Employee benefits	24	-
Other	86	91
Total assets	**9,457**	**9,886**
Bank overdrafts	(104)	(73)
Borrowings	(1,816)	(2,072)
Trade and other payables	(2,287)	(2,540)
Provisions	(65)	(55)
Employee benefits	(79)	(86)
Lease liabilities	(224)	(203)
Derivative financial instruments	(368)	(84)
Other	(427)	(539)
Total liabilities	**(5,370)**	**(5,652)**
Net assets	**4,087**	**4,234**
Net debt	**1,636**	**1,484**
Net debt to EBITDA ratio	**1.3x**	**1.6x**

Energy costs

Production facilities, in particular paper mills, are energy intensive which results in energy being a significant cost for the Group. In 2022/23, costs for gas, electricity and other fuels, net of periodic local incentives, were £669 million (2021/22: £609 million). The year saw significant increases in the first half year, which eased into the second half, with energy costs for the first half year of £400 million decreasing to £269 million in the second half year (2021/22: H1 £240 million, H2 £369 million). The net impact on the Group was mitigated by an increase in energy sales, significantly less paper production in the second half of the year, the Group's three-year rolling hedging programme and the benefits of free allowances following the introduction of phase 4 of the EU Emissions Trading Scheme. The Group continues to invest in energy efficiency projects and limits the exposure to volatile energy pricing by hedging energy costs with suppliers and financial institutions, managed by the Group's Energy Procurement team.

Capital structure and treasury management

In addition to its trading cash flow, the Group finances its operations using a combination of borrowings, property and equipment leases, shareholders' equity and, where appropriate, disposals of non-core businesses. The Group's funding strategy is to achieve a capital structure that provides an appropriate cost of capital whilst providing the desired flexibility in short and medium-term funding to enable the execution of material investments or acquisitions, as required.

The Group aims to maintain a strong balance sheet enabling significant headroom within the financial covenants and to ensure continuity of funding by having a range of maturities from a variety of sources. The Group has an investment grade rating from Standard & Poor's of BBB–, with a stable outlook.

The Group's overarching treasury objective is to ensure sufficient funds are available for the Group to execute its strategy and to manage the financial risks to which the Group is exposed.

In November 2018, the Group signed a £1.4 billion five-year committed syndicated revolving credit facility (RCF) with its core banks. The second extension option was exercised in November 2020. £1.1 billion of the facility now matures in 2025 with the remaining £0.3 billion maturing in 2024.

In April 2023, the Group signed a £500 million term loan facility with initial maturity of April 2024 extendable at the Group's discretion to April 2025. The facility remained undrawn at the year end.

Available cash and debt facilities are reviewed regularly to ensure sufficient funds are available to support the Group's activities. At 30 April 2023, the Group's committed facilities totalled £3.4 billion, of which £1.6 billion remained undrawn and £2.9 billion matures beyond one year or more. Undrawn committed borrowing facilities are maintained to provide protection against refinancing risk.

At 30 April 2023, the committed borrowing facilities had a weighted average maturity of 2.4 years (30 April 2022: 3.0 years). Additional detail on these facilities is provided below. Total gross borrowings at 30 April 2023 were £1,816 million (30 April 2022: £2,072 million). The committed borrowing facilities described do not include the £440 million of three-year committed factoring facilities, which allow the sale of receivables without recourse. Given the three-year committed nature of these facilities, they fully protect the Group from any short-term liquidity risks which may arise from volatility in financial markets.

As described above, the Group continues to sell trade receivables without recourse, a process by which the trade receivables balance sold is de-recognised, with proceeds then presented within operating cash flows.

The Group maintains a €1 billion Euro Commercial Paper Programme, which remained undrawn at 30 April 2023.

Facilities	Currency	Maturity date	£m equivalent
Syndicated RCF 2018	Various	2024-25	1,400
Euro medium-term notes	EUR	2024-26	1,189
Euro RCF 2020	EUR	2025	53
Sterling bond medium-term note	GBP	2029	250
Euro term loan	EUR	2025	17
GBP term loan	GBP	2024	500
Committed facilities at 30 April 2023			**3,409**

Impairment

The net book value of goodwill and other intangibles at 30 April 2023 was £2,927 million (30 April 2022: £2,906 million).

IAS 36 Impairment of Assets requires annual testing of goodwill and other intangible assets, as well as an assessment of any other assets for which there may be indicators of impairment. As part of this testing, the Group compares the carrying amount of the assets subject to testing with the higher of their net realisable value and value-in-use to identify whether any impairment exists. The asset or group of assets' value-in-use is determined by discounting the future cash flows they expect to generate from the basis of the Group's weighted average cost of capital (WACC) of 9.5 per cent (2021/22: 9.5 per cent), plus a blended country risk premium for each group of assets. Asset values were tested as at 30 April 2023, with no impairment identified as a result of the testing performed.

Pensions

The Group's primary funded defined benefit pension scheme, based in the UK, is closed to future accrual. There are a variety of other post-retirement and employee benefit schemes operated locally for overseas operations, and an additional unfunded scheme in the UK relating to three former directors which is secured against assets of the UK business. In accordance with IAS 19 *Employee Benefits (Revised 2011)*, the Group is required to make assumptions surrounding rates of inflation, discount rates and current and future life expectancies, amongst others, which could materially impact the value of any scheme surplus or liability. A material revaluation of the relevant assets and liabilities could result in a change to the cost to fund the scheme liabilities.

The assumptions applied are subject to periodic review. A summary of the balance sheet position as at 30 April is as follows:

	30 April 2023 £m	30 April 2022 £m
Aggregate gross assets of schemes	848	1,113
Aggregate gross liabilities of schemes	(903)	(1,199)
Balance sheet deficit	(55)	(86)
Deferred tax assets	14	21
Net balance sheet deficit	(41)	(65)

The net deficit has decreased versus prior year driven by significant increase in discount rate assumptions at 30 April 2023 and a less than corresponding fall in the asset valuations.

The 2019 triennial valuation of the main UK scheme incorporated updates to underlying scheme assumptions, including demographic and life expectancy rates, which, along with updates surrounding mortality and proportion married assumptions and future improvements, resulted in a net c. 3 per cent decrease in the valuation of the scheme liabilities. No changes were made to the previously approved funding plan following the triennial valuation. The main UK pension scheme has been undertaking its 2022 triennial valuation, with the valuation mutually agreed between the Company and the Scheme Trustees with anticipation of formal agreement being achieved by the statutory deadline of 31 July 2023.

Total cash contributions paid into the Group pension schemes, reported within cash generated from operations in the cash flow, were £25 million in 2022/23 (2021/22: £21 million), which primarily constitute the agreed contributions under the UK defined benefit scheme deficit recovery plan. In response to the market turmoil following the UK 'mini-budget' in September 2022, the Group made funding support of up to £100 million to the main UK defined benefit pension scheme. This took the form initially of a cash advance in anticipation of potential margin calls and latterly a liquidity facility. The cash advance was fully repaid within days of being made and as at 30 April 2023 the liquidity facility remained in place but was undrawn.

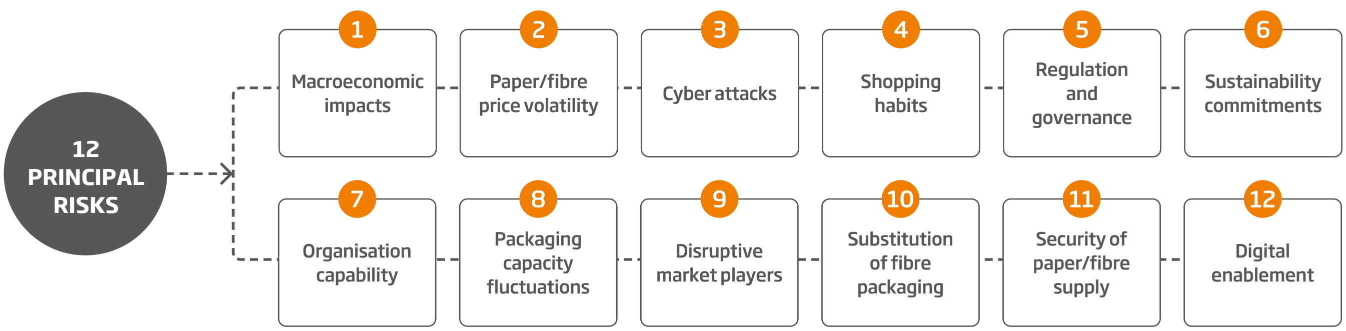
RISK MANAGEMENT: SAFEGUARDING OUR PURPOSE

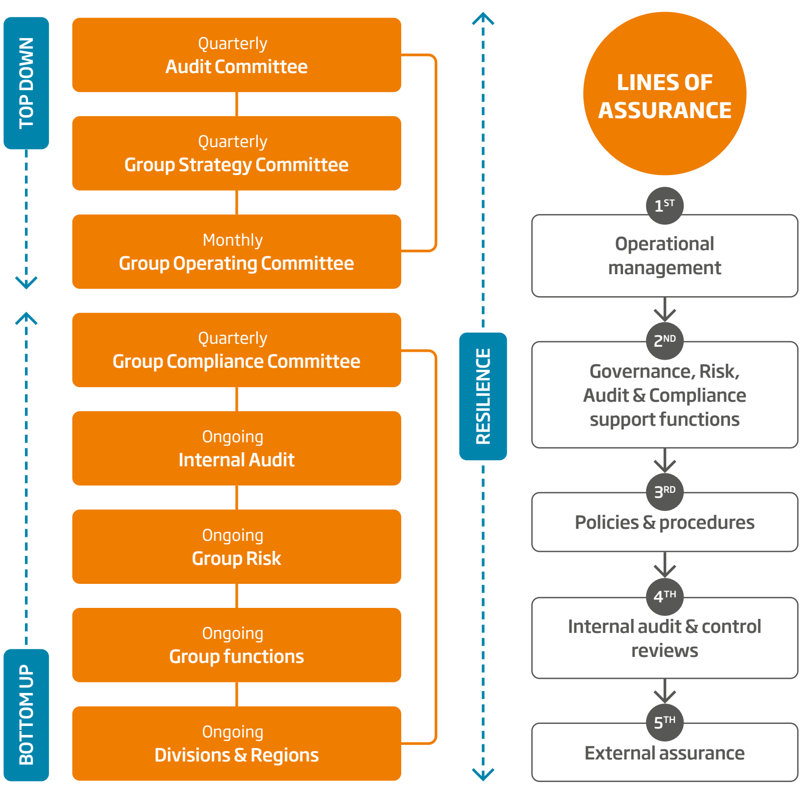
Our Group risk policy provides the framework through effective governance forums from Board level down to operational teams to ensure there is a common understanding of risk management practices across all parts of the Group in building a risk confident decision-making culture. This has been fully integrated with our annual corporate planning process. We use these practices to evaluate and accept those risks that we believe we have the capacity, know-how and experience to manage, or to understand and tolerate those risks that we cannot influence, in order to realise the potential opportunities for growth and development as per the annual risk reporting cycle.

We are faced with greater uncertainty which we are keeping pace with through the key defences and mitigations across our 12 principal risks, capability and networks within the business, our governance framework and investment in key personnel.

OVERSIGHT OF OUR PRINCIPAL RISKS

Enterprise risk management framework, policies, standards and governance





Our risk perspective

Over the past few years the Group's investment in business growth to support its ambition to be the leading supplier of sustainable packaging solutions has coincided with a particularly disruptive period.

During 2022 we saw a progressive recovery from Covid-19 and return to a 'new normal' being disrupted again by the consequences from the war in Ukraine which triggered a number of new challenges alongside a heightened level of familiar business risks (such as inflation, cost of living crises, supply chain) from geopolitical tensions and macroeconomic uncertainty. The year also demonstrated that some risks are likely to be more severe than previously considered (such as the beginnings of de-globalisation, climate change impacts, transitioning to meet our 1.5°C science-based target to reduce greenhouse gas (GHG) emissions, the development of dual-use technologies, increasing scrutiny and regulation). These familiar and more invasive risks are all converging to create additional uncertainty and volatility and are likely to provide another test of the resilience of the Group's business strategy, key priorities and delivery on our targets.

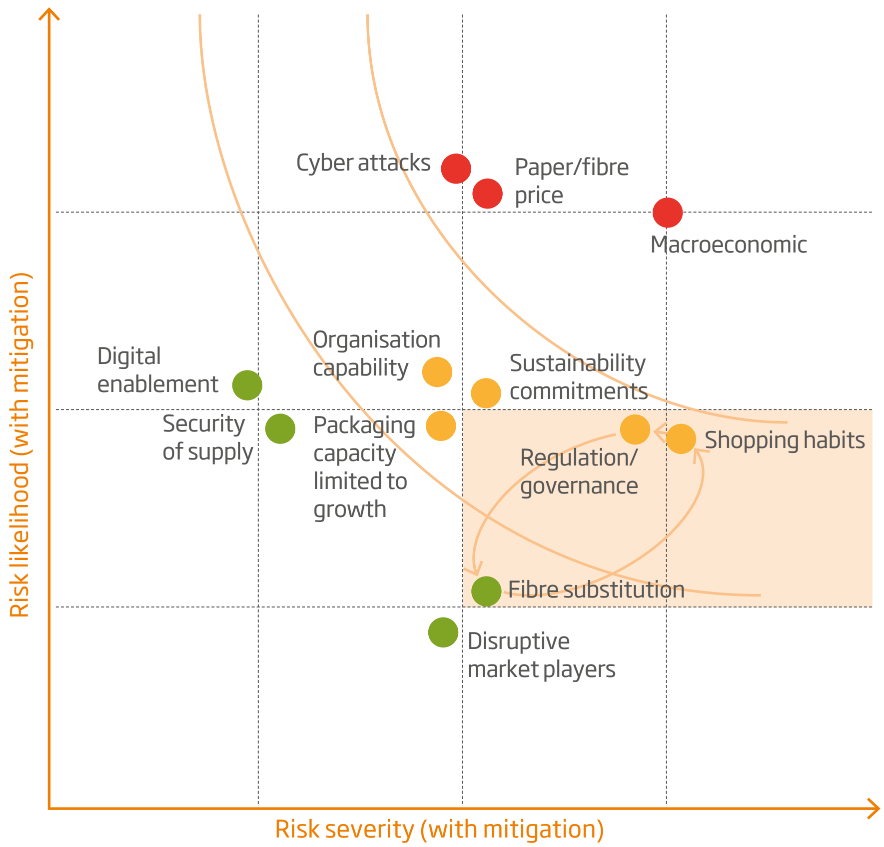
As in the past these tests are not new and with each fresh set of challenges we remain confident in the fundamentals of our business strategy and our allocation of resources and investments to be able to withstand these headwinds, improve our business and take advantage of key areas of opportunity.

Annual risk reporting cycle

<table>
<tr><th></th><th>MAY - JUL</th><th>AUG - OCT</th><th>NOV - JAN</th><th>FEB - APR</th></tr>
<tr><td>Board</td><td></td><td rowspan="2">Reviews the progress of risk management in relation to the Corporate Plan, and reviews and approves completed Internal Audit reports and reviews status of programme which includes the Group ethics report</td><td colspan="2">Oversight and review of the principal risks effectiveness and uncertainties, risk appetite and tolerance, and business viability as part of Corporate Plan discussions which is delegated to the Audit Committee.</td></tr>
<tr><td>Audit Committee</td><td>Reviews Group risks, viability and risk management effectiveness including go forward actions to implement</td><td>Further updates and approves completed Internal Audit reports and ongoing Internal Audit work</td><td>Reviews Group and divisional risk reports, annual Internal Audit needs assessment, including audit plans and recommendations, and the Group ethics report</td></tr>
<tr><td>Group Strategy Committee</td><td colspan="2">Undertakes an assessment of the Group's principal and emerging risks against the Corporate plan</td><td colspan="2">Undertakes a review and assessment of the Group's principal and emerging risks six months post the Corporate plan review</td></tr>
<tr><td>Group Compliance Committee</td><td>Reviews a selection of Group function and/or divisional risks including 'deep dive' compliance risk discussions</td><td>Reviews a selection of Group function and/or divisional risks including an update on TCFD requirements and improvements to due diligence on modern slavery in the supply chain</td><td>Reviews a selection of Group function and/or divisional risks</td><td>Reviews a selection of Group function and/or divisional risks including product safety complaints</td></tr>
<tr><td>Internal Audit</td><td>Reviews its programme and key control risks</td><td>Considers response to specifically selected risks</td><td>Updates review of Internal Audit programme and key control risks</td><td>Undertakes the year-end assessment of Internal Audit needs and presents a plan for the year ahead</td></tr>
<tr><td>Group Risk</td><td>Provides feedback and guidance to divisions and Group functions on risk assessments in preparation for the Corporate Plan process</td><td colspan="2">Provides ongoing feedback to divisions and Group functions on risk assessments for the Corporate Plan, principal risks and emerging risks</td><td>Evaluation on principal risks review and emerging risks validation</td></tr>
<tr><td>Group functions</td><td colspan="2">Update risk assessments and integrate into their corporate plans</td><td colspan="2">Produce year-end review of principal and key business risks and reconsider effectiveness of risk management actions implemented</td></tr>
<tr><td>Divisions & Regions</td><td colspan="2">Update risk assessments and integrate into their corporate plans</td><td colspan="2">Produce year-end review of principal and key business risks and reconsider effectiveness of risk management actions implemented</td></tr>
</table>

Mitigating and/or preventing the impact of a risk affecting our Corporate Plan delivery remains a cornerstone of our executive and operational management team efforts. Our risk heat map provides a summary of how we assess and evaluate the relationship between the likelihood and severity of our principal risks and uncertainties, taking into account the effectiveness of current mitigations, and informs where the Group should prioritise investments to manage them.

Principal risks heat map



Note: the potential accumulation of connected risks across three key drivers of our business model and Corporate Plan

Bubble colour reflects risk relative priority

- highest risk
- second level priority
- third level priority

By prioritising climate change risk and seizing opportunities we can maintain our competitiveness and ensure long term sustainability objectives, goals and outcomes.

Climate change can affect the availability of raw materials and production processes, while natural disasters can disrupt supply chains and damage infrastructure. It can also enhance the focus and opportunities presented to DS Smith from investment into alternatives, innovation and focus on regulation.

Our current view on the systemic implications of climate change are presented in the table below.

Climate-related risks and opportunities and principal risks

See pages 53 to 55

Climate-related risk		Type	Link to principal risk
Transition	Increased spend on carbon taxes	Policy and legal	• Regulation and governance • Paper/fibre price volatility
	Increased cost of raw materials or threat to supply	Market	• Security of paper/fibre supply • Paper/fibre price volatility
Physical	Increased severity of extreme weather events	Acute physical	• Security of paper/fibre supply • Paper/fibre price volatility
	Increased likelihood of water stress	Chronic physical	• Regulation and governance
Climate-related opportunity			
	Growth in demand for sustainable packaging	Products and services	• Shopping habits • Packaging capacity • Organisation capability • Fibre substitution
	Greater resource efficiency	Resource efficiency	• Paper/fibre price volatility • Sustainability commitments
	Use of lower-emission energy sources	Energy source	• Sustainability commitments

Our principal risks

Our risk universe encompasses a wide range of potential risks that could impact our operations and performance. These are defined and prioritised into 12 principal risks that we manage on a cyclical basis on a top down and bottom up approach. Our internal alignment and external validation through the annual risk reporting cycle enable us to make well-informed decisions.

Macroeconomic impacts

23/24	1
22/23	1
21/22	1

Definition

Multiple political/economic factors from foreign exchange/interest rates to weakening major economies significantly impact the level of consumer spend and customer demand for the Group's packaging products.

Key defence/mitigations

A robust Corporate Plan process where macroeconomic trends are evaluated alongside investments to improve production cost base, efficiency and deliver other initiatives such as sustainable growth and innovation priorities to strengthen resilience.

Focus remains on supplying packaging quality, service and volume to fast moving consumer goods (FMCG) customers with a constant focus on quality, service and volume growth, as these customers tend to show greatest resilience against GDP volatility.

Our dynamic energy hedging strategy over five-year horizons smooths pricing volatility, and other developments in our procurement and logistics flows are helping to evolve our operating model and maintain resilience.

Link to business strategy

To double our size and profitability

Opportunity

The Group's ability to reposition our business model outside of traditional sources of supply.

Key risk indicator

Eurozone GDP growth rate.

Risk tolerance

Risk outlook

Paper/fibre price volatility

23/24	2
22/23	3
21/22	2

Definition

Volatile commodity pricing for recovered paper (including old corrugated cases (OCC)) and containerboard grades can create significant short-term challenges to capture appropriate returns by aligning raw material costs to packaging sales revenues.

Key defence/mitigations

A strategy demonstrating the Group's commercial credentials/services in Packaging to build up box prices regardless of raw material cost and sell the additional value of our products, services, innovations, sustainability credentials and customer brand benefits.

Strong discipline to maintain optimal positions on CCM manufacture and recovered paper sourcing and manufacture with external selling strategies of excess recovered paper (if an excess is necessary for security of supply). Trading position through paper sourcing to maximise integration between internal CCM and box plants.

A disciplined approach in managing volume, margin and pricing of stock keeping units using technology innovations, performance packaging, with at balance between contracts indexed those freely negotiated to support greater resilience with input pricing volatility.

Link to business strategy

To double our size and profitability

Opportunity

Strengthening our value proposition and the fibre and efficiency programmes.

Key risk indicator

Paper/recovered fibre market price and box selling price.

Risk tolerance

Risk outlook

Cyber attacks

23/24	3
22/23	2
21/22	3

Definition

The threat posed to our information or operational technology from ransomware and/or a failure to stop/identify sophisticated malicious cyber intruders on our IT infrastructure.

Key defence/mitigations

Regular awareness training and testing to better equip our employees with the knowledge to identify potential phishing/ other social engineering techniques.

Investments in IT security controls to improve our capability to detect, respond to and prevent malicious cyber activity, including hardening of the IT estate via network segregation between/within IT and operational technology environments.

Regular improvements in, and testing of, IT disaster recovery planning through cyber drills, policies and procedures, including penetration/vulnerability testing.

Continued expansion of the IT and operational technology security capabilities through increased internal resourcing and external partner support.

Link to business strategy

To double our size and profitability

Opportunity

Accelerated investment in a strong cyber security programme and culture of awareness to enhance our business continuity credentials.

Key risk indicator

IT security training effectiveness and phishing campaign statistics.

Risk tolerance

Risk outlook

Risk rank change by year key

Principal risk example 1 – highest 12 – lowest

23/24	3
22/23	2
21/22	3

Net risk tolerance key

Unacceptable	Re-assess	Acceptable

Risk outlook

Increasing	Stable	Decreasing

Shopping habits

23/24	4
22/23	12
21/22	12

Definition

We fail to adapt our offer to the pace and direction of change in consumer spending across the full retail FMCG spectrum, from the mega large brands, micro-brands and omni-channel distribution networks of the 'big box' superstores and discounters, to the rise in e-commerce and importance of consumers' values.

Key defence/mitigations

Heavily invested in FMCG and omni-channel distribution bringing performance packaging, eco-friendly fibre-based and packaging innovations to the forefront of our commercial strategy.

Our Sales, Marketing and Innovation organisation is supported to ensure that the Group's commercial strategy remains agile and aligns product solutions/services to reflect changing distribution and consumer preferences towards circular solutions (including the value of plastic replacements, point-of-sale packaging and end-to-end services).

Rethinking and applying a differentiated service offering to different customer categories through improved use of digitisation alongside broader customer experience solutions (including new technology platforms, services and tools).

Reinforcing our Trend and Insights & Marketing teams on understanding customer and consumer habits, needs and behavioural changes to inform research and development options and operational capabilities.

Link to business strategy

To double our size and profitability

Opportunity

Aligning our investments with consumer spending patterns to meet consumer needs with active engagement around packaging solutions.

Key risk indicator

Revenue and production growth for FMCG sector.

Risk tolerance

Risk outlook

Regulation and governance

23/24	5
22/23	6
21/22	4

Definition

Our governance model fails to support the way we are organised and our geographical spread, resulting in unauthorised, illegal, unethical or inappropriate actions.

Key defence/mitigations

The Group continues to maintain detailed and extensive arrangements for the management of standards, domestic and international compliance rules alongside new regulations, with regular business unit legal compliance and control reviews including health, safety, environment, agency and supplier standards and product integrity/safety.

Regulatory compliance training including e-learning modules for employees on a variety of compliance modules including antitrust, anti-bribery and corruption, and modern slavery to ensure full understanding of the applicable laws and high standards expected, alongside regular reporting and engagement with senior leadership at divisional level on legal, governance and compliance risk.

Implementation of a strong and visual 'Speak Up!' workplace malpractice regime across the Group providing a confidential route for employees to report perceived malpractice of any type.

Use of the Group Compliance Committee as a forum to review and assess specific compliance risk matters.

Link to business strategy

To delight our customers

Opportunity

Enhancing our strong governance model beyond the standards requested of us across the regulatory landscape.

Key risk indicator

Group and divisional compliance training and reviews.

Risk tolerance

Risk outlook

Sustainability commitments

23/24	6
22/23	4
21/22	5

Definition

Our efforts and significant planned investments to decarbonise and transition our supply chain to a circular, low-carbon economy do not keep pace with growing customer and investor expectations on large organisations to make a positive contribution and address global climate change.

Key defence/mitigations

The development, investment and timely implementation of effective carbon reduction roadmaps for paper and packaging energy efficiency, equipment upgrades and switching to alternative energy sources across all sites, whilst monitoring and adapting to regulatory changes.

Ensuring we meet the growing consumer and investor demand for sustainable packaging through a focus on packaging design, use and disposal based on a circular economy with business leaders and a sales force equipped to drive this agenda.

Regular reviews of, and governance and reporting on, our sustainability priorities to ensure they align with the expectations of stakeholders, wider society and scientific climate projections, as well as implementing TCFD recommendations and submission to top ESG ratings such as CDP.

Link to business strategy

To lead the way in sustainability

Opportunity

Ensuring that our circular packaging solutions are sustainable through continued investment in sustainable projects such as efficiencies in energy upgrades and the circular economy.

Key risk indicator

Reduction of CO_2e per tonne of production.

Risk tolerance

Risk outlook

Risk rank change by year key

Principal risk example 1 – highest 12 – lowest

23/24	3
22/23	2
21/22	3

Net risk tolerance key

Unacceptable Re-assess Acceptable

Risk outlook

Increasing Stable Decreasing

Organisation capability

23/24	7
22/23	5
21/22	8

Definition

Risk that the management approach to our people and assets may not correctly or sufficiently identify future resourcing capability needs, particularly in the strategic growth drivers of Innovation, Sustainability and Digital and Data .

Key defence/mitigations

A combination of management actions from L&D programmes, succession planning, up-skilling, cross-skilling, talent acquisition and graduate programme/ academies (including the DS Smith Way) to support the needs of the business and improve employee engagement and empowerment.

Our HR and operational leaders work to prioritise key activities aimed at effective resourcing for new and foreseeable work realities to build needed skills, reduce reliance on the external labour market and review ways of working to improve organisation flexibility and productivity.

The Group HR function continues to improve employee related reporting to reflect wider support for a targeted and measured approach on diversity in all management and operational levels.

Link to business strategy

To realise the potential of our people

Opportunity

Developing and refining ways to cross-skill and up-skill our workforce to support both the current and future needs of the business.

Key risk indicator

Employee turnover including external/ internal hiring ratios and diversity and inclusion metrics.

Risk tolerance

Risk outlook

Packaging capacity fluctuations

23/24	8
22/23	8
21/22	7

Definition

Our performance and volume commitments to serve all our customers with an increasing demand fluctuation for packaging become limited by our production capacity or headroom through short-term and long-term variances and instability.

Key defence/mitigations

We have an agile Corporate Plan and planning process designed to manage out material variations between demand growth and capacity forecasting using flexible capital investment plans to support changes in our key markets alongside the development of new or expansion of our existing packaging manufacturing sites.

Rationalisation of existing capacity via improved customer-production footprint alignment and equipment utilisation is considered through multi-year capital plans. This extends to include the ability to make strategic decisions to transfer between locations previously focused on industrial production and FMCG/e-commerce.

Developing clusters of production sites to improve capacity loading, implementing new shift patterns and sales and operational performance programmes to optimise a full system of supply/demand loading, inventory and logistics planning.

Link to business strategy

To delight our customers

Opportunity

Aligning our investments to our commitments to serve all of our customers and push further growth, through a flexible end to end supply chain.

Key risk indicator

Packaging demand and production volume metrics.

Risk tolerance

Risk outlook

Disruptive market players

23/24	9
22/23	10
21/22	9

Definition

Disruptive behaviours in our key markets, where there is a risk that significant suppliers or competitors combine by copying our business model or disrupting the fundamental assumptions of our supply cycle business, causes shock/ prolonged price and volume drop and materially reduces our capability to purchase paper or restricts our ability to compete more effectively.

Key defence/mitigations

The corporate planning process continues to ensure that the Group's Strategy team and divisional leadership capture information on changes in the market environment, building an acute understanding across our customer portfolio on their future needs to determine areas of activity that could be truly disruptive or where our bespoke solutions enhance our value proposition.

Continuous improvement of our procurement and supply chain processes for all paper grades and critical raw materials, including enhanced contingency plans if critical suppliers were to be disrupted.

Leadership and management team retain a heightened level of awareness of potential disruptive behaviours, possible blind spots and built-in institutional challenges to ensure a level of resilience operates in key areas of potential growth or change.

Link to business strategy

To double our size and profitability

Opportunity

Focusing on sustainable growth and reputation allows us to maintain our strong market position and compete with any new disruptive players .

Key risk indicator

Proportion of market share.

Risk tolerance

Risk outlook

Substitution of fibre packaging

23/24	10
22/23	11
21/22	10

Definition

Fibre-based packaging loses its credentials as a sustainable product of choice against developments in plastic packaging or other materials that can be reused and recycled, resulting in our products being substituted and/or replaced by competitor products.

Key defence/mitigations

Business investment in diverse portfolio of materials/services beyond traditional pulp and paper alongside a dedicated Government Affairs team that tracks/monitors proposed government legislation, the potential impact and sets/drives focused and proactive communication strategies to respond centrally as well as through industry trade associations to support/build the reputation of fibre-based materials in terms of recyclability, circularity, quality standards and innovation potential.

Collaboration between our Paper and Packaging divisions and R&D teams to deliver innovative papers and corrugated products, and develop new materials with our suppliers and partners for barrier/lamination concepts and plastic replacements.

Link to business strategy

To lead the way in sustainability

Opportunity

Accelerating R&D investments into new and enhanced fibre-based products enables us to respond quickly and efficiently to any changes in packaging regulations that may impact the Group and take proactive action accordingly to reduce any potential impacts.

Key risk indicator

Fibre packaging volume and market share growth and level of legislative protection.

Risk tolerance

Risk outlook

Security of paper/fibre supply

23/24	11
22/23	7
21/22	6

Definition

Large fluctuations in the availability of recovered paper (including OCC) and containerboard adversely affects our performance. Our failure to adapt to changes in installed paper production capacity and imports, and our inability to produce a sustainable supply of internal European fibre for critical paper grades, including specific virgin papers, leaves us over-exposed to the threat of significant commodity availability and price volatility for extended periods of time.

Key defence/mitigations

Cross-divisional capability to optimise the make, buy, sell decision across the Group, ensuring the Group sources key paper grades from external suppliers to deliver and flex to paper volume needs.

Investment in supply chain programmes to bring cross-divisional benefits from improved stock visibility and plan adherence to help handle forecast variability through the short, medium and long-term horizons.

A clearly defined fibre strategy based on performance packaging, and 'best fit' footprint alignment between paper production, quality fibre sourcing and the capacity needs of our Packaging division.

The service level agreements with key suppliers revised/updated for the best customer-first approach in place when prioritising how demand should be met through supply channels.

Link to business strategy

To double our size and profitability

Opportunity

Generating a best fit cost and quality solution for our customers through the expertise of our paper sourcing strategy and closed loop model.

Key risk indicator

Paper/recovered fibre supply volumes.

Risk tolerance

Risk outlook

Digital enablement

23/24	12
22/23	9
21/22	11

Definition

Digital transformation initiatives, from point-of-sale through to manufacture and delivery to customers, are too slow or the investments required too high to adequately adapt our ways of working or we miss the opportunity to meet the demand for smart products, including customer ease of access to our products and services.

Key defence/mitigations

The Group Strategy Committee oversight of enterprise wide efforts to identify/leverage digital revenue opportunities including ongoing reviews of digital 'light house' projects.

We have created a central digital centre of excellence called the Digital and Data Hub. This provides guidance and advice, a digital coordination point and a digital delivery capability.

We are hiring specific staff with expertise in digital technologies such as data engineering and digital product management to sit within the Digital and Data Hub and embedded in the divisions. We continue to select a number of key partners to work with us to provide specialist digital capability.

Link to business strategy

To delight our customers

Opportunity

Prioritising the latest digital transformation initiatives to not fall behind our competitors with regards to speed to market and smart products offerings.

Key risk indicator

Customer satisfaction surveys and website visitor traffic.

Risk tolerance

Risk outlook

Risk rank change by year key

Principal risk example 1 – highest 12 – lowest

23/24	3
22/23	2
21/22	3

Net risk tolerance key

Unacceptable Re-assess Acceptable

Risk outlook

Increasing Stable Decreasing

Continuous improvement is the cornerstone of our risk management

By avoiding losses, we ensure operational efficiency, protect shareholder value and enhance the safety of our colleagues and communities.

Viana Paper Mill (shown to the left), in northern Portugal, is one of the most prominent kraftliner mills in Europe. Since its acquisition in 2019, management's rigorous risk improvement plan has seen the installation of automatic sprinklers over 22,000 m^2 of building area, alongside improvements to utility infrastructure, process safety controls and operator training. With further investments in a new recovery boiler and fire protection enhancements, the mill continues to adopt the highest industry standards for property protection.

Emerging risks

Our risk management programme includes a formal review of emerging risks. We define emerging risks as those which are not meaningfully impacting the Group today but are highly uncertain because their evolution is rapid, indirect or both, and have the potential for significant impact. These risks will typically have longer-term impacts which may fall outside our Corporate Plan horizon but warrant attention now to avoid the worst effects. Emerging risks require regular monitoring of external trends and insights, which, when combined with our existing knowledge and expertise, identifies the risks that could become relevant to the Group in the future. Collating information from both internal and external sources builds our list of key emerging risks to watch or act upon, which is formally reviewed every six months with the Group Strategy Committee alongside our principal risks. The two emerging risks below are gaining greater focus given our assessment of their potential high impact.

New wave of nationalism – global operations operating locally

Description

There is a potential risk from the emerging new wave of nationalism in different parts of the world. This trend refers to a growing sentiment among certain groups of people who prioritise their national identity and interests over global cooperation and integration.

Impact

One potential impact of this could be the rise of trade barriers and protectionist policies, which have the potential to limit our ability to export products and materials to different countries.

Alternatively, there is the potential for increased political instability and conflicts in certain regions, which could disrupt supply chains and operations. Additionally, we may face challenges in navigating the complex regulatory environment that may emerge as a result of this new wave of nationalism. For example, there could be changes to regulations around labour, environment and tariffs that could impact our operations and profitability.

Action

Overall, we continue to closely monitor and navigate these potential risks in order to maintain our position as a leading global packaging company.

Prolonged extreme weather and infrastructure impact

Description

Unanticipated prolonged and irregular extreme weather events, such as heatwaves, droughts, floods and storms, could disrupt supply chain and transportation of raw materials and finished products, resulting in delays, damage and additional costs.

Impact

Prolonged extreme weather could also impact the energy and water supply to the Company's facilities, affecting our operations and productivity.

Infrastructure impacts, such as power outages, road closures and port disruptions, have the potential to disrupt our operations and supply chain.

Action

Our business continuity plans are structured to implement contingency plans that consider the potential impacts of extreme weather events and infrastructure disruptions. Resulting consequences could involve diversifying transportation routes, investing in backup energy and water systems, and identifying alternative sources of recycled materials. DS Smith may also need to work with local and national governments to improve infrastructure resilience and climate change adaptation measures.

DS Smith recognises we are subject to many general risks and challenges that are not uncommon in the market around greater uncertainty, increased volatility and more complexity. Changes in socioeconomic conditions, political, financial, general regulatory and legislative changes can impact our ability to deliver our Corporate Plan. Through our corporate planning cycle, annual risk reporting cycle and ability to find the opportunity within our risk framework we are able to counter the effects of these more effectively through better mitigation, greater preparedness and collaboration.

Viability Statement

Context

The Group's strategy and key differentiators are detailed on page 3 and pages 4 to 6, and our risk management framework is described on pages 42 and 43. Understanding of our business model, our strategy and our principal risks is a key element in the assessment of the Group's prospects, as well as the formal consideration of viability.

The Group's Corporate Plan cycle is the primary annual strategic and financial planning activity through which the Board assesses the prospects of the Group, extending for the three successive financial years that follow beyond the year ending after the assessment date. The planning process involves modelling under a series of assumptions surrounding both internal and external parameters, with key assumptions including economic growth projections, input pricing (including paper, fibre, energy and labour), foreign exchange rates and packaging volume growth; combined with the effects of major capital initiatives. The impact of climate change as expressed through the Group's key risks in its risk management framework is taken into account during the planning process, with capital commitments consistent with meeting the Group's SBTi carbon reduction commitments included within the forecast horizon. The robust Corporate Plan process is led by the Group Chief Executive, the Group Finance Director and the Group Head of Strategy, in conjunction with divisional management. The Board undertakes a detailed review of the Corporate Plan during its December Board meeting.

Although the Directors have no reason to believe that the Group will not be viable over a longer period, the three-year period was chosen for this assessment having considered the speed and degree of change possible in the key assumptions influencing the Group, as well as the speed of evolution in the footprint of the Group, which limits the Directors' ability to predict beyond this period reliably. Indeed, given the pace of change in the primary sectors in which the Group operates, particularly FMCG and e-commerce, as illustrated by the recent moves away from plastic packaging and the acceleration into e-commerce driven by the Covid-19 pandemic, the Directors believe that three years represents the most realistic and appropriate timescale over which to assess the Group's viability.

The most recent Corporate Plan process was undertaken against the backdrop of the volatile economic environment experienced in 2022/23, impacted by inflationary pressures, especially due to the wider economic consequences of the war in Ukraine. The budget process for 2023/24, conducted subsequent to the Corporate Planning process, reflected different dynamics, particularly with regard to fibre, energy and paper prices, but validated the overall Group profitability as set out in the Corporate Plan in the first financial year. Similarly, the going concern exercise which builds on the budget validated the overall Group profitability as set out in the Corporate Plan for the second year. On that basis, the Directors are satisfied that the Corporate Plan, which covers a three year forecast period, provides a suitable basis for the viability assessment.

Assessment of longer-term viability

In accordance with the UK Corporate Governance Code, the Directors have assessed the viability of the Group over a three-year period to 30 April 2026, which is a longer period than the minimum 12-month outlook required in adopting the going concern basis of accounting. This assessment period remains appropriate given the timescale of the Group's planning and investment cycle.

The Directors confirm that they have performed a robust assessment of the principal risks facing the Group as detailed on pages 42 and 43, including those that will threaten its business model, future performance and solvency or liquidity.

The assessment of the Group's viability considers a pessimistic but plausible downside scenario aligned to the principal risks and uncertainties set out on pages 45 to 48 where the realisation of these risks is considered remote, considering the effectiveness of the Group's risk management and control systems and current risk appetite. The degree of severity applied in this scenario was based on management's experience and knowledge of the industry to determine plausible movements in assumptions. The Directors note that the Group enjoyed a large degree of resilience to the consequential downturns from the Covid-19 pandemic and through the increased economic volatility in the post-pandemic period, influenced by the impact of the war in Ukraine.

The Group has significant financial resources including committed and uncommitted banking and debt facilities, detailed in note 20. In assessing the Group's viability, the Directors have assumed that with its investment grade rating and successful history of refinancing its maturing borrowings, the Group would be able to refinance its existing banking and debt facilities, including those maturing in November 2024.

The Directors have also considered mitigating actions available to the Group that are within management's control, to respond to the stress scenarios such as restrictions on capital investment, further cost reduction opportunities, and dividend suspension or restriction on dividend levels. The Directors have assumed that these mitigating actions can be applied on a timely basis and at insignificant or no cost.

Confirmation of viability

Based on the analysis, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period of their assessment.

Going concern

The Board has reviewed a detailed consideration of going concern, based on the Group's recent trading and forecasts, and including scenario analysis. This takes into account reasonably foreseeable changes in trading performance, including the continued uncertainty caused by high inflation and the ongoing war in Ukraine.

At 30 April 2023 there was significant headroom on the Group's committed debt facilities, at a level c. £1.8 billion. The going concern assessment included the period to 31 October 2024 and considerations for the period immediately thereafter.

Based on the resilience of the Group's operations to both the high-cost environment experienced throughout the last 18 months and the weak demand experienced during FY23, as well as the current and forecast liquidity available, the Board believes that the Group is well placed to manage its business risks successfully despite the uncertainties inherent in the current economic outlook, and to operate within its current debt facilities.

The Group's current committed bank facility headroom, its forecast liquidity headroom over the going concern period of assessment and potential controllable mitigating activities available to management have been considered by the Directors in forming their view that it is appropriate to conclude that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the period of the going concern assessment. For this reason, the going concern basis has been adopted in preparing the financial statements.

The financial statements have been prepared on the going concern basis with no material uncertainty identified after a detailed assessment.

Further details, including the analysis performed and conclusion reached, are set out below.

Liquidity and financing position

The total drawn debt facilities at 30 April 2023 were £1.75 billion, of which £1.4 billion is publicly listed debt with no attached covenants. In addition, the Group has access to c. £1.65 billion committed bank facilities, which were undrawn at 30 April 2023, which provide liquidity to the Group and some of which carry the same covenant of net debt/EBITDA of less than 3.75 times. The Eurobond 2017 facility of £0.7 billion is due for renewal in July 2024 and the Syndicated RCF 2018 of £0.3 billion is due for renewal in November 2024. No reliance on refinancing has been assumed but the Group would expect to be able to refinance its maturing borrowings, including those maturing in July and November 2024. There is significant liquidity/financing headroom across the going concern forecast period. For this reason, the going concern review has focused more on forecast covenant compliance.

Overview

In determining the going concern basis for preparing the financial statements, the Directors consider the Company's objectives and strategy, its principal risks and uncertainties in achieving its objectives and its review of business performance and financial position. The economic environment reflected in this Going Concern assessment is based on the 2023/24 budget which anticipates moderate organic box volume growth across each of our regions, recognising the inflationary pressures in the Group's raw materials and overhead cost bases. In preparing the financial statements, the Group has modelled two scenarios in its assessment of going concern, neither of which indicate a covenant breach or a liquidity issue. These are:

- The base case is derived from the 2023/24 full year budget. The key inputs and assumptions include: Packaging volume growth at moderate levels across the future periods considered by the modelling, driven by continued FMCG and e-commerce demand recovery, together with the recovery in industrial volumes. Both paper sales price and input fibre price are consistent with those anticipated in the budget
- The downside case assumes European packaging volumes largely stagnating at 2022/23 levels, reflecting no future growth and higher inflationary pressures on the cost base, not mitigated by a commensurate increase in paper prices. With a significant portion of the Group's packaging contracts being either directly linked / referenced to a paper index, this results in higher input costs for the Group are more difficult to pass through to end customers.

Mitigating actions

The outturns of the above scenario modelling, combined with the strong operating performance throughout FY23 provide the Group a level of comfort that no significant cost / cash flow mitigations need to be built into the going concern modelling. However, a range of options remain at the Group's disposal should they be required which provide the opportunity to support EBITDA, cash flow and net debt, including:

- Actions in respect of variable and controllable costs such as discretionary bonuses, pay rises, recruitment freezes and wider labour force actions in response to higher levels of volume reductions
- Limiting capital expenditure to minimum maintenance levels by pausing growth spend (including brownfield sites and other expansionary spend)
- Strategic actions in respect of the Group's asset base could be considered in respect of disposals, mothballing and closures
- A reduction or temporary suspension of the Group's dividend.

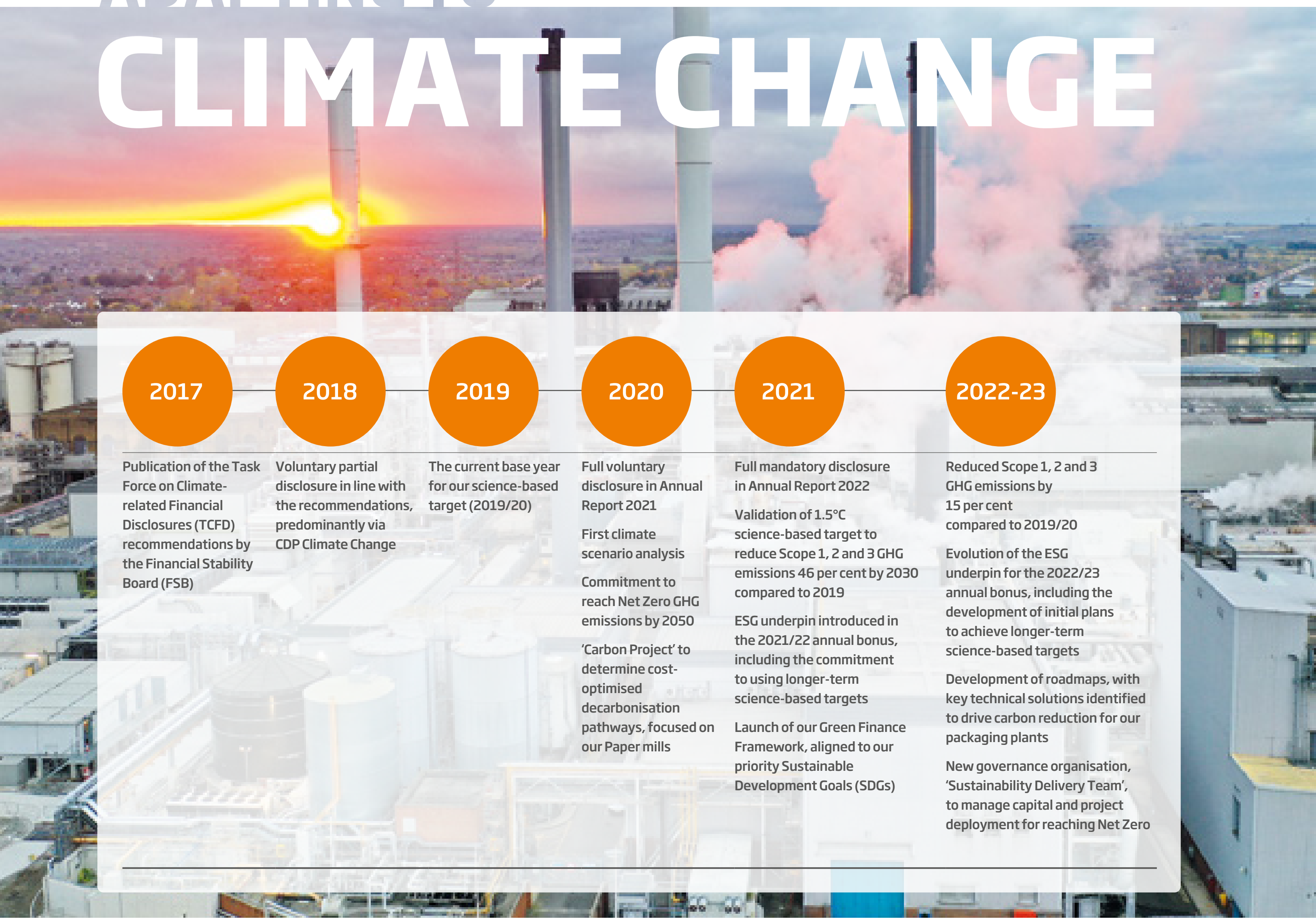
The Group could also consider actions to assist covenant compliance, such as increased utilisation of debt factoring facilities and optimising working capital by negotiating longer payment terms whilst continuing to pay suppliers in full and in line with contractual terms.

It is estimated that the Group EBITDA would have to fall by about 41 per cent from FY23 levels for a breach of the net debt/EBITDA covenant to occur although the Group would still have adequate liquidity. The Board considers this scenario to be a remote possibility based upon the Group's historical performance.

Going concern basis

Based on the forecast and the scenarios modelled, together with the performance of the Group in the current year, the Directors consider that the Group has significant covenant and liquidity headroom in its borrowing facilities to continue in operational existence for the length of the going concern period until 31 October 2024. No reliance on refinancing has been assumed but the Group would expect to be able to refinance its maturing borrowings, including those maturing in July and November 2024. Accordingly, at the June 2023 Board meeting, the Directors concluded from this analysis it was appropriate to continue to adopt the going concern basis in preparing the financial statements.

ADAPTING TO CLIMATE CHANGE



2017

Publication of the Task Force on Climate-related Financial Disclosures (TCFD) recommendations by the Financial Stability Board (FSB)

2018

Voluntary partial disclosure in line with the recommendations, predominantly via CDP Climate Change

2019

The current base year for our science-based target (2019/20)

2020

Full voluntary disclosure in Annual Report 2021

First climate scenario analysis

Commitment to reach Net Zero GHG emissions by 2050

'Carbon Project' to determine cost-optimised decarbonisation pathways, focused on our Paper mills

2021

Full mandatory disclosure in Annual Report 2022

Validation of 1.5°C science-based target to reduce Scope 1, 2 and 3 GHG emissions 46 per cent by 2030 compared to 2019

ESG underpin introduced in the 2021/22 annual bonus, including the commitment to using longer-term science-based targets

Launch of our Green Finance Framework, aligned to our priority Sustainable Development Goals (SDGs)

2022-23

Reduced Scope 1, 2 and 3 GHG emissions by 15 per cent compared to 2019/20

Evolution of the ESG underpin for the 2022/23 annual bonus, including the development of initial plans to achieve longer-term science-based targets

Development of roadmaps, with key technical solutions identified to drive carbon reduction for our packaging plants

New governance organisation, 'Sustainability Delivery Team', to manage capital and project deployment for reaching Net Zero

Against a backdrop of inflationary pressure, rising interest rates and volatility, the recent energy crisis has demonstrated that our dependency on the global energy system has significant implications for how climate risk should be managed and how the transition to Net Zero should be planned.

In the context of rapidly changing global energy markets, we remain steadfast in our belief that the circular economy is part of the solution to climate change, whilst recognising the imperative to transition to an affordable and clean energy system.

Our circular business model keeps materials recirculating through recycling services which support the manufacture of recyclable packaging. Whilst this alleviates pressure on natural systems, such as forests, and prevents waste from entering landfills and oceans, it is energy intensive, generating greenhouse gas (GHG) emissions that contribute to climate change.

In support of a 1.5°C 'Net Zero' economy, we are committed to considering the Paris Agreement in our activities, including in our external engagement, as underpinned by the IPCC Sixth Assessment Report (AR6) and the IPCC Special Report on Global Warming of 1.5°C (SR1.5).

We have set a 1.5°C science-based target, to reduce Scopes 1, 2 and 3 GHG emissions 46 per cent by 2030 compared to 2019 and we are committed to reaching Net Zero by 2050. This target has been validated by the Science-Based Targets initiative (SBTi) and we are a member of the Business Ambition for 1.5°C campaign.

We first included the TCFD recommendations in our 2018 Annual Report. Since then, we have developed our reporting, reaching complete disclosure of all recommendations a year ahead of mandatory disclosure last year. The timeline above demonstrates how we have used the TCFD recommendations to accelerate climate action.

Compliance statement

DS Smith Plc has complied with the requirements of Listing Rule 9.8.6R(8) by including climate-related financial disclosures consistent with the Task Force on Climate-related Financial Disclosures recommendations (Oct 2021 update) in DS Smith Annual Report 2023, pages 52 to 63.

Governance

Describe the Board's oversight of climate-related risks and opportunities

The Board and the Audit Committee maintain oversight of climate-related risks and opportunities when reviewing and guiding strategy, budgets and business plans. Annual updates on risk assessments, mitigation and progress are provided, and the Board makes significant strategic decisions, for example, the adoption of the science-based target.

The Board and its Committees, members of whom have relevant ESG and sustainability experience, are updated on climate-related issues at a minimum annually. This includes the progress of our Now & Next Sustainability Strategy and other items that involve climate-related issues, such as the Corporate Plan, principal risks and uncertainties, and remuneration. The Audit Committee is engaged on the assurance of climate-related metrics and developments in ESG reporting.

Describe management's role in assessing and managing climate-related risks and opportunities

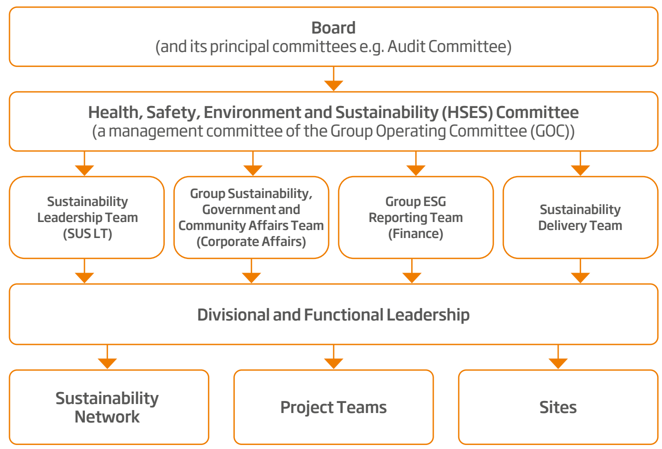
Members of the Health, Safety, Environment and Sustainability (HSES) Committee, chaired by the Group Chief Executive, assess and manage climate-related risks and opportunities. This Committee meets monthly, having met 12 times during 2022/23 to discuss, amongst other topics, GHG emissions forecasts, plans to deliver the science-based target and progress on climate-related opportunities, such as plastic replacement.

Climate-related risks are monitored as part of our standard operating procedures to ensure that appropriate mitigation is in place and are regularly reviewed by management. Management is supported by the Sustainability Leadership Team (SUS LT), which comprises leaders from across the business, to develop strategies and policies to address climate-related risks and opportunities. These committees draw on subject matter experts from Group Risk and Insurance, Group Strategy, Group Sustainability, Group Finance and externally. They report progress updates to executive management on an ongoing basis.

In 2022/23, a Sustainability Delivery Team, focused on the deployment of projects to deliver Net Zero, was introduced. This team is responsible for developing and maintaining detailed plans for carbon/energy, water and waste reduction and coordinating with divisional leadership and sites on the design, planning and implementation required to reach Net Zero.

There is further divisional and functional leadership responsibility and a Sustainability Network, supported by specialist networks and project teams, which cascade activities, including those related to climate change, throughout the business.

Climate-related metrics are discussed at least monthly by management teams. Senior management teams review within-year performance, forecasts and longer-term progress against our targets, in addition to challenges, trends and opportunities for addressing climate-related issues on a monthly basis and this is monitored by the HSES Committee on a quarterly basis, with progress presented to the Board annually.



Strategy

Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term

Climate-related risks and opportunities could arise over the short term (0-3 years), medium term (3-10 years) and long term (10+ years). These time horizons fit with the Group's corporate and capital planning cycle time horizon (three years), which is used to develop the Group's strategy, in addition to the annual risk reporting cycle (one year), which is used to assess and communicate risk.

Physical assets in our industry tend to have long lifetimes and efforts are made to extend the lifetime of machinery, components and spare parts, fitting into the long-term (10+ years) time horizon. As such, investment decisions are made, including the implications that such decisions may have on climate-related risks and opportunities under this long-term time horizon.

Climate-related risks

- Increased spend on carbon taxes
- Increased cost of raw materials or threat to supply
- Increased severity of extreme weather events
- Increased likelihood of water stress

Climate-related opportunities

- Growth in demand for sustainable packaging
- Greater resource efficiency
- Use of lower-emission energy sources

Climate-related risks

Increased spend on carbon taxes

In the short term, there is a risk that new carbon taxes could be introduced, or existing carbon taxes could be extended as a policy tool to incentivise decarbonisation.

Increased cost of raw materials or threat to supply

In the medium to long term, there is a risk that raw materials could become more expensive or difficult to acquire due to disruption or market dynamic shifts caused by climate change.

Increased severity of extreme weather events

In the medium to long term, there is a risk that the frequency and severity of extreme weather events could increase, causing damage and disruption in our own operations or the value chain.

Increased likelihood of water stress

In the long term, there is a risk that competition for water could increase in the river basins from which we withdraw water, increasing the chance that supply constraints could be imposed.

Climate-related opportunities

Growth in demand for sustainable packaging

In the short term, there is an opportunity to drive organic growth by demonstrating the benefits of circular packaging that helps brands and consumers to replace plastic and reduce their carbon footprint in the transition to Net Zero.

Greater resource efficiency

In the short term, there is an opportunity to use fewer resources (materials, energy and/or water), both in manufacture through design and operating efficiency, and throughout the value chain to reduce climate impact and cost.

Use of lower-emission energy sources

In the medium to long term, there is an opportunity to adopt lower-emission energy sources and energy efficiency measures. These could be equipment-based (e.g. e-boilers and carbon capture and storage), fuel-based (e.g. hydrogen) or process-based (e.g. heat recovery and optimisation through digital and data innovation).

Summary of climate-related risks and their potential future financial impact

Climate-related risk		Type	Time horizon	Likelihood 1.5°C scenario	Likelihood >2°C scenario	Potential financial impact as indicated by reference to climate scenarios and our analysis*
Transition	Increased spend on carbon taxes	Policy and legal	Short term	●●●●●	●	£40-155 million potential increase in operating costs, depending on the price of future allowances in emission trading schemes, which would likely be greater in a 1.5°C scenario versus a >2°C scenario as a way to meet public policy objectives
	Increased cost of raw materials or threat to supply	Market	Medium – long term	●●●	●●●●●	£36-119 million potential increase in production costs attributable to climate-related disruption, which would likely be greater in a warmer scenario (e.g. 10 per cent increase in costs in a >2°C scenario versus 3 per cent increase in a 1.5°C scenario)
Physical	Increased severity of extreme weather events	Acute physical	Medium – long term	●●	●●●●●	£10-118 million potential business value-at-risk due to production downtime, assuming 1–12 months of disruption at one of our paper mills located in a region prone to specific climate events (e.g. 12 months in a >2°C scenario versus one month in a 1.5°C scenario)
	Increased likelihood of water stress	Chronic physical	Long term	●●	●●●●●	£1-3 million potential business value-at-risk due to production downtime, assuming 7-31 days of interruption at one of our paper mills located in a region at risk of water stress (e.g.31 days in a >2°C scenario versus seven days in a 1.5°C scenario)
Total potential financial impact of climate-related risks						£87-395 million*

Summary of climate-related opportunities and their potential future financial impact

Climate-related opportunity	Type	Time horizon	Likelihood: 1.5°C scenario	Likelihood: >2°C scenario	Potential financial impact as indicated by reference to climate scenarios and our analysis*
Growth in demand for sustainable packaging	Products and services	Short term	•••••	•••	£468-715 million potential increase in revenue owed to production growth, which would likely be greater in a 1.5°C scenario as society demands more sustainable products and services
Greater resource efficiency	Resource efficiency	Short term	•••••	•	£27-67 million potential cost saving as a result of resource efficiency (reduced energy consumption), which would likely be greater in a 1.5°C scenario as more resource efficiency opportunities are exploited
Use of lower-emission energy sources	Energy source	Medium – long term	•••••	•	Zero-£66 million potential cost saving as a result of use of lower-emission energy sources, which would likely be greater in a 1.5°C scenario as more lower-emission energy sources are exploited
Total potential financial impact of climate-related opportunities					£495-848 million*

••••• Greater likelihood • Lesser likelihood

* Climate scenarios are used, alongside other tools, to assess vulnerability to climate change and are intended to represent plausible future states to assist learning and aid decision-making rather than to present future projections or forecasts. The values given are illustrative and estimated within the context set out by each reference scenario and then adapted to fit DS Smith. This is based on a single financial metric, without considering the implications of secondary impacts. For example, there may be a cost associated with damage to reputation that could occur as a result of business interruption owing to climate change.

Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning

The Board, Group Operating Committee (GOC) and its management committees consider climate-related issues when reviewing and setting strategy, policies and financial planning.

Acquisitions or divestment

This includes significant strategic decisions, including how capital is secured and spent. For example, having divested our plastics business, our focus has turned towards organic growth through circularity, recyclability and resource efficiency, exploiting climate-related opportunities as a fibre-based manufacturer.

Products and services

We work with some of the world's most iconic brands, which place climate change at the forefront of their agendas. In response, this has impacted our product strategy, for example in the articulation of our customer value proposition, which was recently adapted to include 'Circular ready: we help our customers with circular packaging solutions'.

We engage our customers using innovative tools such as our Circular Design Metrics, which help our customers compare the lifecycle carbon footprint of different packaging and help our customers to identify opportunities for greater resource efficiency across the supply cycle and engage with them on sustainability campaigns.

Operations

In our operations, our energy procurement and asset renewal strategies are impacted by the value of emissions. This includes incorporating emissions valuations into project appraisals and capital planning, particularly when considering significant energy-related expenditure in our paper operations (as the most energy intensive part of our business and therefore the greatest emissions source).

For example, in 2022/23 we announced a new energy supply partnership at our Aschaffenburg Mill, which will combine technologies to transition from natural gas to energy generation from waste.

Research and development (R&D)

Our R&D investments include alternative packaging materials, in addition to barrier coatings that increase the efficacy of corrugated as an alternative to plastic.

We opened our Fibre and Paper Development Laboratory at Kemsley Mill, as part of our £100 million R&D package announced last year, hosting innovative projects to accelerate our work on the circular economy. We also invest in achieving greater resource efficiency for natural assets, such as water. This includes, for example, the installation of water re-circulation systems within some of our paper mills.

Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario

Our most relevant climate-related risks and opportunities, alongside example outcomes drawn from several IEA and IPCC climate scenarios, including industry-specific scenarios, are described in the tables that follow.

Climate-related risks

Climate-related risk	Description
Increased spend on carbon taxes **Type:** Policy and legal transition risk **Time horizon:** Short term **Link to principal risk:** 'Regulation and governance' **Potential to impact:** our European paper mills, with the potential to extend to other regions	**Definition** New carbon taxes could be introduced, or existing carbon taxes, such as the European Union Emissions Trading System (EU ETS), could be extended as a policy tool to incentivise decarbonisation. **Example outcome in a 1.5°C scenario** Carbon taxes are introduced in new regions in the future, and/or schemes become more expensive to limit emissions. **Example outcome in a >2°C scenario** Carbon taxes remain mostly the same as today.
Increased cost of raw materials or threat to supply **Type:** Market transition risk and/or acute or chronic physical risk **Time horizon:** Medium – long term **Link to principal risk:** 'Security of paper/fibre supply' **Potential to impact:** our Paper Sourcing and Procurement functions	**Definition** Raw materials, such as paper, pulp or starch, could become more expensive or difficult to acquire owed to disruption or shifts in market dynamics as a result of climate change. **Example outcome in a 1.5°C scenario** Disruption or shifts in market dynamics are less severe and more predictable, e.g. caused by planned regulatory change. **Example outcome in a >2°C scenario** Disruption or shifts in market dynamics are more severe due to chronic reasons, e.g. extreme weather causes crop failure.
Increased severity of extreme weather events **Type:** Acute physical risk **Time horizon:** Medium – long term **Link to principal risk:** 'Security of paper/fibre supply' **Potential to impact:** specific geographies as identified by specialists, e.g. hurricanes on the south-eastern coast of the USA	**Definition** The frequency and severity of extreme weather events could increase, causing damage and disruption. **Example outcome in a 1.5°C scenario** Extreme weather is less severe, causing minimal disruption. **Example outcome in a >2°C scenario** Extreme weather is more severe, causing greater disruption, e.g. thunderstorms, tornadoes and extreme heat.
Increased likelihood of water stress **Type:** Chronic physical risk **Time horizon:** Long term **Link to principal risk:** 'Regulation and governance' **Potential to impact:** specific geographies as identified by the WRI Aqueduct tool, particularly our paper mills which use significant volumes of water to convert paper for recycling back into pulp	**Definition** Competition for water could increase in the river basins from which we withdraw water, increasing the chance that water supply constraints could be imposed by local authorities. **Example outcome in a 1.5°C scenario** Water stress is less severe, causing minimal disruption. **Example outcome in a >2°C scenario** Water stress is more severe, with greater disruption, e.g. as greater consumption patterns drive up water usage.

Primary potential financial impacts	Key actions in our strategies that mitigate the risk
Increased operating costs (e.g. higher compliance costs) In 2022/23, we paid c. £21 million (2021/22: £26 million) to emission trading schemes. If the cost per allowance increased to €140 per tonne of carbon (based on analyst views), the estimated annual cost, depending on future allowances, could increase to c. £155 million. If, as described by the IEA ETP 2°C scenario, a North American carbon tax was introduced, rising to $85 per tonne by 2030, this could result in a new cost of c. £40 million.	• Hedge the cost of fuel, energy and carbon with our suppliers and financial institutions • Factor the cost of carbon into our carbon roadmap analysis, planning and optimisation of project deployment, alongside scenarios and forecasts of future growth and fuel availability • Deliver our 1.5°C science-based target by switching from fossil to renewable fuels that reduce our GHG emissions and therefore limit exposure to carbon taxes
Increased production costs (e.g. higher input prices) Higher input costs would have to be recovered through increased packaging pricing, which would increase revenue. If, for example, in a >2°C scenario, the average price of a key input were to increase by 10 per cent compared to present day, this could lead to an increase in production costs, assuming the same level of production as today, of £119 million. Alternatively, in a 1.5°C scenario, if only a 3 per cent increase was observed, owed to less severe disruption, this could lead to an increase in production costs of £36 million.	• Optimise the best fit between paper production, fibre sourcing and packaging demand to balance over the long term • Remove unnecessary waste and save natural resources through innovative design, as part of delivering our Now & Next target to optimise fibre use for unique supply chains in 100 per cent of new packaging solutions by 2025
Increased capital costs (e.g. more repair and maintenance) This could be as a result of damage to property, which may result in higher insurance premiums, compounded by costs to ensure continuity of supply. We use a 'business interruption value-at-risk' metric to determine the potential impact of disruption caused by a climate-related event. If, for example, in a >2°C scenario, production was halted for a whole year at our highest-value site in a geographic region prone to specific climate events, this could present an incident valued at £118 million. If, in a 1.5°C scenario, disruption only lasted for one month due to a less severe climate-related weather event, this would be valued at £10 million.	• Ensure that climate resilience indicators are part of the evaluation process when evaluating strategic decisions relating to our production footprint and capacity planning • Implement adequate and flexible business continuity plans, using data to improve climate modelling and to strengthen our business resilience with a changing climate pattern
Decreased revenues and profit (e.g. temporary curtailment) This could be as a result of decreased production capacity because of limits placed on water withdrawal. We use the IPCC 4°C scenario to identify sites at risk of water stress and a 'business interruption value-at-risk' metric to determine the potential impact resulting from a climate-related disruption. If, for example, in a >2°C scenario, production was halted for 31 days at our highest-value site located in a region at future risk of water stress, this could present an incident valued at £3 million. Were this incident only to occur for seven days, in a 1.5°C scenario, this would be valued at £1 million.	• Invest in closed-loop solutions that recycle water and other water efficiency measures as part of our Now & Next sustainability target to reduce water withdrawal by 10 per cent per tonne of production by 2030 compared to 2019 at paper mills located in regions at risk of water stress • Maintain localised water stress mitigation measures at 100 per cent of our sites identified as at risk of water stress (29 sites in 2022/23), which includes business continuity planning, regular contact with relevant stakeholders (e.g. the water authority and local community) and monthly performance review. For 2023/24, we are rolling out water management plans.

Climate-related opportunities

Climate-related opportunity	Description
Growth in demand for sustainable packaging **Type:** Products and services **Time horizon:** Short term **Link to principal risks:** 'Changes in shopping habits', 'Packaging capacity fluctuations', 'Organisation capability', 'Substitution of fibre packaging' **Alignment with strategic pillar:** To delight our customers **Potential to impact:** our Packaging division, fed by our Paper and Paper Sourcing operations, with implications for recycling	**Definition** Drive organic growth by demonstrating the benefits of circular packaging that helps brands and consumers to replace plastic and reduce their carbon footprint in the transition to Net Zero. **Example outcome in a 1.5°C scenario** Demand for sustainable packaging is greater as consumers are more conscious of their impact on the planet, necessitating greater recycling. **Example outcome in a >2°C scenario** Uptake for sustainable packaging is slower and appetite for recycling is lower, foregoing the opportunity.
Greater resource efficiency **Type:** Resource efficiency **Time horizon:** Short term **Link to principal risks:** 'Paper/fibre price volatility', 'Sustainability commitments' **Alignment with strategic pillar:** To double in size and profitability **Potential to impact:** the whole business, but predominantly in packaging design to reduce material consumption and in the energy efficiency of our recycled paper mills, as they use heat to evaporate water in drying pulp and paper	**Definition** Use fewer resources (materials, energy and/or water), both in manufacture through design and operating efficiency, and throughout the value chain to reduce climate impact and cost. **Example outcome in a 1.5°C scenario** Greater resource efficiency is achieved across the industry at the 'system' level, for example, by encouraging markets to invest in improved recycling infrastructure to create cleaner waste streams. This has the added benefit of increasing energy efficiency, as cleaner material requires less processing. **Example outcome in a >2°C scenario** A lesser focus on resource efficiency fails to protect natural resources and the potential benefits are foregone.
Use of lower-emission energy sources **Type:** Energy source **Time horizon:** Medium – Long term **Link to principal risk:** 'Sustainability commitments' **Alignment with strategic pillar:** To lead the way in sustainability **Potential to impact:** the whole business, but predominantly our recycled paper mills, which rely on fossil fuels as, unlike primary pulp production, recycled production does not have biofuels readily available as a by-product from the wood used	**Definition** As energy systems evolve, there is an opportunity to adopt lower-emission energy sources and energy efficiency measures. These could be equipment-based (e.g. e-boilers and carbon capture and storage), fuel-based (e.g. hydrogen) or process-based (e.g. heat recovery and optimisation through digital and data innovation). **Example outcome in a 1.5°C scenario** Transitioning from fossil fuels to renewable fuels, including biomass, biomethane and hydrogen limits warming to 1.5°C. **Example outcome in a >2°C scenario** Lower-emission energy sources are not affordable or are unavailable at the scale required to achieve Net Zero and the fuel mix remains roughly the same as present-day.

Primary potential financial impacts	Key actions in our strategies that realise the opportunity
Increased revenues and profit (e.g. more sales) Organic growth and market share capture as a result of greater demand for recyclable packaging, enhanced by the added value of our sustainability, innovation and circularity credentials. If, for example, in a 1.5°C scenario, 1.5 per cent annual growth, as described in the IEA NZE 2050 scenario, could be fully exploited, by 2030 this could increase revenue by c. £715 million. Alternatively, in a >2°C scenario, with less demand for sustainable packaging, assuming 1 per cent annual growth, by 2030 this could increase revenue by c. £468 million. In each of these figures, we assume that the growth in paper production described in the reference scenario is a result of packaging demand, increasing packaging revenue.	• Support our design and innovation community with the tools they need to design for the circular economy, building on over 1,000 designs for millions of products geared towards reducing the use of plastic • Invest in R&D (recently doubled to a £100 million package to deliver over five years) to include the creation of new breakthrough technologies in materials and design innovation to support the circular economy • Identify new plastic replacement opportunities, as part of delivering our Now & Next target to remove one billion pieces of problem plastics by 2025
Decreased production costs (e.g. less material consumption) Decreased cost as a result of reduced materials, energy and water consumption, increasing profitability and added positive reputation value associated with a low environmental impact product. If, for example, in a 1.5°C scenario, energy intensity reduced by c. 1.5 per cent per year to 2030, as described in the IEA NZE 2050 scenario, this would result in a saving of c. £67 million. Alternatively, if in a >2°C scenario, only a 0.6 per cent decrease in energy consumption was secured, as described in the IEA SDS 2030 scenario, the saving would be reduced to c. £27 million. Beyond this example of energy efficiency, material efficiency through better product design and supply chain optimisation could present more savings and value creation opportunities.	• Reduce energy consumption as part of our Group-wide ISO 50001:2018 certified energy management system at 100 per cent of relevant sites to continuously improve energy performance, cost and GHG emissions, with site-level targets and monitoring in place • Advocate for separate collection of recyclables to improve quality of material by reducing contamination, increasing recycling rates, lowering environmental impact and cost for local authorities as part of our engagement with policy makers • Work with our customers to reduce fibre consumption, predominantly through better design, as part of delivering our Now & Next target to optimise fibre use for unique supply chains in 100 per cent of new packaging solutions by 2025
Decreased operating costs (e.g. less fossil fuel consumption) Decreased cost as a result of reduced energy consumption and less exposure to future fossil fuel price increases and sensitivity to the cost of carbon. Added returns on investment secured from low-emission technology. According to the IEA NZE 2050 scenario, it will be important to move away from fossil fuels to near zero-emission alternatives for the industry to reach Net Zero, with the proportion of renewable fuels in the average energy mix increasing from 43 per cent to almost 50 per cent in 2030. Assuming average renewable/non-renewable fuel costs, achieving this transition could present an energy cost reduction of £66 million. Alternatively, were no transition achieved, this would be zero. Inevitably costs would be incurred in achieving this transition which are not included in this analysis.	• Investigate opportunities to implement lower-emission energy sources, including the viability of renewable fuel sources as fossil fuel alternatives, to be well-positioned to take advantage of lower-emission energy sources • Deliver our carbon reduction roadmap, which sets out initiatives that allow our business to grow whilst realising the benefits of harnessing emerging renewable technologies

Climate scenario analysis methodology

We use reference scenarios that are most relevant to our business, including industry-specific scenarios, to evaluate the potential impact of climate change. These reflect a range of temperature warming trajectories, based on different assumptions, that lead to worlds in which the average increase in global temperature varies from 1.5°C to greater than 2°C by 2100 compared to pre-industrial levels, presenting a range of potential contrasting futures.

In each scenario, we assumed that we have the same activities as today, drawing on financial and non-financial data from the most recent reporting period at the time of producing the analysis. We selected reference points from the scenarios that are most relevant to our business.

The financial impacts are estimates, given within the context set out by each scenario. Some of these estimates are different compared to last year because of changes in the macroeconomic environment (e.g. higher energy cost), updates made to the reference scenarios and developments made to our assumptions. The estimates provided may therefore be incomparable to those previously reported.

IEA SDS 1.5°C by 2030 (Pulp & Paper)

In this scenario, growth in production and energy consumption are decoupled to achieve decarbonisation to the extent required to be on track with the Sustainable Development Scenario (SDS) by 2030.

IEA Net Zero Emissions by 2050 (Pulp & Paper)

In this scenario, annual production expands, necessitating greater recycling. Using a higher share of bioenergy is important to align with the Net Zero Emissions by 2050 trajectory.

IEA ETP SDS 2°C

In this scenario, mitigation measures are applied to carbon intensive industries, alongside technological advancements to the extent required to limit global warming to within 2°C by 2100 versus pre-industrial levels.

IPCC RCP 8.5 4°C

In this scenario, a 'business as usual' state of no policy changes leads to growth in emissions, causing some of the physical effects of climate change to be felt with greater severity.

Outcome of our climate scenario analysis

The results obtained from our climate scenario analysis suggest that our present-day strategy is resilient to climate-related risks and opportunities and that we would not need to make fundamental changes to our business model between now and 2030, under a variety of contrasting future warming scenarios.

As an enabler of our strategic goal, 'to lead the way in sustainability', our Now & Next Sustainability Strategy, including our 1.5°C science-based target, sets the appropriate ambition to maximise the potential to exploit the opportunities arising from the transition to a 1.5°C world.

Delivering the science-based target helps to mitigate climate-related risk through a strong decarbonisation programme coupled with appropriate risk management practices.

As we decarbonise alongside the entire industry, we see an opportunity to be at the forefront of leading the transition to a circular economy, which, compared to the linear economy, is a better system for tackling climate change, pollution and biodiversity loss.

Implications for financial planning

The potential impacts of climate-related risks and opportunities and mitigating actions are included in our financial planning processes.

The potential for climate change having a material financial impact is captured through our enterprise risk management framework and Corporate Plan and Capital Plan processes.

As we decarbonise our assets to deliver the science-based target, climate-related issues serve as an input into our financial planning processes, including budgeting, capital investment and insurance decisions.

This includes, for example, the replacement of capital equipment such as boilers and combined heat and power (CHP) plants with more efficient and lower emission alternatives.

These projects are considered over the time periods referred to on page 53 and are prioritised by a range of factors, such as asset retirement, technology availability and investment cost.

We consider ourselves adequately positioned to respond to the identified climate-related risks and opportunities, including the results obtained from our climate scenario analysis.

Risk management

Describe the organisation's processes for identifying and assessing climate-related risks

We undertake regular materiality analysis to ensure our sustainability priorities remain aligned to those of our stakeholders. In developing our Now & Next Sustainability Strategy, we consulted our stakeholders on a range of issues, including climate change, asking them about their perception of each issue as a risk or opportunity to our business.

In 2022/23, we refreshed this assessment through a 'double materiality' lens, considering financial materiality (e.g. the impact of climate change on the Group) and sustainability materiality (e.g. the impact of the Group on climate change). The results of this assessment reinforced climate action, energy use and efficiency, product design for optimal resource use, recyclability and transitioning to a circular economy as of critical importance for business and for the planet and society (see page 25 for more information about our materiality process). All of these topics, categorised as of 'critical importance', are covered within our climate-related risks and opportunities.

These results, alongside a range of other credible sources such as industry research, CDP and the TCFD implementation guidance, are used to grade risks using the likelihood of the risk occurring and an estimate of the severity of resulting financial or strategic impacts over various time horizons. Based on this risk grading, the highest graded risks are evaluated in greater depth, considering our operations, supply chain, stakeholder expectations and regulation. Transition risks are assessed by the Group Risk and Insurance, Group Sustainability, Government and Community Affairs, and Group ESG Reporting teams, working across functions to develop responses to the financial and strategic implications. Physical risks are assessed by each division, supported by the Group Risk and Insurance team, drawing on expertise from specialist organisations.

Climate change could affect the availability of raw materials and production processes, while natural disasters can disrupt supply chains and damage infrastructure. It could also enhance the focus and opportunities presented to DS Smith from investment into alternatives, innovation and focus on regulation. In considering the prioritisation of climate-related risks and the relative significance of climate-related risks in relation to other risks, we assess climate change factors within the wider context of our Group principal risks (see pages 45 to 48), given that climate change may amplify or dampen some of the Group's principal risks.

This integrated approach reduces the chance of inadvertently neglecting or creating a trade off between climate change and other risks, ensuring that climate-related risks and opportunities are embedded in the Group's enterprise risk management and corporate planning.

Describe the organisation's processes for managing climate-related risks

Our process for managing climate-related risks involves deciding whether to avoid, transfer, mitigate or accept a given risk. This is influenced by a range of factors, such as the type of risk, site location, investment needed and forecasts of volume demand.

Our risk management processes require that our principal business risks, including climate risks, are graded on a scale from negligible to critical using specific impact criteria such as a financial value range. By way of example, a financial impact between 2.5 per cent and 10 per cent of operating income or net profit is graded as a moderate strategic or financial risk.

Specialist functions (e.g. energy procurement), steering committees (e.g. the recyclability forum) and project teams (e.g. those developing decarbonisation roadmaps) work across the divisions and functions to implement mitigation measures and to deliver our Now & Next targets that address climate-related risks and opportunities. These groups draw on internal and external resource, utilising specialist analysis, tools and expertise.

For example, we have applied forecasts relating to the carbon price, electrical demand, decarbonisation policy, renewable deployment and availability of technologies in our project work to inform decarbonisation roadmaps for our packaging plants to manage climate-related risk.

Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management

Climate-related risks are evaluated using the Group's common risk language and are integrated into our principal risk assessments where such risks could significantly affect the business during our Corporate Plan time horizon.

All divisions and Group functions produce formal principal risk assessment reports twice per year and undertake frequent risk reviews, considering the grading, trends and controls. The most critical climate risks and opportunities are selected for climate scenario analysis, prioritising those for which high-quality data is available.

Key mitigating actions in response to climate-related risks, such as the science-based target, are agreed and developed by specialist functions, with input from the Sustainability Leadership Team and approval of the HSES Committee. These are prioritised based on factors such as materiality, regulatory requirements and commercial opportunity. For example, actions relating to climate change and the circular economy are prioritised given that our stakeholders considered these issues of 'critical importance' in the most recent materiality assessment.

Prioritised actions are implemented by the relevant sustainability network, project teams and sites, with accountability for delivery with Divisional and Functional leadership. Management performance, including challenges and opportunities relating to mitigating actions are reviewed alongside the wider review of sustainability performance and where a material risk exists, this is captured in our regular risk reviews (see page 43).

Metrics and targets

Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process

Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets

Metrics and targets can be located in the table below. Progress against our Now & Next Sustainability Strategy targets is disclosed on page 26. Selected information marked with an asterisk (*) has been independently assured by Deloitte – see the Independent Assurance Statement on page 63. Additional non-financial metrics can be obtained from our online ESG Reporting Hub.

Industry-specific metrics and targets used to assess and manage climate-related risks and opportunities

Climate-related risk or opportunity	Metric	Unit of measure	2022/23	2021/22	2020/21	Trend
Increased spend on carbon taxes	Gross global Scope 1 emissions	tonnes CO_2e	**1,542,250***	2,023,278*	2,047,265	↓
	Percentage covered under emissions limiting-regulations	Per cent	**73***	79	80	↓
Now & Next target: By 2030, reduce Scope 1, 2 and 3 GHG emissions by 46 per cent compared to 2019						
Increased cost of raw materials or threat to supply	Percentage of fibre use optimised for individual supply chains	Per cent	**64**	26	23	↑
Now & Next target: By 2025, optimise fibre for individual supply chains in 100% of new packaging solutions						
Increased severity of extreme weather events	Internal and highly localised insurance metrics (financial and non-financial), such as loss expectancy and proprietary risk scores, which can be compared within the Company and across the industry					
Increased likelihood of water stress	Total water withdrawals	m^3	**53,802,571***	54,644,995*	55,237,583	↓
	Percentage of water withdrawn from areas at risk of water stress	Per cent	**38**	31	36	↑
	Percentage of sites with a water stress mitigation plan in place	Per cent	**100**	100	100	–
Now & Next target: Maintain water stress mitigation plans at 100 per cent of our sites in current or future water stressed areas						
New Now & Next target: By 2025, 100 per cent of our paper mills and packaging sites to have water management plans						
Growth in demand for sustainable packaging	Number of pieces of problem plastics replaced	Million units	**762 million (cumulative to the end of 2022/23)**	–	–	↑
Now & Next target: By 2025, help our customers take 1 billion pieces of problem plastics off supermarket shelves						
Greater resource efficiency	Total energy consumption	MWh	**14,407,601***	15,324,120*	15,446,255	↓
	Water withdrawal per tonne of production at mills in areas at risk of water stress	m^3/t nsp (tonne net saleable production)	**8.9***	8.1	8.1	↑
Now & Next target: Maintain ISO 50001:2018 certification at 100 per cent of in-scope sites, covering 90 per cent of total energy consumption						
Now & Next target: By 2030, 10 per cent reduction in water withdrawal intensity at mills at risk of water stress compared to 2019						
Use of lower-emission energy sources	Percentage of overall energy consumption from renewable sources	Per cent	**26**	21	17	↑
	Percentage of electricity consumed that was generated from renewable sources	Per cent	**15**	13	12	↑
Now & Next target: Reach Net Zero GHG emissions by 2050						

Carbon pricing

We use internal carbon pricing as a tool to assess and manage carbon-related risks and opportunities. We apply an internal carbon price on an ad-hoc, project-by-project basis to arrive at the best cost solution, balancing financial and non-financial outcomes. For example, in our strategic assessment to achieve Net Zero, we modelled growth and investment phasing over 30 years to tackle our greatest emission sources. The analysis included a range of historic and forecast carbon prices, as well as carbon offset costs.

Climate-related remuneration

The importance of ESG and sustainability, including climate change, continues to be emphasised by the use of a variety of ESG considerations as an underpin to the annual bonus.

In 2022/23, the three elements of the ESG underpin were met, including the programme of work for our sites to achieve the science-based target.

When considering the application of discretion to override the formulaic outcome for the 2023/24 annual bonus, the Remuneration Committee will take into account, alongside other ESG factors, the roll out of the updated Now & Next Sustainability Strategy, which includes our approach to the delivery of science-based targets, taking into account updated actual performance and current customer/regulatory requirements.

For more information, see page 108.

Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks

Group GHG emissions (Streamlined Energy and Carbon Reporting (SECR))

Metric	Unit of measure	**2022/23**	2021/22	2019/20 (base year)	Compared to last year	Compared to base year
Direct (Scope 1) GHG emissions	tonnes CO_2e	**1,542,250***	2,023,278*	2,181,890	-24%	-29%
Indirect (Scope 2 market) GHG emissions	tonnes CO_2e	**833,759***	759,257*	792,275	10%	5%
Indirect (Scope 3) GHG emissions	tonnes CO_2e	**5,015,409**	5,468,167	5,671,528	-8%	-12%
Total GHG emissions[1]	tonnes CO_2e	**7,391,418**	8,250,702	8,645,693	-10%	-15%
Gross Scope 1 and 2 (market) GHG emissions	tonnes CO_2e	**2,376,009***	2,782,535*	2,974,165	-15%	-20%
GHG emissions from energy export	tonnes CO_2e	**529,699***	647,258*	791,810	-18%	-33%
Net Scope 1 and 2 (market) GHG emissions[2]	tonnes CO_2e	**1,846,310***	2,135,278*	2,182,355	-14%	-15%
Energy consumption	MWh	**14,407,601***	15,324,120*	15,707,667	-6%	-8%
Energy exported	MWh	**1,739,186***	1,774,539*	1,977,616	-2%	-12%
Total production	tonnes	**10,164,657***	11,014,256*	10,222,065	-8%	-1%
GHG emissions (net) per tonne of production	kg CO_2e/t nsp[3]	**182***	194*	213	-6%	-15%
Outside of scopes GHG emissions	tonnes CO_2e	**1,018,232***	804,880	552,789	27%	84%

1. This is the metric used for our science-based target, calculated using the market-based approach.
2. Calculated as ('Scope 1' + 'Scope 2 (market-based)') – 'GHG emissions from energy export' to subtract the avoided emissions as a result of energy sales.
3. Industry-specific intensity metric. 't nsp' stands for 'metric tonnes net saleable production'. This is 'Net Scope 1 and 2 (market) GHG emissions' / 'Total production'.

4 per cent of Scope 1 emissions and 33 per cent of Scope 2 (market-based) generated by UK-based operations in 2022/23.
12 per cent of energy consumption consumed by UK-based operations in 2022/23.
Outside of scopes GHG emissions has been restated to include the CO_2 emissions from renewable fuels considered 'Net Zero' under the greenhouse gas protocol.

Methodology

GHG emissions are reported in accordance with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (Revised), consolidated under a financial control boundary. Department for Business, Energy & Industrial Strategy (BEIS) (2021) emission factors are applied, unless emission factors from other sources are more appropriate. For more information, see our online Basis of Preparation, available from our ESG Reporting Hub. Independent assurance has been obtained for the metrics marked '*', see the statement below.

Independent Assurance Statement

Deloitte have provided independent third-party limited assurance in accordance with the International Standard for Assurance Engagements 3000 (ISAE 3000) and Assurance Engagements on Greenhouse Gas Statements (ISAE 3410) issued by the International Auditing and Assurance Standards Board (IAASB) over the selected information, identified with * in the above table, and other selected information relating to carbon, energy, water, waste, production and employee diversity identified with * within DS Smith Annual Report 2023, DS Smith Sustainability Report 2023 and DS Smith ESG Databook 2023.

Deloitte's full unqualified assurance opinions, which include details of the selected information assured in 2022/23 and 2021/22, can be found on our ESG Reporting Hub, at https://www.dssmith.com/sustainability/reporting-hub.

Independent third-party limited assurance of selected information for the 2019/20 base year was provided by Bureau Veritas. See the full assurance statement on our ESG Reporting Hub, at https://www.dssmith.com/sustainability/reporting-hub.

EU TAXONOMY

This voluntary disclosure has been prepared in accordance with Regulation EU 2020/852 (the 'Taxonomy Regulation') and Delegated Regulation EU 2021/2178 (the 'Disclosures Delegated Act').

Background

The Taxonomy Regulation sets out a classification system that translates the European Union's environmental objectives into criteria for determining when an activity can be considered environmentally sustainable for investment purposes.

The Taxonomy is designed as a transparency tool to enable investors to compare companies and investment portfolios on a consistent basis. It is not a mandatory list of activities for investors to invest in, nor does it set mandatory environmental performance requirements for companies or financial products. In addition, the Taxonomy also serves to advance the ambitions of the European Green Deal by scaling up sustainable investment.

The Taxonomy Regulation establishes technical criteria for environmental sustainability across more than 100 economic activities and six environmental objectives.

So far, criteria have been approved for activities contributing to the first two objectives:

- Climate change mitigation
- Climate change adaptation.

How does it work?

The EU Taxonomy requires four conditions to be met when meeting these objectives, for an economic activity to qualify as 'environmentally sustainable':

- It contributes substantially to one or more environmental objectives or is an enabling activity
- It does not significantly harm any environmental objectives
- It is carried out in compliance with minimum safeguards
- It complies with technical screening criteria.

The Taxonomy requires mandatory disclosure of Key Performance Indicators (KPIs), that identify firstly the 'Eligibility' of an economic activity for consideration under the disclosure requirement and secondly, the 'Alignment' of those economic activities with the detailed 'screening criteria' provided by the act to identify in-scope activities.

The KPIs required for disclosure are: (1) turnover derived from products or services associated with economic activities that qualify as environmentally sustainable, (2) capital expenditure related to qualifying economic activities, and (3) operational expenditure related to qualifying activities, expressed as a per cent of the total for each measure, for the in scope company.

The EU has stated it intends to develop the Taxonomy over time and the fact that an activity is not currently recognised as substantially contributing to one of the EU's environmental objectives does not necessarily mean it is not sustainable.

As a UK company with its registered office and headquarters in London, DS Smith plc is not currently subject to the Taxonomy Regulation on a mandatory basis. However, we welcome measures to increase transparency and seek to comply with the Taxonomy on a voluntary basis. Our industry (paper and packaging manufacturing) and primary economic activity currently falls outside the scope of economic activities defined by the EU Taxonomy Directive and as such, this can lead to an understatement of relevant revenue for Taxonomy purposes.

Within the current Taxonomy, we have identified that some of our activities are environmentally sustainable taxonomy-aligned activities – predominantly our recycling operations.

EU Taxonomy eligible and aligned activities

In DS Smith Annual Report 2022, for our first year of Taxonomy disclosure, we mapped our activities to the EU Taxonomy-eligible business activities and identified the per cent of total Group turnover, capital expenditure and operating expenditure relating to EU taxonomy-eligible activities.

For 2022/23, reflecting the development of the Taxonomy, we have reviewed our economic activities and extended the list of those business activities which we have assessed as taxonomy eligible and aligned based on information obtained from the EU's 'Taxonomy Navigator', provided by the European Commission.

We have identified the five eligible activities, along with their associated Standard Classification of Economic Activities in the European Community (NACE) system codes and sectors. The use of NACE codes and sectors is for indicative purposes only and does not prevail over the activity description nor should it be interpreted as otherwise affecting the scope of reporting.

Cogeneration of heat/cool and power from bioenergy (D35.11, D35.30) (Energy)

Some of our paper mills generate heat and power in combined heat and power plants (CHPs) that are fed by renewable fuel sources, such as wood residuals and heavy black liquor, as byproducts of the virgin papermaking process. Renewable sources contribute c. 26 per cent of total energy consumption.

Collection and transport of non-hazardous waste in source segregated fractions (E38.11) (Water supply, sewerage, waste management and remediation)

Our recycling operations manage c. 6 million tonnes per year of paper and cardboard for recycling, including collection and transportation. All separately collected and transported non-hazardous waste that is segregated at source and intended for preparation for reuse or recycling operations is considered to make a substantial contribution to climate mitigation under the relevant criteria.

Construction, extension and operation of waste water collection and treatment (E37.00) (Water supply, sewerage, waste management and remediation)

We own and operate industrial wastewater treatment plants to meet our own process water withdrawal and discharge requirements, including water treated on behalf of third parties.

Forest management (A2) (Forestry)
We manage c. 8,000 hectares of forest in North America and Iberia, providing timber feedstock to our virgin papermaking process. We maintain SFI (Sustainable Forestry Initiative) certification (North America) and FSC® Forest Management certification and PEFC Sustainable Forest Management (Iberia) certifications, meaning that our forests are managed in line with rigorous sustainability requirements.

Installation, maintenance and repair of energy efficiency equipment (C16, C17) (Construction and real estate)
We maintain equipment to increase energy efficiency in the manufacture of wood products, paper and paper products. As this activity relates to building and construction, the most relevant substantial contribution criteria for climate mitigation is the installation and replacement of energy efficient light sources.

Proportions of Taxonomy-eligible and Taxonomy-aligned turnover, CapEx and OpEx

In 2022/23, c. 4 per cent of turnover, c. 14 per cent of capital expenditure and c. 3 per cent of operating expenditure related to taxonomy-eligible activities.

Of this, c. 3 per cent of turnover, c. 1 per cent of capital expenditure and c. 1 per cent of operating expenditure was taxonomy-aligned.

As the delegated acts continue to be developed and brought forward by the European Commission, we expect that more of our economic activities will be classified as environmentally sustainable.

Given our position as a leading provider of sustainable packaging solutions, operating a circular business model focused on recycled cardboard, we expect to be well-positioned for the majority of our economic activities to be considered environmentally sustainable.

We will monitor the development of this emerging legislation and will look to evolve our disclosure accordingly.

A more detailed EU Taxonomy disclosure, including methodologies, can be obtained from the DS Smith ESG Reporting Hub, available online at https://www.dssmith.com/sustainability/reporting-hub.

	Proportion of turnover (share of revenue) (%)		Proportion of capital expenditure (“CapEx”) (%)		Proportion of operating expenditure (“OpEx”) (%)	
	Eligible	Aligned	Eligible	Aligned	Eligible	Aligned
Cogeneration of heat/cool and power from bioenergy (D35.11, D35.30)	Less than 0.1%	0	4.22	0	–	–
Collection and transport of non-hazardous waste in source segregated fractions (E38.11)	3.34	3.34	1.06	1.06	1.34	1.34
Construction, extension and operation of waste water collection and treatment (E37.00)	Less than 0.1%	0	0.54	0	–	–
Forest management (A2)	0.22	0	0.37	0	1.76	0
Installation, maintenance and repair of energy efficiency equipment (C16, C17)	–	–	8.01	Less than 0.1%	–	–
Totals	**4**	**3**	**14**	**1**	**3**	**1**

NON-FINANCIAL AND SUSTAINABILITY INFORMATION (NFSI) STATEMENT

The table below sets out where information relating to non-financial and sustainability matters can be found in our Strategic Report.

Compliance statement

DS Smith Plc has complied with the requirements of sections 414CA and 414CB of the Companies Act 2006 (as amended by The Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022) with the table disclosed below and other disclosures throughout the Strategic Report. The climate-related financial disclosures of the Company are contained within the Task Force on Climate-related Financial Disclosures (TCFD) section, on pages 52 to 63 of this Annual Report.

Reporting requirements	Some of the relevant policies	Where to read more in this report about our impact, including the principal risks relating to these matters	Page(s)
Climate change and sustainability	• Group Sustainability policy[1]	• Task Force on Climate-related Financial Disclosures	52-63
Environmental matters	• Group Sustainability policy[1]	• Our sustainability approach, strategy, focus and targets • Our sustainability performance • Our differentiators • Risk – sustainability • Task Force on Climate-related Financial Disclosures	5, 24-29 16 6-7 46 52-63
Employees	• Code of Conduct[2] • 'Speak Up!'[2] • Group Health and Safety policy statement[1] • Equal Opportunities and Anti-Discrimination policy[2] • Personal Data Protection policy[1] • Document Retention policy[1] • Confidential Information policy[1] • Conflicts of Interest policy[1]	• What we create for our people • Diversity and inclusion • To realise the potential of our people – performance • Health, safety and wellbeing • Risk – organisation capability • Gender pay gap reporting • Our Purpose	14, 20-23 22-23 16 21 47 23 3
Human rights	• Code of Conduct[2] • Anti-Slavery and Human Trafficking policy[2]	• Sustainable governance • Risk – governance	29 46
Social matters	• Code of Conduct[2] • Gifts and Hospitality policy[2]	• Contributing to our communities	15, 24-29
Compliance	• Corporate Criminal Offence (Anti-Facilitation of Tax Evasion) policy[2] • Anti-Bribery and Corruption policy[2] • Competition Law Compliance policy[1] • Commercial Agents policy[1] • Conflicts of Interest policy[1]	• Risk – governance	46
Business model		• Our business model	12-13
Non-financial KPIs		• Employees: Accident frequency rate • Customers: On-time in-full deliveries (OTIF) • Sustainability: Greenhouse gas (GHG) emissions • Climate change: TCFD metrics and targets	16 16 16 62-63

1. Available to all employees through the DS Smith intranet. Not published externally.
2. Available both on our website www.dssmith.com and to employees through the DS Smith intranet.

Our policies

A combination of online and in-person training on all the key policies is carried out across the Group and there is also a system of bi-annual certification for senior managers, certifying that they have read and understood the policies, have cascaded down to their direct reports and that they are not aware of any breach of such policies. All employees, contractors and third parties are encouraged to report any circumstances where there is a suspected or actual breach of any of the DS Smith policies, applicable laws or the high standards as set out in the Code of Conduct, either through their managers, the confidential 'Speak Up!' helpline or directly to the Group General Counsel and Company Secretary. All reported incidences of actual or suspected breach of any of the policies are promptly and thoroughly investigated. The Group Compliance Committee and the Audit Committee also consider any high-risk areas identified by the Internal Audit function, the legal team or the divisional compliance teams. Many of these policies can be found on our website.

Policy	Description
Code of Conduct	DS Smith Plc (DS Smith) and its subsidiaries (Group) are committed to the highest ethical standards in the way in which we engage with each other and our customers, employees, shareholders, suppliers, contractors and other stakeholders. Our Code of Conduct sets out what these commitments mean and the behaviours which are expected of all our employees, officers and business partners. This includes our expectations on health and safety, business practice, human rights, the environment, prevention of tax evasion and employee relations among other key areas for the business. Alongside the Code of Conduct we have an Employee Charter drawn up in partnership with the European Works Council (EWC) which builds on our Code of Conduct and reinforces our standing commitment to comply with applicable legislation and regulatory requirements. We also have other key Group policies outlined below, which serve to further expand upon the provisions in the Code of Conduct.
Anti-Bribery and Anti-Corruption policy	We have zero tolerance for any form of bribery or corruption and are committed to complying with all applicable anti-bribery and anti-corruption laws. This policy provides guidance on how to comply with the rules against bribery and other corrupt conduct that apply to the Group. In addition to our employees and contractors, we require that all third parties engaging with any entity in the Group comply with this policy.
Anti-Slavery and Human Trafficking policy	We do not tolerate any form of modern slavery within the Group or within our supply chain. We respect fundamental human rights and are committed to the principles set out in the United Nations Universal Declaration of Human Rights and this is documented in our Code of Conduct, Employee Charter and Anti-Slavery and Human Trafficking policy. Our progress in the area of modern slavery is set out in our annual Modern Slavery statement. The ultimate responsibility for prevention of modern slavery rests with the Group's leadership, with the Board of Directors having overall responsibility for ensuring this policy is implemented across the Group.
Commercial Agents policy	It is important to our ongoing success that DS Smith avoids damage to its reputation due to an act carried out by an agent in our name. The Commercial Agents policy outlines the rules that we expect to be followed across the Group when engaging and monitoring our relationships with agents. This policy also offers guidance to our agents on what is expected of them as an agent of DS Smith. Such guidance is supplemented by additional e-learning compliance training where appropriate. This ensures that agents are properly vetted and monitored.
Competition Law and Antitrust Compliance policy	We are committed to ensuring that our activities within the European Union (EU) and outside the EU are conducted in compliance with the principles of the EU competition rules as well as all applicable national rules that apply to the Group. This policy provides guidance on competition laws, information exchanges, swaps, trade associations and dawn raids. Additional e-learning training is available to support this policy.
Conflicts of Interest policy	Conflicts of interest, whether actual, potential or perceived, may impair our ability to act in accordance with our ethical standards and values. It is therefore important for all of our employees and any person associated with us to be aware of, and adhere to, the policies and procedures that we have in place to manage such conflicts. This policy outlines the requirements and processes in respect of conflicts of interest and advises employees of their obligations. It also includes a self-assessment tool to assist in determining whether there may be a conflict and a form for the disclosure and handling of conflicts of interest by employees and their line managers.
Confidential Information policy	We keep certain types of information confidential for important business reasons, including to comply with legal requirements (such as data protection and competition law), and to maintain a competitive edge. Confidential information is information that is not generally known or publicly available and is only available to employees or workers as a result of their employment/engagement with us. This policy sets out how confidential information should be handled and outlines the procedures that safeguard it.
Corporate Criminal Offence (Anti-Facilitation of Tax Evasion) policy	The Group will not engage in or be associated with any form of tax evasion anywhere in the world, nor facilitate such activities. This policy sets out the responsibilities of the Group as well as those working for or on behalf of the Group, and provides information and guidance on how to recognise and deal with potential tax evasion issues and our compliance processes. This policy must be implemented and followed by everyone who works for us or provides personal services to the Group and it must be communicated to all suppliers and customers.

Policy	Description
Document Retention policy	In the course of carrying out our various business activities, we collect information from individuals and external organisations and generate a wide range of data and information which is recorded and stored. DS Smith is therefore committed to ensuring that it continues to ensure the accuracy of any data stored and ensuring that data (especially personal data) is only retained for as long as is necessary.
Equal Opportunities and Anti-Discrimination policy	We are committed to promoting equal opportunities in employment. Job applicants, employees and contingent workers will receive equal treatment regardless of age, disability, race, religion or belief, sex, sexual orientation, gender reassignment, marriage and civil partnership, pregnancy and maternity or any other characteristic protected by applicable law. It is imperative for us to provide a respectful work environment and we have a zero tolerance approach to discrimination. This policy sets out the Group's approach to equal opportunities and the avoidance of discrimination at work, as well as the processes to be followed in the event of any actual or suspected conduct which breaches this policy. All parties are encouraged to raise concerns if they find conduct within DS Smith that is offensive or a violation of this policy, through their line manager, local human resources (HR) or use of the 'Speak Up!' process so the Group can investigate and take appropriate remedial measures to end any conduct that violates this policy.
Gifts and Hospitality policy	We recognise that the act of giving and accepting gifts and hospitality can be part of building normal business relationships. However, our policy aims to ensure that our employees and contractors never accept gifts or hospitality which could break the law, compromise their judgement, conflict with their duty to DS Smith or our customers, or which could appear to others that their business judgement has been improperly influenced. Equally, our employees and contractors must never offer a gift or hospitality which could have this effect on the recipient. In order to monitor compliance with these principles, each site must maintain a gifts and hospitality register and registers must also be kept for head offices and specific functions that are not site specific. Before giving or receiving any gift and/or hospitality, depending on the value or the identity of the provider/recipient, our employees and contractors may be required to record the gift and/or hospitality in the relevant gifts and hospitality register, and/or seek approval from their line manager and the Group General Counsel and Company Secretary.
Group Health and Safety policy statement	Health and safety is the top priority and DS Smith actively strives for the continuous improvement of health and safety in the workplace. We aim to provide a healthy and safe working environment for all our employees and to ensure the safety of our contractors, site visitors, the public and all others affected by our operations. The ultimate responsibility for health and safety rests with the Group Chief Executive, the Board members and the executive management team. This responsibility is cascaded through the organisation via divisional/regional Chief Executive Officers and their leadership teams, enabling us to comply with local health and safety laws and regulations in addition to our own standards and guidelines.
Group Sustainability policy	Our Sustainability Strategy is supported by policies which align the management of sustainability issues across our organisation. Risks arising from sustainability issues are considered as being among the key risks to the Group's operations. To manage and mitigate such risks we have policies for existing and emerging sustainability issues. Our policies include Conflict Minerals, Carbon and Energy Efficiency, Community Engagement, Global Supplier Standards, Human Rights, Water Stewardship, Zero Waste to Landfill and Sustainable Forest Management and Fibre Sourcing. These policies are periodically reviewed and updated, with action plans communicated to the heads of each business unit. The Board receives regular reports on performance and the Group Chief Executive is responsible for addressing sustainability-related issues. The Health, Safety, Environment and Sustainability Committee meets monthly and the Sustainability Steering Group oversees the process for addressing sustainability-related issues and sets and monitors internal targets and strategies to ensure sustainability-related risks and opportunities are appropriately managed.
Personal Data Protection policy	We recognise our responsibility to treat individuals' personal data correctly and lawfully and take this issue very seriously. Compliance with data protection laws is critical to the success of our business. Compliance with statutory data protection is crucial in our relationship with our employees, customers, suppliers and business partners. The management of the relevant DS Smith company is responsible for cascading this policy and each site is responsible for confirming compliance. The Divisional Heads of Privacy will also send an annual confirmation form to check that each site is compliant.
'Speak Up!' policy	All of our employees, those providing services to DS Smith (contingent workers), shareholders and Non-Executive Directors are expected to conduct DS Smith business in a legal and ethical manner as detailed in our Code of Conduct. They have a responsibility not only to be aware of the Code of Conduct but to bring to the attention of management any activity which may be in violation of our policies or local law or does not meet the standards set out in the Code of Conduct. Employees are encouraged in the first instance to report any concerns to their line manager, local HR or employee representative. If not comfortable to do so, then there are 'Speak Up!' options available, where a report can be made through a dedicated free phone line or a secure website (both maintained by an independent third party that is under a duty of confidentiality). The phone and website support a majority of languages spoken across DS Smith. Alternatively, the Group General Counsel and Company Secretary can be contacted via email or letter. All 'Speak Up!' options are available 24 hours a day seven days a week and all 'Speak Up!' reports are treated in the strictest confidence and are investigated. Findings from the investigations may include corrective actions and lessons to be learned. Twice a year, a summary of reports made and findings from the investigations is shared with the Audit Committee and the EWC Executive. It is our policy to build a climate of support for our employees if concerns are raised, including a suspected breach of our Code of Conduct, and to ensure that there is an avenue to report concerns which will then be confidentially investigated.

Statement of approval

This Strategic Report, including pages 1 to 69, was approved by the Board of Directors on 22 June 2023 and is signed on its behalf by

Miles Roberts
Group Chief Executive