Annual Report to Members for the year ended 30 April 2014

Chairman's Review 2014

Nigel Hayter

Welcome to the latest edition of the Saver Plus report which covers the year ended 30 April 2014 and highlights the key points from the Annual Report and Accounts of the DS Smith Saver Plus Scheme (the Scheme). Your Scheme membership is a valuable benefit and we want to keep you up to date with pension developments over the course of the year.

This report details information and financial updates relating to the Scheme as a whole, rather than relating only to your fund or the funds that you have invested in. Overall the value of the fund increased during the year from £49.9m to £62.5m, an increase of £12.6m. This increase relates to the net assets of the fund as a whole and is affected by a number of factors including changes in membership throughout the year, changes in members' contribution rates, and the sum of returns on all investment funds. It does not therefore necessarily follow that your personal fund will have increased in line with this overall increase.

A summary of the Scheme's Fund Account is shown on page 2. Full financial details can be found in the formal Annual Report, which is available on written request from the Trustee at the SSC (see address on page 7).

There have been some significant changes in pensions legislation over the year including changes to pension tax allowances, legislative changes and the auto enrolment into the Scheme of new employees. You can read more about this on page 3.

Investments play a key role in the value of your fund and there is more information on investments on pages 4 and 5.

The Scheme is set up as a trust fund and you can read more about the Trustees, including member nominated trustees on pages 6 and 7.

There is more on pensions in general, including where you can get further specific information on page 8.

Finally, I would like to take this opportunity to thank the management and administration teams for their hard work in looking after the Scheme.

Nigel Hayter

Chairman of the Board of
DS Smith Saver Plus Trustees Limited

14 August 2014

Inside:

Scheme Facts and Figures

A summary of the Scheme's income and expenditure is shown below. Full financial details can be found in the formal Annual Report, which is available on written request from the Trustee at the SSC (see address on page 7).

Fund Account for the Year Ended 30 April 2014

Contributions & Benefits		2014 £000	2013 £000
Income	Contributions and Other Income	14,453	22,615
		14,453	22,615
Expenditure	Benefits Payable	1,495	1,319
	Leavers	2,479	1,240
	Administrative Expenses	13	46
		3,987	2,605
	Net Additions from dealings with members	10,466	20,010
Return on Investments	Change in market value of investments	2,380	5,814
	Investment Management Expenses	(294)	(187)
	Net return on investments	2,086	5,627
Net increase in the Fund during the year		12,552	25,637
Net assets of the Scheme at 1 May 2013		49,993	24,356
Net assets of the Scheme at 30 April 2014		62,545	49,993

Costs to the Scheme

Currently the employer DS Smith Plc meets all Scheme administration costs.

Auditor's Report

Baker Tilly UK Audit LLP, the Scheme's Auditor has carried out an audit of the Scheme's full statutory financial statements for the year ended 30 April 2014. The audit has resulted in an unqualified audit report for both the financial statements and the summary of contributions. This indicates that, in all material respects, the full statutory financial statements comply with UK Generally Accepted Accounting Practice and show a true and fair view for the year ended 30 April 2014.

Your Saver Plus Scheme

Annual and Lifetime Allowances

Contributions paid into the DS Smith Saver Plus Scheme attract tax relief at your highest rate of tax. However, HM Revenue & Customs apply a limit to the maximum amount of pension savings an individual can have each year that benefits from such tax relief. This limit is called the Annual Allowance. For the 2014/2015 tax year, the Annual Allowance is £40,000. If you believe your pension savings will exceed this amount, the Trustee recommends you seek independent advice regarding your options (either from Origen or your own adviser) as any pension savings in excess of this amount will have to be declared to HM Revenue & Customs and will be subject to an Annual Allowance Charge.

There is no limit placed on the amount of benefits an individual can build up under a registered pension scheme. However, everyone has a set level of benefits that they can draw from all registered pension schemes in their lifetime, without triggering tax charges. This measure is referred to as a Lifetime Allowance. The current Lifetime Allowance was reduced to £1,250,000 from £1,500,000 with effect from 6 April 2014. Individuals may be able to protect pension benefits that exceed the Lifetime Allowance from certain tax charges. If you believe your overall pension savings will exceed the Lifetime Allowance and have not already applied for any kind of protection, the Trustee recommends you seek independent advice regarding your options (either from Origen or your own adviser).

Saver Plus 'Auto-Enrolment'

Following a request from the Company, an additional section was created in the DS Smith Saver Plus Scheme to facilitate the Company's obligation to automatically enrol its employees into a qualifying workplace pension scheme. If you were not already a member of the standard Saver Plus Scheme, you will have received a letter in July 2013 about automatic enrolment.

All employers now have to automatically enrol certain employees into a 'qualifying scheme' which is a pension scheme that has to meet certain Government standards. The standard Saver Plus Scheme is a qualifying scheme and so all new employees have up to three months to elect to join it. If no action is taken the employee will be automatically enrolled into the auto enrolment section of Saver Plus. The member contribution level for the auto enrolment section has currently been set at 1% of Qualifying Earnings.

PayExchange

In November 2012, the Company offered all members the opportunity of a new way of paying for their pension via a process called PayExchange. As was communicated to members at the time, savings through PayExchange can be made in reduced National Insurance contributions which effectively increases an employee's take home pay. There are also benefits to the Company through savings made in paying employer's National Insurance.

With effect from July 2013, all new Saver Plus Scheme members (both standard and automatic enrolment) pay their pension contributions via PayExchange unless the member opts out.

If you require additional information on PayExchange or would like to amend your contribution amount a form can be obtained from you PLM or the SSC.

Legislative Changes

In March 2014, the Chancellor announced his Spring Budget, potentially allowing fundamental changes in retirement benefits. In July 2014, the government concluded their consultation and additionally confirmed that free guidance on retirement would be available for all individuals with defined contribution pension savings. The Trustee is reviewing how these changes impact the Scheme and will write to affected members during 2014-15. In the meantime, if you are considering your retirement please contact Origen Corporate Solutions or the SSC for additional information.

Investments

Friends Life have been responsible for the management of all investments since 1 May 2011.

Market Overview

The year ending 30 April 2014 produced mixed performance from equity markets. Developed markets and in particular the US and Europe produced strong performance for the year whilst the UK also provided a decent gain. However, in contrast the higher risk Asian and Emerging Market regions struggled in comparison as they posted negative returns for the year.

Both the UK and the US have benefited from the continuing recoveries in their economies with the UK in particular posting strong growth of late. The US economy has also continued to recover despite a severe winter and this led the Federal Reserve to taper its monthly asset purchases. In Europe, there have been more encouraging economic data, particularly from Germany as well as some of the more peripheral countries, though deflation remains a concern as does the economic data coming out of France. The Japanese market proved to be volatile during the year as we continue to await the outcome of the structural reforms to boost long-term growth.

Asia and Emerging Markets endured a difficult year as they faced a number of headwinds. In particular, there has been significant focus on China and its slowing economy whilst the scaling back of the US asset purchase programme also weighed on investor sentiment. There has also been political unrest such as in Thailand whilst the events in Ukraine also had a negative impact on selected markets, eg Russia.

Looking at other asset classes, Property enjoyed strong performance during the last twelve months although UK Gilts fell slightly over the period.

Fund Investment and Range

Scheme contributions may be invested in one or more managed pension funds, which are spread across a variety of market sectors. Friends Life has produced the 'DS Smith Saver Plus Scheme Pension Fund Brochure' which has been approved by the Trustee.

This Guide summarises the current fund range, current investment programme, fund facts, charges and gives a relative risk grading for each fund. Members may select their own fund(s) at any time, or alternatively seek independent advice from an Origen adviser, or an adviser of their own choice before making any investment decisions.

There is a Scheme default fund option, referred to as the Friends Life Balanced Lifetime Investment Programme, which is a fund profile comprising of several individual Friends Life pension funds. As at 30 April 2013 all of the available funds were being utilised and a total of 1,890 (49%), (2012: 1,692 (46%)) of members of the Scheme had investments in the default fund.

The fund range is regularly reviewed and monitored by the Trustee who receives recommendations and advice from Origen and other appropriate advisers if required.

The day to day management of the Scheme's asset portfolio, which includes full discretion for stock selection, is the responsibility of the Investment Manager, Friends Life.

Performance of individual funds

The Trustee's philosophy with respect to group pension arrangements is that it is not practical or desirable to follow short-term performance trends. Origen's research is focused on funds that satisfy the following criteria:

- Consistent performance over the medium to long term;
- Internally managed funds conforming to the Stakeholder price cap;
- Externally managed funds that meet the selection criteria employed by the Origen Research & Investment process;
- Complementary to the full range in terms of asset allocation, management style and charges.

The breakdown and performance of the four most popular Investment Funds (by closing year end value) is summarised below. Figures are only given for 1 and 3 years since the Life Style Investments funds were introduced in May 2011, so no 5 year performance is available.

Fund Name	Year End Value* £	1 Year Performance %	3 Year Performance %	% of Year End Fund
Friends Life DS Smith Balanced	26,672,833	4.69%	7.57%	42.8%
Friends Life DS Smith Growth	20,451,317	4.65%	7.37%	32.8%
Friends Life DS Smith Adventurous	6,077,439	-0.50%	3.59%	9.7%
Friends Life DS Smith Cautious	1,711,359	1.19%	6.36%	2.7%

* 30 April 2014

A report on the performance of the remaining Self Select funds can be found on the member website **http://www.friendslife.co.uk/microsite/dssmith**.

Although the fund range is regularly reviewed, if an individual fund is underperforming at a particular point in time Origen will not necessarily recommend to the Trustee that it be suspended or withdrawn at that time. The fund in question may simply be reflecting a management style or asset class that is currently out of favour, but expected to recover in the longer term.

The funds available are rated as 'green', 'amber' or 'red' dependent upon their performance against the sector benchmark. 'Green' indicates an acceptable performance against the benchmark. 'Amber' indicates that the performance is not acceptable and so investigations will be made. 'Red' indicates that there may be a serious cause for concern, with a risk to the long term capital value of the member's fund. As at 30 April 2014, out of the available funds, 20 were rated 'green', and 1 fund was rated 'amber'. There were no funds rated 'red' at the end of the year or at any point during the year.

Choosing where to Invest

Before making your investment decision, there are many factors you should consider and you may wish to take independent financial advice. The Group has appointed Origen to provide, at no additional cost, independent financial advice for you, so if you are in any doubt about your investment decision, you can contact the Origen Helpdesk via your PLM or directly on 0844 2093941 or you can email them at saverplus@origenfs.co.uk. Origen will be happy to discuss your options with you. Alternatively, at your own expense, you could consult with another independent financial adviser.

Should you wish to change your current investment, you can get the form from your PLM, SSC or the DS Smith Saver Plus Microsite.

Before making any decision it is advisable that you seek independent financial advice.

Management of the Scheme

The Scheme is set up as a trust fund and is governed by trust law. Consequently, the Scheme's finances are completely separate from those of the Principal Employer. For the protection of members and their dependants, DS Smith Saver Plus Trustees Limited (the Trustee) has control of the Scheme's assets. The Trustee is responsible for ensuring that the Scheme is run in accordance with the Trust Deed & Rules and is legally bound to protect the interests of the members. Independent professional advisers are engaged to assist the Trustee in the monitoring of the Scheme. The Trustee held five meetings during the year.

Administrators of the Scheme

Secretary to the Trustee -
Caroline Forsyth

SSC Director -
Sharon Knowles

Pensions Compliance Officer -
Steven Dart

Pension Admin Team Leader -
Amanda Asante

Accountant -
Lauren Middleton

Assistant Accountant -
Leighton Jones

Professional Advisers

Auditor -
Baker Tilly UK Audit LLP

Legal Advisers -
Mayer Brown International LLP

Bankers -
National Westminster Bank PLC

Investment Manager -
Friends Life

Financial Adviser -
Origen Corporate Solutions

Investment Adviser -
Origen Corporate Solutions

Annual Benefit Statements

Each year you will receive a Benefit Statement. This statement is personal to you and shows how your Personal Account is performing. It is important that you check the details outlined in the statement are correct. All members are encouraged to regularly review their contribution and investment choices, especially if personal circumstances have changed. If you wish to make any changes to your investments, it is important that you obtain independent financial advice before making any decision. Your PLM will be happy to arrange an appointment with your local Origen Financial Consultant. Alternatively, you can speak to an independent financial consultant of your choice, but there may be a cost to you if you do this.

Member Nominated Trustee Directors

Under the Pensions Act 2004, the Trustee must make arrangements for appointing member nominated trustee directors.

During the previous year all active members were requested to nominate an active member to be considered as a Member Nominated Trustee. Following a selection process and interviews the Trustee appointed Mark Hargreaves and Mark Webster to the Trustee Board with effect from January 2013. Member-nominated trustee directors may not be removed from office (before the end of their terms of office) unless all the Directors agree.

Scheme Membership

At the Scheme year end the membership of the Scheme had increased from 4,113 to 5,411.

Quality Assurance Accreditations

In December 2013, the SSC successfully renewed the ISO9001:2008 Quality Certification in respect of the administration of the Scheme at the SSC. Responsibility for management of the Information Security Systems framework has transferred to the DS Smith internal Information Technology department who are in the process of finalising a number of Service Level agreements to meet the security infrastructure requirements of both the SSC and the Scheme.

The Trustee Board

Employer Appointed:

Nigel Hayter (Chairman)
Group Human Resources Director
- DS Smith Plc

Caroline Forsyth
Head of Reward
- DS Smith Plc

David Matthews (resigned Dec 2013)
Group Financial Controller
- DS Smith Plc

Member Appointed:

Mark Hargreaves
Goods Inwards Controller

Mark Webster
Commercial Business Partner

Secretary to the Trustee
Caroline Forsyth

Pension Contributions

The minimum member contribution into the standard Scheme has been generally set at 3% of Pensionable Pay, whilst members of the automatic enrolment section currently pay 1% of qualifying earnings. However, members can elect to contribute considerably more than this. Any ex-members of the M-Real UK Paper Employee Benefit Scheme, who joined the Scheme in March 2008 and DS Smith Group Personal Pension Plan, who joined the Scheme in March 2012, did so on their previous pension terms. Any member who was in the DS Smith Group Pension Scheme between 9 March 2010 and 30 April 2011 and joined Saver Plus on or before 1 May 2011 is entitled to different terms.

Governance

The Pensions Regulator (TPR) is very keen to promote the good governance of pension schemes and the Trustee keeps their procedures and controls under review to help maintain the good governance of the Scheme. The key for the Scheme is to ensure that the correct benefits are paid at the correct time in accordance with the Scheme Rules, to ensure good member outcomes. To help ensure the smooth running and risk management of the Scheme, the Trustee has a number of processes in place, including internal control procedures. During the year, the Trustee sub-committee reviewed the Scheme's risk areas by way of a meeting facilitated by the Scheme's advisers Baker Tilly Tax and Accounting Limited. As a result of that meeting, the risk register was updated and will continue to be maintained. It is subject to regular review to ensure that it remains up to date and appropriate. An action plan associated with this exercise is monitored by the Trustee who ensures that any issues are addressed as soon as possible.

TPR has recently issued guidance requiring trustees, administrators and providers of UK pension schemes to assess risks associated with member record-keeping. The Trustee has considered the guidance and has worked with its advisers and the SSC to ensure TPR's targets are continually met.

During the year, TPR released a code of practice advising Trustees on the legal requirements on how to effectively manage the governance and administration of the Scheme. The code sets out six key principles required to deliver good member outcomes. These principles are:

- Communication to members
- Essential Characteristics
- Establishing Governance
- People
- Ongoing Governance and Maintenance
- Administration.

The six principles are broken down into 31 quality features. During the year the Trustees reviewed each of the quality features and have put necessary plans in place to ensure ongoing compliance with the code.

Enquiries

The SSC in Caerphilly administers the Scheme on behalf of the Trustee.

If you are a member of the Scheme and still working for the Group, your link with the SSC is through the PLM at your location. Your PLM should be your first point of contact and will pass your queries to the SSC for further information if necessary.

If your PLM cannot help, then you can obtain information relating to your Scheme benefits from the SSC.

You should already have a copy of the members' booklet but further copies are available from your PLM or the SSC.

The SSC can be contacted at:
Solomon House,
Caerphilly Business Park,
Caerphilly, Wales, CF83 3GS.
Tel (02920) 859400
Email: **saverplusadmin@dssmith.com**

Information 2014

Formal Report
Full details of the Scheme can be found in the formal Annual Report which was signed and approved on 14 August 2014.

Trust Deed & Rules
The information in this bulletin and in other guides issued by the SSC is intended to be a brief summary only. Full details of the Scheme are in the Trust Deed & Rules. The provisions in the Trust Deed & Rules will take precedence over such reports and guides. A copy of the Trust Deed & Rules is available on written request from the SSC at the address shown on page 7.

Change in Personal Circumstances
It is important to ensure your personal data is kept up to date.

Should your personal circumstances change, you may be eligible to take a pension contribution holiday. If you wish to consider this or update your personal data, please speak to your PLM, who will be able to provide you with further information.

Since the payment of death in service benefits is at the discretion of the Trustee, it is important for members to inform the Trustee of the person(s) to whom they would like any lump sum death benefits paid. This can be done by completing a Nomination of Beneficiary Form and sending it to the SSC. Please also ensure that you keep your nomination forms up to date since personal preferences and circumstances can change.

Under section 7 of the Data Protection Act, you are allowed access to a copy of any personal information we hold on you. Contact the SSC at the address shown on page 7 if you wish to do this.

Complaints
In the event of a complaint, you should address your correspondence to the Pensions Team Leader at the SSC at the address shown on page 7. Full details of the Internal Disputes Resolution Procedure are available on application to the SSC. Alternatively, the Pensions Advisory Service (TPAS) is available to assist members at any stage of a dispute. TPAS may be contacted at 11 Belgrave Road, London SW1V 1RB (telephone: 0845 601 2923).

Independent Protection of your Interests
There are a number of independent organisations that can provide you with further advice about your pension rights. Details of these organisations are in your members' booklet or are available from the SSC or your PLM.

Leaving the Scheme
There are several options available to you upon leaving the Scheme and these will depend on how long you have been in the Scheme. Details are available from the SSC or your PLM.

This report was approved by the Trustee Board on 14 August 2014 and signed on its behalf by:

Caroline Forsyth
Director

Mark Hargreaves
Director

Website
If you wish to access your fund value on a daily basis or to use other online tools provided by Friends Life you can do so by visiting their member website http://www.friendslife.co.uk/microsite/dssmith.

ISO 27001
REGISTERED FIRM
Certificate No. GB15981

ISOQAR REGISTERED
UKAS MANAGEMENT SYSTEMS 0026
Certificate No. 4844
ISO 9001