



DS Smith Sustainability Review 2018

An executive summary



As shopping habits evolve, consumer expectations change and supply chains become more complex. Packaging has to work harder than ever before to transport products, build brands, delight customers and make supply chains more efficient. This positive role of good, sustainable packaging must not be forgotten, but we all need to do more to help tackle some of the challenges associated with 'bad packaging'.

I am delighted to publish our Sustainability Review 2018, launching new targets and demonstrating how we are redefining packaging for a changing world.

Miles Roberts,
Group Chief Executive

Introduction

Launching our new targets

At DS Smith, we remain committed to building a more sustainable business for the long-term. After announcing last year that we had achieved our 2020 carbon target three years early, we decided to create a new set of nine ambitious, long-term targets to guide us towards 2030.

These targets, focused on the areas where we believe we can have the greatest impact, embed sustainability across our entire organisation.



¹ Involved in all or in part of collecting, sorting, reprocessing, managing and/or transporting a greater tonnage of material through our Recycling Division than we place on the market through our Packaging and Plastics Divisions.
² To include water quality, water stress improvements and water reduction (where feasible).

Our Sustainability Review at a glance

At DS Smith, we create and deliver innovative, sustainable packaging solutions that consider the entire supply chain. We are redefining packaging for a changing world.

Our Sustainability Review walks you through this supply chain: discussing key issues, being honest about challenges and sharing success in how we create sustainable value every step of the way.

Our business
A circular business model with complementary divisions.

Packaging **C. 22,800** employees
34 countries

Paper **c. 2,900** employees
10 countries

Recycling **c. 800** employees
14 countries

Plastics **c. 2,000** employees
13 countries

Product design and innovation
Our global network of packaging strategists, supported by nine innovative Impact Centres, 33 PackRight Centres and More from Less consultancy, work with customers to design packaging that protects products, and the resources invested in them, whilst making their supply chains more efficient.

Our designs for corrugated packaging enable customers to apply eco-design principles such as switching from a white to brown box, using less ink or replacing tape with more innovative closing solutions all of which reduce the environmental impact of the packaging. Our designs for plastic packaging prioritises reusability through products that last up to 30 years, repairability through modular packaging and recyclability through our mobile regrinding units and single-polymer rigid packaging.

Sourcing
Sustainable sourcing is central to our offer. Our focus is on using quality, sustainably sourced raw materials, whether recycled or virgin fibre or plastics. Our primary raw material - fibre - is part of the renewable corrugated system. According to FEFCO, across the industry, roughly 88 per cent of the fibres used for corrugated board are manufactured from recycled sources. We support the FSC® standard and all other credible international fibre sourcing and chain of custody certification schemes, reaching 95 per cent certification across all our in-scope paper and packaging sites. We are also working closely with customers to help them achieve 'zero net deforestation' by 2020.

We have exceeded our commitment to ensure our top 200 strategic suppliers sign our new Global Supplier Standard, and work is ongoing to implement a supplier assessment programme.

Manufacturing and operations
Across our operations, we are reducing our environmental impact. We continue to send over 60 per cent of our waste for recycling and develop innovations like BedKind and Beaulux® to turn our waste into a resource. In 2017 we exported 4.5 per cent more energy than last year due to an investment in our Combined Heat Power plant in Lucca and have saved over 6,000 tonnes of CO₂e as a result of one full year of LED lighting across the UK. However the changing world has had some negative impacts on our performance. The China import ban has impacted many of our paper mills, causing an increase in waste to landfill by 21 per cent. Our CO₂e emissions per tonne of production have also increased by 5.2 per cent. This is due to a combination of increased use of natural gas at our paper mills and a focus on performance papers and packaging. Using less fibre and providing better-performing packaging, has resulted in greater material savings for our customers, but higher carbon-intensity per tonne of production.

Manufacturing and operations (continued)
We are however proud to announce our paper mill in Belišće reduced waste to landfill by 26.9 per cent in one year, an example of the long-term environmental benefits we bring through acquisition. Our water stewardship programme has also been refreshed, containing a new target and action plan focused on water quality, water-stress improvements and water reduction.

The health and safety of all people - employees, agency workers, contractors and visitors - is absolutely paramount. We achieved a 6.7 per cent reduction in Accident Frequency Rate since the last financial year and have announced a new vision of zero harm and the implementation of an improved data reporting system. Our renewed focus on wellbeing, culture and behaviours is reflected in our new 'Responsible employer' target and action plan, and a new 'Responsible neighbour' target and action plan. This is a significant area of growth and development for DS Smith's sustainability activities.

Customer supply cycles
Truly sustainable packaging solutions can set off a domino effect of efficiencies in our customers' supply cycles: making logistics more efficient, protecting products and keeping food and drink fresher for longer. We support our customers in using packaging to unlock the sustainability benefits in their supply chains - reducing palletisation, increased transport utility, reduced warehousing demand, fewer road miles and more efficient logistics.

Case studies in this section of the report demonstrate how our fully recyclable corrugated and plastic packaging enables our customers to achieve winning results. For example 55 per cent more product per pallet, 32,000 kg of plastic prevented from going to landfill and reduced damages in the e-commerce supply chain. Cost, carbon and materials savings are business as usual for our sustainable packaging solutions.

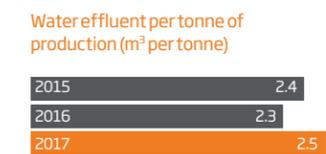
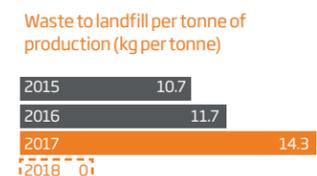
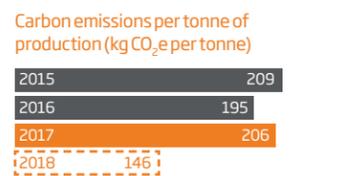
End of life and recycling
Managing the end of life impacts of our products and recycling materials are core elements of our circular business model. Paper and board have the highest recycling rate of any material in Europe, where fibres are able to be recycled up to seven times. Our Recycling division, one of the largest in Europe, plays a key role by managing over five million tonnes of recyclable materials per annum. The net effect is that we manage, for recycling, a considerably higher tonnage of used fibre packaging than we manufacture.

The recycling infrastructure for plastic is much less developed, which is why at DS Smith we focus on closing our own loops. All our rigid and foam sites offer take-back from customers and all equipped with regrinders that can recycle the material to create new products within a couple of hours. At one of our plants in Slovakia, customer take-back reaches 747 tonnes per annum.

Ethics, governance and risk
A commitment to transparency and good corporate governance remains at the heart of our business and performance reporting. This year we have formed the Health, Safety, Environment and Sustainability Committee (HSES). This new group reports directly to the CEO, oversees and reviews divisional and Group sustainability performance and monitors compliance with responsibilities and commitments.

Stakeholder engagement
Communication with our stakeholders is an essential building block of our sustainability strategy and activities. This year we have refreshed our stakeholder engagement exercise, otherwise known as our materiality analysis, to ensure our assessment of sustainability trends, challenges and opportunities takes into account the views of all of our stakeholders.

Performance at a glance



9 Impact Centres
exist across Europe to challenge and inspire our customers.

37 per cent
of the raw material purchased by Plastics division is recycled plastic.

213 suppliers
have signed up to our minimum requirements via our Global Supplier Standard.

6,201 tonnes CO₂e
saved through the installation of over 8,000 LED lamps across 35 UK sites.

Over 5 million
tonnes of material for recycling is managed by our Recycling Division every year.

26.9 per cent
reduction in waste to landfill at our Belišće paper mill.

239 sites
achieved zero accidents during 2017/18.



Download the Sustainability Review:
dssmith.com/company/sustainabilityreport

Our progress on commitments from the Sustainability Review 2017



- Complete/on track: 71 per cent
- Ongoing/behind schedule: 24 per cent
- At risk: 5 per cent

Last year we set ourselves some short-term commitments to drive progress across our business in the interim before we launched our new targets. We had great success in many areas including growing our network of PackRight and Impacts Centres, LED lighting roll-out to Europe, safety leadership workshops and other projects. In the areas where we are behind schedule or at risk, we have learnt a great deal about the importance of truly embedding sustainability into all business functions, supported by strong governance structures and accountability. Building on the past year's success, and taking into account what we have learnt, we built a robust new set of targets to underpin our strategy to lead the way in sustainability. These targets are based on time-bound, measurable action plans with increased levels of ambition in areas where we have performed well, and renewed levels of focus in areas where we have opportunities to improve.

Highlights from our interview with Emma Ciechan, Director of Planning, Performance Management and Sustainability

Q The recyclability of packaging is a hot topic at the moment. What should the industry be doing?

We are heavily involved in industry conversations to find balanced and practical solutions to these challenges, joining up with stakeholders from across the packaging value chain. Clear and consistent recycling infrastructure is key in ensuring source-segregation of materials for recycling. This improves the quality of the material collected, simplifying reprocessing and, ultimately, helping to produce a better quality, higher value recycled raw material - whether fibre-based or plastic. In turn, this helps to stimulate recycled material markets, supporting investment in infrastructure - a virtuous cycle.

Q You mention plastics. What is your view on the current plastics debate?

I think the position is more nuanced than is currently being portrayed. Yes, there are clear challenges around single-use, hard-to-recycle plastic packaging that need to be addressed. However, we should not lose sight of the positive role that good, reusable or recyclable plastic packaging can play in protecting products, reducing food waste and making supply chains more sustainable. This message has not been well communicated to consumers.

Q What role can consumers play in helping to improve recycling rates?

As an increasing proportion of our shopping is transacted online, we all end up with more packaging in our homes. These valuable packaging materials are often more difficult to segregate and collect than they are from retailers and distribution centres. Consumers therefore have a key role to play in segregating their waste streams to support quality recycling collections.

Partner with a reputable company, with externally recognised performance:

'Management B' in each of the three assessments.

Gold level score. Top 5 per cent of all companies who submitted.

Partner with an award-winning company:.

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