Redefining Packaging for a Changing World

Sustainability Report 2020
 Highlights from 2019/20

100% of our sites supported environmental or future generational community activities in the past year

98% of the packaging we manufacture is reusable or recyclable in domestic and commercial recycling facilities

11% reduction in CO₂e emissions relative to production on a like-for-like basis in 2019 against a 2015 baseline

15% reduction in waste to landfill from North American packaging operations

14% like-for-like reduction in Accident Frequency Rate (AFR) with 265 sites achieving zero accidents

100% of our papers we use come from recycled or chain of custody certified sources

100% of the Kayserberg, Zarnesti and Coullons paper mills achieve zero waste to landfill

98% of the packaging we manufacture is reusable or recyclable in domestic and commercial recycling facilities

11% reduction in CO₂e emissions relative to production on a like-for-like basis in 2019 against a 2015 baseline

15% reduction in waste to landfill from North American packaging operations

14% like-for-like reduction in Accident Frequency Rate (AFR) with 265 sites achieving zero accidents

100% of our sites supported environmental or future generational community activities in the past year

8% like-for-like reduction in Accident Frequency Rate (AFR) with 265 sites achieving zero accidents

> 30 plastic replacement and sustainability workshops hosted every month across PackRight and Impact Centres

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Sustainability at the heart

As the pace of change in the world accelerates and consumers demand more of products and service providers there is, in parallel, an expectation that organisations of all kinds must be radically reducing their impact on the natural world and, wherever possible, creating positive impact for people and the planet. Sustainability sits at the heart of our business model and is core to our Purpose of 'Redefining Packaging for a Changing World'. We are in a strong position already - a circular business model delivering corrugated packaging made from a renewable resource that is both recyclable in theory and recycled in practice. Through this model we keep valuable resources in use, we design waste out of customer supply chains and by using only recycled and chain of custody certified papers we are protecting natural systems and embracing the tenets of a circular economy.

A particular highlight in the past year has been the industry leading role we have played. We have once again improved performance and delivered best practice reporting which is reflected in our scores in both the CDP and MSCI assessments. It has also been one year since we announced our partnership with the Ellen MacArthur Foundation - the recognised global leader in the circular economy. Bringing a ‘critical friend’ into our business has challenged us to do even more, to think differently and to find new ways of delivering sustainable packaging solutions for our customers at a time when supply chains and consumer behaviours are being rapidly transformed. I am pleased with the partnership to date and in particular the new conversations it is driving, as a circular culture is becoming woven into the fabric of our business, how we serve our customers and how we redefine packaging in a changing world.

Each month of the last year, we have seen new environmental crises unfold; forest fires in South America and Australia, climate strikes and shocking reports on biodiversity and plastic pollution. At the time of publishing this report we are in a period of unprecedented global change due to the COVID-19 pandemic. Throughout these various crises there is a constant: consumers have a growing expectation that companies play a significant role in addressing these global challenges. The right packaging ensures essential products reach the right people most efficiently in the supply chain, whilst reducing emissions, protecting and growing global forestry and preventing problem plastics and waste. To ensure we continue to lead the industry in addressing these challenges I am looking forward to launching some even more ambitious new sustainability commitments in the coming months.

"The opportunity is to move from having a strong circular business model ourselves to delivering more circular solutions for our customers and wider society – replacing carbon out of supply chains and providing innovative recycling solutions.”

Sustainable packaging is a core growth driver for our business. Over the past 18 months, consumer awareness has exploded in this area, with over 450 organisations now signed up to the Ellen MacArthur Foundation’s New Plastics Economy targets. In a post-COVID world, we expect even keeners focus on these topics. We are well prepared to capitalise on the growing demand for more carbon efficient, circular and sustainable products and packaging, by partnering with customers to address these changes and challenges. Pages 10-11 and 20-23 explain how we do this; whether it be using our Circular Design Principles to design more efficient, recyclable, plastic-replacement solutions, or optimising pallet fill and reducing shipped air to take thousands of lorries off the roads each year. Sustainability is a driver of growth and innovation. 

Leveraging sustainability as a growth driver

At DS Smith, we have a strong proposition to the market. Sustainability is at the heart of our business model; there are increasing opportunities to use sustainability trends as drivers for new business and volume growth; and our strong performance in MSCI, CDP and other ESG frameworks enables us to prove our worth and leadership in sustainability.

Investors are increasingly moving beyond using only financial measures to assess a company’s performance. Environmental, Social, and Governance (ESG) metrics used to be more niche, for specialist debt and equity investors. However, now we see most mainstream funds featuring some form of key performance indicator or minimum criteria around this topic. This requires a much longer-term and holistic outlook.

A sustainable business model

Our business activities and operations are inherently circular, as we recycle used paper, turn that into packaging, and then collect used corrugated packaging to start the loop again. As such, we embody the circular economy. I’m pleased that we have been awarded the London Stock Exchange’s ‘Green Economy’ Mark, recognising that the vast majority of our revenues are from sustainable products and services. Alongside this, we help our customers become more sustainable, for example, helping them optimise their packaging to reduce transportation costs and reduce wastage. Often being more sustainable brings economic benefits too, so it can be a win-win. See page 11 for some examples.

As demonstrated throughout this report, we continue to become leaner in the way we resource and demonstrate return on investment in our sustainability performance.
Watch our ‘Box to Box in 14 days’ video:
youtube.com/watch?v=wkOePLDJp9c

Our business operations

Packaging
We are a leading international packaging company, delivering sustainable corrugated packaging solutions and the highest quality service across Europe and North America.

C. 24,700 employees
34 countries

Paper
We are a leading global manufacturer of sustainable corrugated case material, operating 14 recycled fibre mills, two virgin fibre mills, and over 14,270 ha. of forest.

C. 3,500 employees
11 countries

Recycling
We are Europe’s largest cardboard and paper recycler, managing circa six million tonnes per annum. We provide integrated recycling and total waste management services.

C. 1,000 employees
15 countries

Our circular business model
Our integrated Recycling, Paper and Packaging divisions work together to drive fibre around the circular corrugated system. The recycling rate for corrugated board is 85.8 per cent in Europe (source: Eurostat) which is roughly double the recycling rate of most plastics.

Across Europe, we harvest quality paper and cardboard for recycling from a range of sectors, including retailers, manufacturers, local authorities, printers, and recycling and waste management companies. This provides raw material for our 12 recycled paper mills where we manufacture 100 per cent recycled papers. These papers become the primary raw material for our packaging sites, which source 100 per cent recycled or chain of custody certified papers. Across Europe the average recycled content of corrugated fibre packaging in Europe is 88 per cent (source: FEFCO).

Circular and sustainable design ensures the packaging protects the product, uses no more material than is necessary, optimises logistics and can be fully recycled at end of life.

This is the journey of a Box to Box in 14 days at DS Smith.
Find out more on pages 10-11

Our resources → What we do → supported by our values → Our sustainable value

Sustainable business model
Firstly, sustainability is a fundamental of our circular business model, how we operate and compete on the market with our products and services and how we influence the wider industry.

Sustainability as a growth driver
Secondly, sustainability is a growth driver. From taking trucks off the road, saving cost and carbon, to plastic replacement design and other design challenges, sustainability is a driver of new business opportunities and growth within our current customer portfolio.

Sustainability leadership and assurance
Finally, sustainability is an essential element of our reputation. Our sustainability agenda has driven us to grow our transparency, ethics and performance so that we are now leaders in ESG benchmarks providing assurance to financial markets, investors and customers of our strong track record as a trustworthy partner.

Our values
We have a clear set of values that we expect all our employees to own and live by.

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

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

Be responsible: we seek new ideas and understanding and are quick to react to opportunities.

Be tenacious: we get things done.

Find out more at dssmith.com/people/culture

Find out more in our Annual report page 4

Southern Europe
Our latest acquisition, Europac, is situated in our Southern Europe region. At DS Smith, our approach to acquisitions means we often integrate businesses that have not had the same environmental focus. We view this as a healthy challenge, and part of our Purpose, to implement the right sustainable strategies. Data from Europac will be included in our reported figures next year.

Northern America
The sustainability performance of our Northern American operations has been integrated into our target reporting for the first time this year. For targets with a 2020 deadline our North American operations have an additional year, in line with our integration timeline. The past two years since integration have focused on building our approach to acquisitions means we often integrate businesses that have not had the same environmental focus. We view this as a healthy challenge, and part of our Purpose, to implement the right sustainable strategies. Data from Europac will be included in our reported figures next year.
The role of packaging in a circular economy

Introduction to the circular economy

The traditional economic model is one where manufacturing organisations extract natural resources, process and combine them to create products which can be sold. A customer will then buy, re-sell or consume, and eventually dispose of the product when no longer needed. This is known as the ‘take, make, dispose’ model.

The circular economy model proposes that there is an alternative, where we can design out waste and pollution, keep products and materials in use, and regenerate natural systems.

Designing out waste and pollution

The circular economy concept promotes viewing waste and pollution as design flaws, rather than a natural consequence of a production process.

“Waste and pollution are not accidents, but the consequences of decisions made at the design stage.”

Ellen MacArthur Foundation

“It is estimated that over 80% of all product-related environmental impacts are determined during the design phase.”

European Commission

Corrugated packaging is already circular by nature. Waste is a resource for recycled fibre paper mills which drive demand for high quality recycling. However, there are further ways in which the paper and packaging industry can design out waste and pollution.

• There are several waste streams which originate from paper mill processes, the most notable being plastic. At DS Smith we have been investigating alternative end destinations for these wastes (see page 31) which create further value. However, could these waste streams be better segregated further up the supply chain to prevent plastics contamination in the first instance?

• Designing for recyclability is another key method for preventing waste and pollution. At DS Smith, we are one of the only corrugated packaging companies to have publicly committed to achieve 100 per cent reusable or recyclable packaging by 2025 (see page 19). We are supporting customers to deliver packaging that is recyclable in theory and recycled in practice.

• Only 9 per cent of plastics ever manufactured have been recycled, and the current recycling rate of plastic in Europe continues to linger around 40 per cent, compared to 85 per cent for corrugated packaging. There are many instances where corrugated can replace difficult to recycle plastics and prevent thousands of tonnes of plastic from ending up in landfill or the ocean (see page 31).

• There continue to be huge inefficiencies in global supply chains. Well designed packaging can have a domino effect in supply chains: achieving efficiencies in packing and filling, reducing empty space and shipped air, taking lorry’s off the road and optimising storage space (see pages 10-11).

Keeping products and materials in use

As opposed to the traditional linear model that is based on many materials and products being used just once before being disposed of, one of the key pillars of the circular economy is to keep materials in productive and valuable use for as long as possible. By doing so, we reduce the need for virgin materials and reduce our own impact on the natural world.

“Thriving in the circular economy will depend on companies collaborating between value-chain segments to keep materials in the economy for longer, and to close loops.”

Accenture

• The fibres in our circular corrugated system can be recycled up to 25 times. This keeps the fibres in the system, creating significant value after use.

• In our own business about 75 per cent of the papers we use are made from recycled fibres, sourced from one of our network of recycled paper mills across Europe and North America or from third parties. We use small amounts of virgin paper to ‘top up’ the system as recycled fibres eventually become too short to be useful in the paper-making process. These are often sold on as a raw material for other industries (see page 31).

Regenerating natural systems

The circular economy concept promotes the idea that, once a material has reached the end of its productive life, it is then able to play a role in regenerating our natural environmental systems.

“Instead of simply trying to do less harm, we should aim to do good.”

Ellen MacArthur Foundation

At DS Smith, we believe this thinking encourages the use of natural and renewable raw materials, such as fibre, where there is a tangible way to put materials back into natural cycles.

• Paper and corrugated board are naturally biodegradable. Although we prefer that they are collected and recycled, they will break down, if left in the environment.

• Typically, chain of custody programmes will involve planting at least three trees for every one that is harvested. This helps to ensure forest levels are at a minimum maintained and growing in many instances in Europe, for example. That is why, where we do use virgin papers at DS Smith, we use recognised chain of custody certification programmes to ensure that we only source timber from responsibly managed forests (see page 23).

• After being recycled a number of times, fibres become too short to make strong recycled paper. In many cases and where the jurisdiction allows we work with local farming organisations to spread the spent fibres to land. This provides a natural fertiliser and ensures that we are helping to regenerate natural systems.
We became a Strategic Partner of the Ellen MacArthur Foundation because we wanted a partner to challenge us, to help us drive design and innovation and to embed circular economy thinking further into the business.

Our evolving partnership
Since our announcement in May 2019 where we became the 11th Strategic Partner of the Ellen MacArthur Foundation we have made great strides forward. Together we have been exploring opportunities to redefine packaging.

“In May 2019, DS Smith became a Strategic Partner of the Ellen MacArthur Foundation, and we are delighted to celebrate the first anniversary of our partnership. We continue to support DS Smith as it strives to achieve its circular economy ambitions – including developing more circular packaging designs, manufacturing 100% reusable or recyclable packaging, optimising the amount of fibre in its cardboard packaging, and improving collection systems in urban areas. DS Smith has played an important role in helping the Foundation develop Circularities, the most comprehensive circularity measurement tool available. It helps businesses such as DS Smith, and others, measure circularity across their entire operations; to identify opportunities to embed circular business practices and drive the global transition to a circular economy.

We look forward to the launch of DS Smith’s circular design guide. Together with training, innovation, and communication, it offers real potential to inspire employees and customers to go beyond incremental change – developing new packaging solutions in which materials never become waste; but remain in a regenerative circular economy.”

Andrew Mortlet, CEO, Ellen MacArthur Foundation

Interview with Alan Potts, Design and Innovation Director
What has been the most interesting joint opportunity?
Several opportunities exist within Design & Innovation, and our most successful this year has certainly been the Circular Design Principles. Whilst our business model is well placed to support the transition to a circular economy, there are some areas where we can work harder; reuse and return for example.

Has your understanding of the circular economy altered?
I started off knowing little about this topic, so just recognising that take, make, dispose is not sustainable has been pivotal. I am also increasingly conscious of the macro economic challenges of a truly scale circular economy which need to be addressed at governmental, organisational, and of course at a design level.

What are you looking forward to next year?
The EMF have been a catalyst in understanding our role within the circular economy. Year two will focus on going much more technical as we begin to implement and scale our joint thinking.

Interview with Tom Campbell-White, Strategic Development Director
What has been the most interesting opportunity?
DS Smith’s business model fits naturally into the circular economy, but it has struck me that the biggest opportunities are in identifying the ecosystem of smaller, closed loops. Recycling plays a key part, for example our coffee cup recycling, which I presented at the Disruptive Innovation Festival.

What are you looking forward to next year?
We have not yet managed to run pilots, but are exploring the first mile of recycling. Could this look like drones, droids or lockers? We do not know yet but I am expectant.

Interview with Sam Jones, Sustainability Strategy and Communications Manager
Has your understanding of the circular economy altered?
Meeting thought leaders from like-minded businesses has really accelerated my understanding as we solve global challenges together.

What are you looking forward to next year?
We still need to cascade more knowledge to promote circular economy mindsets which will inspire innovation and creativity. I would also like to see more disruptive pilots focused on materials and solution developments, platforms and technology.

Accelerating the shift to a circular economy
At DS Smith, we are already in a strong position to accelerate the shift to a circular economy of packaging. We have a circular business model delivering packaging that is both recyclable in theory and recycled in practice. The challenge is for us to go further, for our customers and wider society. Our priorities in the past year have focused in these areas.

Design
At DS Smith, we process hundreds of thousands of packaging designs each year. With 80 per cent of a product’s impact determined at the design stage, our network of 700 designers play a key role in designing out waste, creating solutions that minimise total supply chain impact and ensuring materials stay in productive use at end of life, through re-use or recycling.

In collaboration with the Ellen MacArthur Foundation we have developed a set of leading Circular Design Principles. Our approach will ensure every packaging design is underpinned by a series of robust circular economy orientated design tools, processes and expertise. Although our customers are the ultimate decision makers, we can help them find a better way.

Learning and development
In the past year we have drawn on the Ellen MacArthur Foundation’s wealth of knowledge on the circular economy and are using a range of their resources to integrate circular economy thinking into our existing learning and development programmes. This includes our executive development ‘Global Leadership Programme’ and our future leaders ‘Aspire Programme’, with complementary programmes rolled out to wider audiences throughout the year.

CASE STUDY
Ellen MacArthur Foundation and University of Exeter Masterclass
Across the past year, 20 business leaders from across DS Smith have taken part in a six-week remote learning programme delivered by the University of Exeter. With participants from a range of key functions – Health and Safety, procurement, business development, commercial, operations, innovation, research and development – the aim is to embed leading circular economy thinking across the business and in doing so drive new ways of thinking to deliver for our business, our customers and wider society.

“The resources available to us as a Global Partner are fantastic and we’ve been able to integrate them into existing L&D programmes, truly putting sustainability and Circular Economy at the heart of our business.”
Ann-Louise Hancock, Head of Learning and Development

Circular Design Principles
In June 2020, we were delighted to launch our new Circular Design Principles backed by our community of 700 packaging designers who continue to grow more expert through the support of the EMF. The last 18 months were spent translating our current tools, processes and expertise into the language of circularity and bolstering any resource gaps.

“The majority of our products, processes and tools already contribute to the principles of circular design. We now have a best in class design offer.”
Alan Potts, Design and Innovation Director

Find out more about our partnership: dssmith.com/ops/ellen-macarthur-foundation-partnership
Visit the Ellen MacArthur Foundation website: ellenmacarthurfoundation.org
Creating sustainable value for our customers

DS Smith is uniquely positioned within the supply cycle. The decisions we make during the packaging design stage can have a domino effect on cost, carbon and other environmental efficiencies for brands and retailers, from forest floor to front door. In ‘Redefining Packaging for a Changing World’, we go beyond reducing the impact of our packs, also reducing the impact of the supply cycle.

Sustainable packaging solutions

As shopping habits change and consumers become ever more conscious of global sustainability challenges, organisations must adapt, delivering quality and convenience with little or no environmental impact. As a packaging manufacturer, we are uniquely positioned to take a full supply cycle approach with our customers to collaboratively create significant sustainable value. Optimising our pack designs for the supply chain and designing with the circular economy in mind can create a domino effect of cost and carbon savings.

A study DS Smith conducted in collaboration with Forbes found that emissions associated with the transport of empty space around the world in container ships, planes, lorries and vans - due to poor palletisation, low space utilisation and ultimately bad pack design - are equivalent to the annual emissions of Belgium.

Identifying value for our customers

At DS Smith, our offer to customers is simple. We find solutions that increase sales, reduce costs and manage risks, all in a sustainable manner. Our customers often start this journey at one of our network of Impact Centres. Here, we challenge the status quo with our customers as we explore how packaging can perform better across the whole supply cycle: from filling to distribution and on-shelf impact through to end-of-life and recycling. Taking a total cost of ownership approach, better designed packs can also help our customers reduce the cost of compliance, taxes and fees. Inspired by these opportunities, we work collaboratively with our customers at our network of PackRight centres to maximise these opportunities. We have a suite of specially developed tools, to identify more concrete opportunities to redefine their packaging. Our process ensures the solutions we develop better protect products, use no more raw materials and reduce plastic packaging. Over the past year we have hosted around 30 sustainability-focused workshops with customers every month across our network of PackRight Centres and Impact Centres. Our sales and design communities have hosted around 30 sustainability-focused workshops with customers every month across our network of PackRight Centres and Impact Centres. Our sales and design communities have been strengthening their materials knowledge and expertise, to better understand the plastics economy and Life Cycle Analysis. The most sustainable solutions must balance the need to re-design one of their customer shipping boxes.

In 2019 Laithwaite’s was one of our first customers to be awarded our Closed-Loop Certification. Together, we demonstrated a fully auditable and traceable closed-loop model for their cardboard packaging in the UK. Mapping material flows from their distribution centre in Gloucester, we demonstrated that the 1,000 tonnes of cardboard we collected, were recycled, made into new paper and corrugated again.

In a similar way, our Recycling division works with retailers to identify opportunities for more efficient segregation and higher recycling rates. DS Smith’s integrated offer of both packaging and recycling positions us uniquely on the market to offer closed-loop solutions.

Innovating with raw materials

Packaging specified by performance, not by weight, enables us to use no more material than necessary. Accurately mapping our customers’ supply chains and using our cutting-edge EDGE technology ensures we identify the right raw specifications to protect our customers’ products without waste or excess. In a similar manner, our unique R-flute allows us to achieve the same performance using significantly less fibre; reducing both inbound and outbound logistics significantly. The next significant step in our innovation journey will be with laminates and coatings (see page 19).

Strngthening our expertise

Across the world, customers are looking for trustworthy packaging suppliers to help them deliver their sustainability goals and reduce plastic packaging. Over the past year we have hosted around 30 sustainability-focused workshops with customers every month across our network of PackRight Centres and Impact Centres. Our sales and design communities have been strengthening their materials knowledge and expertise, to better understand the plastics economy and Life Cycle Analysis. The most sustainable solutions must balance carbon footprint, mechanisation, supply chain efficiencies and other factors to achieve a total cost of ownership benefit to brands.

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Inclusive packaging

In the past year we undertook research to understand the importance of designing inclusive packaging. The research showed that 78% of European consumers have felt frustrated at being unable to open packaging with the issue putting around 25% of people off buying certain brands.
Contributing to society

The United Nations Sustainable Development Goals (SDGs) are an ambitious framework to create a better world by 2030. We have identified the four that are most relevant to our business model and reference our contribution directly throughout this report.

Our direct contribution

At DS Smith we drive responsible production in our own operations through a series of ambitious sustainability targets.

Throughout this report we report on progress for reducing and becoming more efficient in our consumption of energy (see page 27), water (see page 29) and raw material (see page 23).

Our circular business model also ensures that our customers’ materials stay in use for longer. We use no more material than necessary in our pack designs, which are fully recyclable (see page 27), and recycled in practice at a rate of 65.6 per cent (source: Eurostat). As Europe’s largest recycler of cardboard and paper, we are a net positive recycler managing more recyclable materials than the packaging we put on the market.

We recycle 6 million tonnes

DS Smith Recycling provides integrated recycling and waste management services for all materials (metals, plastics, food) on behalf of retailers, manufacturers and local authorities. Driving high quality recycling ensures that materials stay in use as long as possible, the circular economy of using recycled materials is promoted, and natural resources are protected.

EXAMPLE

Using scale to influence

Earlier this year we announced our membership of the Forest Stewardship Council® (FSC®) International, which promotes environmentally appropriate, socially beneficial, and economically viable management of the world’s forests. Our membership will enable us to contribute to the strengthening of the world’s leading forest management certification programme.

EXAMPLE

We mitigate climate risk

Rising temperatures increase stress on water resources. As water is crucial to paper-making, it is important that our mills mitigate risks to future availability. DS Smith partnered with chemical supplier, Buckman, in several mills to alter our chemical mix which enable more water recirculation and less starch waste and effluent contamination.

EXAMPLE

We inspire sustainable learning

Through school and community interactions across Europe, we are education the next generation on recycling, circular economy and sustainability. Likewise, in our own business, we have been upskilling our workforce on the circular economy, training our designers and embedding a number of Ellen MacArthur Foundation training tools within our existing learning and development programmes.

EXAMPLE

Promoting responsible consumption and production

Climate action remains the most significant environmental issue for DS Smith to tackle. We aim to reduce our own emissions in line with the Paris Accord (see page 27) through a combination of energy efficiency and fuel switching. Our water stewardship activities (see page 29) also play a significant role in climate adaptation and mitigation, for those sites which are situated in areas of high water stress due to climate change. Our packaging solutions enable climate action in our customers’ supply chains. By making processes and transport more efficient, taking vehicles off the road and creating cost and carbon savings for our customers (see pages 6-7) we facilitate and influence climate action across the whole industry.

EXAMPLE

Decent work and economic growth

As an employer of around 30,000 people in many communities across 34 countries worldwide, we embrace our responsibility to promote sustained, inclusive and sustainable economic growth through full and productive employment and decent work for all (see page 37). This means ensuring the safety, wellbeing and development of all our colleagues (see page 33).

In our supply chain, we are taking effective measures to protect human rights (see page 37). Finally, we enable our employees to solve sustainability challenges and inspire future generations by encouraging projects that contribute to the wellbeing of communities (see page 35) and creating a culture of sustainability (see page 40).
Our sustainability strategy

At DS Smith, sustainability is the foundation of our overall business strategy. We want to become a trusted and strategic partner to our stakeholders, providing innovative, sustainable packaging solutions that deliver for their customers whilst protecting our natural environment.

Our strategic goal to lead the way in sustainability

One of our four strategic goals is to lead the way in sustainability. The long-term targets, which we set in 2018, underpin this strategic goal and have enabled us to focus on the areas where we believe we can have the greatest impact.

Our ambition and understanding around how we can influence and inspire the transition to a circular economy continue to increase. We aim to reveal this new approach in the first half of the next financial year.

To lead the way in sustainability

- Building sustainability into our decisions
- Growing our recycling platform
- Delivering against our range of long-term sustainability targets

Our Purpose

Our Purpose, ‘Redefining Packaging for a Changing World’, is our driving force and captures the value we bring to the wider world.

Thinking differently.

Innovating together.

Putting sustainability at the heart.

Developing the right strategies.

We deliver on our Purpose by embracing these four concepts.

Our pillars of sustainability

To us, truly sustainable value is found when balancing the needs of Our Business, Our Environment and Our People.

By aligning our targets equally against the three pillars below, we ensure our activities deliver long-term sustainable value to all stakeholders.

Our Business

Creating shared value through responsible recycling, paper and packaging.

Our Environment

Minimising our impact, from design to production and supply to recycling.

Our People

Ensuring the safety, wellbeing and development of colleagues and contributing to our communities.

Our targets

Our ambitious, long-term targets underpin our strategic goal to lead the way in sustainability. Ownership, measurement and progress reporting are embedded into each division and core functions to provide a robust and transparent accountability framework.

• Packaging impact
  Manufacture 100 per cent reusable or recyclable packaging by 2025 and grow our net positive recycling position

• Fibre sourcing
  Use 100 per cent recycled or chain of custody certified papers by 2020

• Supplier standards
  Ensure 100 per cent of our suppliers comply with our sustainability standards by 2025

• Health and safety
  Vision: Zero Harm

• Water stewardship
  Achieve zero water impact by 2030

• Waste and recycling
  Send zero waste to landfill by 2030

• Carbon and energy
  Reduce our CO2e emissions by 30 per cent per tonne of production by 2030, against a 2015 baseline

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 division.

2. Including water quality, water stress improvements and water reduction (where feasible).

3. Sites with greater than 50 employees.

As we redefine packaging for our rapidly changing world, sustainability has to be embedded in everything we do. Protecting our natural world, supporting and rewarding our people and helping communities to thrive are fundamental to how we operate.

Greg Dawson, Director of Corporate Affairs and Sustainability
In recognition of achieving all of our 2020 targets we are currently taking the time to engage widely with key stakeholders to inform an ongoing review of our sustainability framework to ensure it continues to deliver against our ambition to lead the way.

As such we expect to announce some additional ambitious commitments in the coming months.

The following summary and pages of the report provide a detailed description of key performance indicators and a robust explanation of performance over the past year.

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<th>Target</th>
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<tbody>
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<td>Packaging impact</td>
<td>Manufacture 100 per cent reusable or recyclable packaging by 2025.</td>
<td>on track</td>
<td>18-21</td>
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<tr>
<td></td>
<td>Grow our net positive recycling position1.</td>
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<td>Fibre sourcing</td>
<td>Use 100 per cent recycled or chain of custody certified papers by 2020.</td>
<td>achieved</td>
<td>22-23</td>
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<td>Supplier standards</td>
<td>Ensure 100 per cent of our suppliers comply with our sustainability standards by 2025.</td>
<td>on track</td>
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<tr>
<td>Carbon and energy</td>
<td>Reduce our CO₂ emissions by 30 per cent per tonne of production by 2030, against a 2015 baseline.</td>
<td>on track</td>
<td>26-27</td>
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<tr>
<td></td>
<td>Achieve ISO 50001 certification at 100 per cent of our sites.4</td>
<td>achieved</td>
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<tr>
<td>Water stewardship</td>
<td>Create zero water impact2 by 2030.</td>
<td>on track</td>
<td>28-29</td>
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<tr>
<td></td>
<td>All recycled paper mills to perform at or below our internal benchmarks for water efficiency</td>
<td>on track</td>
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<tr>
<td></td>
<td>All operational sites in water stressed areas to have a mitigation plan in place.</td>
<td>on track</td>
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<tr>
<td></td>
<td>Zero non-conformances with consents to discharge.</td>
<td>behind</td>
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<tr>
<td>Waste and recycling</td>
<td>Send zero waste to landfill by 2030.</td>
<td>behind</td>
<td>30-31</td>
</tr>
<tr>
<td>Health and safety</td>
<td>Zero accidents. Vision Zero Harm.</td>
<td>on track</td>
<td>32-33</td>
</tr>
<tr>
<td>Responsible neighbour</td>
<td>Engage in community programmes at 100 per cent of our sites2 by 2020.</td>
<td>achieved</td>
<td>34-35</td>
</tr>
<tr>
<td>Responsible employer</td>
<td>Build a diverse, engaged and respected workforce.</td>
<td>on track</td>
<td>36-37</td>
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</table>

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 division.
2. Including water quality, water stress improvements and water reduction (where feasible).
3. Sites with more than 50 employees.
4. Sites that account for at least 90% of energy consumption.
Our next steps:

1. Redesign
   Eliminate completely, or if not possible, reduce non-recyclable element to less than 5 per cent of the total packaging weight to make it recyclable according to CPI definitions.

2. Replace
   If the non-recyclable element cannot be reduced without compromising performance, replace with known alternative.

3. Innovate
   Where no known alternative exists, an R&D project will be launched to develop viable alternatives.

Performance

We are delighted to announce that 98 per cent of our packaging portfolio is reusable or recyclable. The responses and detailed submissions from across our business have identified over 100 sites which are already producing only reusable or recyclable packaging. For the remaining 2 per cent we are exploring a number of options:

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   Eliminate completely, or if not possible, reduce non-recyclable element to less than 5 per cent of the total packaging weight to make it recyclable according to CPI definitions.

2. Replace
   If the non-recyclable element cannot be reduced without compromising performance, replace with known alternative.

3. Innovate
   Where no known alternative exists, an R&D project will be launched to develop viable alternatives.

DS Smith is leading industry conversations to develop accurate, consistent and authentic definitions of recyclability that are based on actual reprocessing and not collection rates only. For the purposes of this commitment and in lieu of international consensus we are aligning our approach with both the Ellen MacArthur Foundation and the Confederation of Paper Industries’ (CPI) definition.

Net positive recycler

DS Smith continues to grow a strong net positive recycling position. During 2019, circa 6 million tonnes of recyclable material was collected, sorted, reprocessed, managed or transported by our Recycling division. This outweighs the packaging we put on the market.

Beyond our targets

Plastic replacement

Across our network of PackRight and Impact Centres we hosted roughly 30 plastic replacement workshops per month across Europe as major brands and retailers look to move away from unrecyclable problem plastics. The most sustainable solutions must balance carbon footprint, mechanisation, supply chain efficiencies and other factors. We have been exploring Total Cost of Ownership (TCO) and building Life Cycle Analysis (LCA) models to help customers understand the net environmental impact of their packaging to enable informed decision making.

Brands and retailers continue to focus on primary packaging. At DS Smith, we see a huge missed opportunity. Supply chain solutions such as replacing plastic sealing tape with self-locking flaps or replacement of plastic labels with laser coded printing can make significant contributions to plastic reduction. The industry needs this wider perspective if we are to solve the plastic and recyclability challenge.

More information and policies

• DS Smith PacRight Centres
• DS Smith Impact Centres
• PACE performance packaging
• Chemicals management
• Product safety

Our SDG contribution

Our circular business model ensures materials stay in use for longer, and through our Packaging Impact target and other activities we enable customers to substantially reduce waste through prevention, reduction, recycling and reuse (target 12.5).

Our next steps:

1. Recognise the significant number of sites that have already achieved 100 per cent reusable or recyclable status
2. Embed design and innovation gate for all new product development to reach minimum standards of recyclability
3. Grow the recyclability and circular economy knowledge of our design community to empower and enable them to design more circular packaging for our customers
4. Work in partnership with suppliers and our internal Procurement and Operational teams to progress trials of plastic laminate alternatives

Beyond our targets

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More information and policies

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• DS Smith Impact Centres
• PACE performance packaging
• Chemicals management
• Product safety

Context

As society continues to move to online shopping, and with the increased awareness of packaging’s impact on the environment, we are increasingly conscious of the positive role we can play in offering our customers more sustainable, innovative packaging solutions.

Despite the disruption of COVID-19, demand for fully recyclable packaging continues to grow and there remains a significant focus on problem plastics. Legislative measures and financial mechanisms are looking to incentivise good and deter unrecyclable packaging. We are well positioned to deliver for customers.
As a leading supplier of sustainable packaging solutions, we design and manufacture packaging which tackles the challenges of the changing world. Our packs help customers increase sales, reduce costs and lower risk, whilst deploying circular design principles.

CASE STUDY
We have worked with leading UK retailer, Morrisons, to revamp its Best Bacon Retail Ready Packaging (RRP) solution with a new, first-to-market, 100 per cent recyclable fibre-based corrugated design. The solution, aligned with the retailer’s policy to challenge the use of any plastic, improves shelf-utilisation and pallet fill compared to the previous on-shelf packaging, delivering further benefits in the supply chain.

CASE STUDY
Our scale allows us to support innovative start-ups, as well as established multinational brands. DS Smith worked with Garcon Wines to develop convenient and sustainable packaging solutions including a game-changing secondary packaging format. By packing eight flat bottles vertically with two lying horizontally in the airspace around the bottle necks, almost all unused airspace is eliminated. It can directly reduce the costs of packaging, warehouse handling, storage and transportation, fitting over two times more wine on a pallet. On an example consignment of 50,000 bottles of wine, our innovative solution can reduce carbon emissions and costs by at least 60 per cent.

CASE STUDY
In Finland, potatoes are typically sold in bulk and packed in plastic bags. To help tackle the ongoing problem of single-use plastics, DS Smith developed a new award-winning solution. The fridge-box wraps the potatoes in fully recyclable corrugated. The solution prevents food waste through carefully designed air vents to keep the product fresh and also protect the potatoes from light. The package fits on the shelf of the refrigerator, allowing the consumer to open the lid easily.

CASE STUDY
In need of packaging robust enough to withstand multiple journeys through a complex supply chain, we developed a new e-commerce solution for Ted Baker that focused on the reuse and recycle principles of the circular economy. Together we developed a solution that included a reversable, resealable sleeve using the brand’s bold and exciting designs to enable simple customer returns whilst reusing the same box. The aim of reusing 20 per cent of the boxes annually has been exceeded.

27%
Reuse rate that was achieved by Ted Baker’s e-commerce footwear box with integrated reversible sleeve enabling hassle-free consumer returns.

CASE STUDY
Our EcoBowl solution replaces traditional polypropelene trays in the retail environment. The black plastic traditionally used cannot be recycled. Our EcoBowl solution not only reduces the amount of plastic but is made from separable materials to aid segregation and recycling after use.

85% reduction in plastic using EcoBowl
## Fibre sourcing

### How we apply our Purpose:

- Putting sustainability at the heart
- Developing the right strategies

The world would run out of recycled fibre in 6-18 months without fresh inputs of virgin fibre

<table>
<thead>
<tr>
<th>Source</th>
<th>90 per cent of pulp used by European paper mills originates from forests in Europe</th>
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### DS Smith performance highlights

<table>
<thead>
<tr>
<th>100 per cent</th>
<th>of sites hold chain of custody certificates</th>
</tr>
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</table>

### Context

Global forestry is recognised for its role in preserving our natural habitats and biodiversity, maintaining areas for recreation to support health and wellbeing and as a carbon sink to tackle climate change. The way we engage with our natural world has increasingly been discussed as a potential cause and accelerator of the COVID-19 crisis. Our focus is on using recycled fibres where we can and chain of custody certified kraft papers where necessary. We protect precious natural resources by optimising the fibre in each pack and for every supply chain.

### Our Key Performance Indicators:

**Percentage of papers used that are recycled or chain of custody certified**

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<th>19/20</th>
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<tr>
<td>18/19</td>
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### Our SDG contribution

Robust controls ensure that we use only sustainable papers from recycled or chain of custody certified sources. By doing this, we promote sustainable forest management, halt deforestation and increase afforestation and reforestation (target 15.2).

### Our next steps:

1. Maintain this level of performance as standard
2. Bring new acquisitions up to the same standard within our defined integration processes
3. Achieve forest management certification for 100 per cent of our forest in Spain and Portugal

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### Beyond our targets

**Forestry**

Within our business we own and manage over 14,000 hectares of forestry in Northern America and Southern Europe. We are committed to managing all owned forests responsibly and in the past year have focused on achieving sustainable forest management certification. Our North American forest assets are now 100 per cent certified, and 92 per cent of our Spain and Portugal assets are certified with an ambition to reach 100 per cent by April 2021.

Earlier this year, DS Smith announced membership of the Forest Stewardship Council® International. As a leader in the industry we want to support the continual improvement of this well-regarded chain of custody scheme. We have also been supporting our largest paper supplier to engage with Greenpeace on forestry and biodiversity issues in Sweden and in Northern America and we have provided forestry education and other support to independent local land owners. We continue to apply our ban on any fibre from 12 high risk countries.

**Quality recycled fibres**

Our network of recycled paper mills uses old corrugated case (OCC) material and other fibre recylate which has been sourced by our Recycling division. This raw material must meet high quality controls, especially in the face of Chinese restrictions on OCC imports, and our ‘eight must haves’ quality process, implemented last year, continues to allow us to export to China. We are also using Near Infra-Red (NIR) technology in the UK to quantify baled OCC material and are proactively engaging with retailers to support them in best practice waste segregation which minimises contaminants, improves quality and reduces waste to landfill.

### More information and policies

- DS Smith Group Sustainable Fibre Sourcing Policy
- Paper mill certifications
Supplier standards

How we apply our Purpose:

Developing the right strategies

In a typical consumer-packaged-goods supply chain, 90 per cent of the environmental impact comes from the supply chain. (Source: McKinsey & Company)

88 per cent of institutional investors would reconsider investment or rule out investment immediately if risk in the supply chain is not addressed. (Source: EY)

DS Smith performance highlights

74 per cent of strategic suppliers have completed an EcoVadis assessment.

Context

In increasingly long international supply chains, a significant proportion of an organisation’s social and environmental impact is likely to happen in third party operations. This can be a challenge to influence, but is essential if the full environmental and social impact of an organisation is to be managed and reduced. Operating sustainably must involve using scale and purchasing power in a partnership approach with their suppliers. As we have learnt so clearly during the recent pandemic, we cannot tackle the world’s biggest challenges alone. Partnerships with suppliers are key to achieving our own sustainability ambitions, delivering for customers and wider society.

“It is crucial for Solenis to partner with its clients like DS Smith. The UN SDG 17 emphasises the importance of collaboration. We are constantly challenging our own organisation to use less energy and water, and reduce our emissions. Our technical expertise and solutions approach helps our clients more rapidly achieve their goals.”

Daniel Grell, Senior Vice President of Environmental, Health and Safety; Product Regulatory and Quality at Solenis

Our performance

Achieving our own sustainability ambitions, we cannot tackle the world’s biggest challenges. Partnerships with suppliers are key to that. This is particularly clear during the recent pandemic, where we are working with them to make improvements through the EcoVadis platform and associated toolkits.

Our Key Performance Indicators:

Percentage of strategic suppliers that comply with our sustainability standards (per cent)

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Our SDG contribution

By ensuring that 100 per cent of our suppliers comply with our sustainability standards, we put in place controls to take effective measures to eradicate forced labour and end modern slavery and human trafficking, amongst other important sustainability issues (target 8.7).

Our next steps:

1. Complete process of embedding sustainability into all category strategies
2. Complete integration of sustainability standards into Terms & Conditions documents
3. Assess additional suppliers via EcoVadis based on risk profiling

Performance

For identified strategic suppliers we are assessing using the EcoVadis platform, with 74 per cent of our strategic suppliers now assessed. This process takes a holistic view of a company's performance related to environment, social, labour, health and safety. This accounts for roughly 28 per cent of our total spend.

Any supplier scoring below a defined threshold is immediately contacted directly by DS Smith and requested to complete corrective actions and show improvement within three months. Only one supplier has failed to meet this score to date and we are working with them to make improvements through the EcoVadis platform and associated toolkits.

Building on the initial assessment, discussions around sustainability performance are embedded within quarterly relationship meetings and improvement actions agreed.

The remainder of our suppliers are confirming adherence to our sustainability standards by accepting the terms of our Global Supplier Standards (GSS). The GSS is currently being integrated into our standard ‘Terms & Conditions’ documents, putting sustainability at the heart of our supplier relationships.

This new documentation will be rolled out by region and will ensure all suppliers agree to comply with our minimum standards on sustainability. As a result of this regional roll-out 11 per cent of suppliers have now confirmed compliance with our sustainability standards, and we anticipate this figure increasing quickly as we continue embed our GSS into our ‘Terms & Conditions’ documentation at a country level.

On that basis, significant progress has been made over the past year with 11 per cent of total suppliers confirmed as complying with our sustainability standards.

Informed by our Purpose we have developed our approach to supplier management in the past year. The ambition is now to focus more on enabling, higher quality engagement and deeper partnership interactions with our suppliers.

This change in focus has been reflected through a major transformational shift across the whole of Europe. Local procurement functions are working more closely with the Group Procurement Enablement Function where the focus is on the enablement of category managers and buyers to take ownership of driving standards. By summer 2020 this change will be complete across all regions, with sustainability embedded into the objectives of all category strategies.

More information and policies:

- DS Smith Group Supplier Standards Policy
- DS Smith Group Supplier Standards
- Supplier landing page

CASE STUDY

Partnership for sustainability

As part of DS Smith’s Supplier Engagement programme, we met with Solenis, one of our key chemical suppliers. We were one of their only customers to sit down in person to review their EcoVadis score, discuss sustainability standards and review continuous improvement plans. The influence of DS Smith and other stakeholders has led to Solenis improving their EcoVadis rank to Gold Standard. Our relationship continues to develop as we work together to improve the sustainability of their paper mills’ water treatment.

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Carbon and energy

How we apply our Purpose:

- Putting sustainability at the heart
- Developing the right strategies

11 per cent reduction in CO2e emissions relative to production in 2019 compared to 2015 on a like for like basis

Approximately 80 per cent of the world’s energy mix comes from fossil fuels

Source: International Energy Council

DS Smith performance highlights

4% reduction in CO2e per tonne of production, for our paper and packaging divisions

Context

Climate change continues to be one of the biggest global issues, second only to the recent COVID-19 pandemic by its impact on policy makers and businesses of all sizes and in all industries with both a range of opportunities and some challenges. For the paper and pulp industry, there is a significant opportunity for resource efficient, recyclable packaging, but a challenge to significantly cut carbon emissions. The Confederation of Paper Industries (CEPI) 2050 Roadmap lays out a trajectory to achieving an 80 per cent reduction in carbon emissions in line with the Paris Accord. The roadmap also identifies challenges that will require both technological innovation and deployment and legislative change.

CASE STUDY

LED lighting project

The global programme to replace high bay lighting with LED lamps is complete in the UK, Italy, Spain, France and Poland, close to completion in Germany and progress beginning in North America, Hungary and Portugal. Energy efficiency initiatives such as these are much faster to implement in the short term and help to drive engagement on carbon reduction in our packaging plants.

Do not hallucinate.

Our Key Performance Indicators:

- CO2e emissions per tonne of production (kg CO2e/tonne nsp)
- Percentage of sites1 that have achieved ISO 50001 certification

- Reduce our CO2e emissions by 30 per cent, per tonne of production, by 2030 against a 2015 baseline
- Achieve ISO 50001 certification at 100 per cent of our sites1 by 2020

Percentage of sites1 that have achieved ISO 50001 certification

<table>
<thead>
<tr>
<th>Year</th>
<th>15/19</th>
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<tr>
<td>Sites that account for at least 90% of energy consumption.</td>
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Our SDG contribution

Through our energy reduction and fuel switching projects we are reducing carbon emissions, combating climate change and its impacts (target 13.3, also supporting 7.3).

Our next steps:

1. Complete important milestone carbon reduction projects planned for 2020
2. Secure funding approval for medium-term carbon reduction projects in Europe
3. Finalise 10-year carbon reduction plans for North American operations

Performance

At DS Smith, we are committed to reducing our emissions. Our approach to achieving our ambitious emissions reduction target is split into two areas. Fuel switching investments are the ‘big ticket’ items, combined with a larger number of smaller-scale energy efficiency activities, to reduce the demand for heat in mills and demand for energy in packaging sites.

We have made continued progress in our legacy operations and have shown an 11 per cent reduction in emissions relative to production, when comparing the business footprint as it was in our 2015 baseline year with the same footprint in 2019. This is predominantly due to our European paper mills which have shown a 14 per cent reduction relative to production. Considering paper-making is the most carbon intensive process in our business, we are delighted with this achievement.

On a like-for-like basis, our Group net carbon figures for 2019 have decreased by 5 per cent against 2018 values and emissions relative to production have fallen by 3 per cent, with reduction of 4 per cent in both our Packaging and Paper divisions. This reduction is driven by both continued investment in fuel switching and energy efficiency technologies and also by significant changes to grid emission factors in some regions.

The globally recognised ISO 50001 standard is our DS Smith Group management mechanism, enabling a coordinated approach for monitoring all progress against targets at a site level, improving performance and reducing costs. In the past 12 months we have achieved certification in our Packaging sites across France and Nordics resulting in over 90 per cent of our energy consumption now occurring at ISO 50001 certified sites. Next year we will roll-out to Iberia, Benelux and Eastern Europe.

Including acquisitions, we have seen a 2 per cent increase in net carbon emissions and 3 per cent increase relative to production, compared to 2018. This increase is driven largely by the inclusion of our Zarnesti paper mill which we include in our reporting for the first time. Over the past year we have continued to develop our long-term carbon reduction roadmap which focuses on efficiency projects in our paper mills. This roadmap is under continual review as we explore new ways to deliver against our long-term carbon reduction commitments.

The long-term nature of paper machinery investments and assets makes consistent annual carbon reduction a challenge. Projects take several years to plan, finance, implement and commission. Our 10-year plans and attracting partners for joint investments are therefore our biggest focus. Energy innovation is key for unlocking future carbon reduction. We continue to be involved in the Future Energies Forum of the Confederation of Paper Industries (CFP).

More information and policies

- DS Smith Carbon and Energy Efficiency Policy
- DS Smith CDP Climate Change submission
OUR PERFORMANCE

How we apply our Purpose:
- Putting sustainability at the heart
- Developing the right strategies

500 million people are likely to live in water stressed areas by 2050
Source: Stockholm Resilience Centre

Approximately 47 per cent reduction in freshwater intake by pulp and paper mills relative to production over the past 20 years
Source: CEPI

DS Smith performance highlights
450,000m³ wastewater treated by our sites on behalf of local communities
> 80 per cent of the water we extract is returned to the watercourse

Context
Water is a global challenge that causes regional issues and often needs local solutions. Unlike climate change, the water impacts are often visible in the form of polluted water courses and empty reservoirs and felt at a local level. From agriculture to technology providers, water is an essential resource for industry. The paper and corrugated industry is no different. Water is needed to convert paper back into pulp and remove contaminants, then water is used to suspend fibres as they are transported through production from pulp to paper. Steam is used to dry the paper in our paper mills and in our conversion plants, water is also used to dilute starch and bond layers of paper together to create corrugated board.

OUR TARGET
Create zero water impact by 2030
- Water efficiency: all paper mills to perform at or below our internal benchmarks for water efficiency
- Water quality: zero non-conformances with consent to discharge
- Water stress: all operational sites in water stressed areas to have a mitigation plan in place

Our Key Performance Indicators:
Percentage of paper mills performing at or below our internal benchmark (per cent)

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<th>19/20</th>
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<tr>
<td>Percentage of paper mills performing at or below our internal benchmark (per cent)</td>
<td>40</td>
<td>40</td>
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Number of non-conformances with consent to discharge

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<th>19/20</th>
<th>18/19</th>
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<tr>
<td>Number of non-conformances with consent to discharge</td>
<td>113</td>
<td>100</td>
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Percentage of water stressed sites with mitigation plans in place (per cent)

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<th>19/20</th>
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<tbody>
<tr>
<td>Percentage of water stressed sites with mitigation plans in place (per cent)</td>
<td>70</td>
<td>70</td>
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Our SDG contribution
Our water stewardship projects ensure that we use water sustainably and efficiently (target 12.2). By setting a benchmark for mills we improve water efficiency and by ensuring zero non-conformances with consent to discharge we improve water quality (targets 6.3 and 6.4).

Our next steps:
1. Continue to deliver projects in three-year plan for each recycled and virgin paper mill in Europe
2. Complete process of embedding water stress mitigation plans into central business continuity plans
3. Finalise 10-year plans for implementing targets in North America

Performance
Our focus on water is split into three core areas. We are committed to using water as efficiently as possible. We are conscious that there is a correlation in our operations between water consumption and energy consumption and so we strive to achieve a net positive environmental outcome regarding water efficiency. We are addressing water quality with a focus on our discharge consents and are managing risks related to current or potential future water stress.

In the past year in our European operations we have reduced water consumption by 2 per cent, with our mills in Wiltenhausen, Coullons and Belisce all reducing water consumption by 10 per cent. We continue to have 40 per cent of our mills operating at or below our stringent internal benchmark for optimum water consumption. The complexity of achieving this target is also closely linked to the age of the assets and the cost-effective opportunities to install new technologies.

Water recirculation has been the primary, low cost method for reducing water consumption in Europe. Our Lucca paper mill, which is also situated in an area of water stress in Italy, has shown the greatest improvement in water consumption.

Despite the challenge of requiring fresh water for two weeks every month to produce white liners, they have made significant strides forward in culture and awareness around water consumption, as well as larger investments in technology. The Lucca mill is now operating below 4m³ per tonne of paper produced.

In the past year we have seen zero major non-conformances with consent to discharge and 100 minor non-conformances. The biggest improvements this year have been seen in North American packaging plants where non-conformances are down by 75 per cent due to new monitoring systems, processes and cultural change. Close to a third of the non-conformances reported occurred at a single site due to a legacy issue that pre-dated our acquisition. Significant improvements have been made and no non-conformances have been raised in this calendar year.

Regarding water stress, 24 out of 250 of our sites (four mills and 20 corrugators) are located in current or potentially future water stressed regions according to the World Resources Institute (WRI) tool. 70 per cent of these sites have a mitigation plan in place and we expect to achieve 100 per cent by the end of 2020. Water mitigation plans have taken longer to embed than originally planned as instead of operating separate water stress mitigation plans, we have been working to embed them within existing business continuity plans to ensure a fully integrated risk approach.

Beyond our targets
We continue to provide additional wastewater treatment services to local communities at some of our sites. In 2019, we treated over 450,700m³ on behalf of third-party organisations.

More information and policies
- DS Smith Water Stewardship Policy
- DS Smith CDP Water Security submission
- WRI Water Stress methodology
OUR PERFORMANCE

Waste and recycling

How we apply our Purpose:

Putting sustainability at the heart

Context

Waste and recycling have an intense and growing focus in our world economy. From rising raw material prices, landfill taxes, ambitious legislation and recycling targets; to the growth of e-commerce and household recycling waste and outrage over plastic exports; there are many pressures on the system.

The recent COVID pandemic has increased this pressure further with collection, storage and pricing disruptions. As a manufacturer, we are acutely aware of our responsibility to advocate for resource efficiency, reduce waste, divert from landfill and incineration wherever possible and create closed loop systems. We must extract the maximum value from the finite resources of the world, following the waste hierarchy.

"There is real proactivity emerging across our sites in connection with the sustainability targets. General Managers are coming to me with new ideas and cost-effective solutions to divert waste from landfill. People talk about sustainability making commercial sense; I see that every day. Good quality fibre is valuable so we have to find ways to stop this value leakage and keep it in the system."

Massimo Santolini, Project Director

$1 trillion annual lost value through waste which could be recycled but is not

DS Smith performance highlights

15 per cent less waste to landfill from our Northern American packaging operations

OECD countries generate 4.6 billion tonnes of waste per annum

Source: Accenture Strategy, Waste to Wealth

Assumed 2015 baseline footprint
Including acquisitions and disposals

Our SDG contribution

1. Achieve our zero to landfill ambition we are focusing on reducing the creation of waste in the value chain (target 12.5), not simply diverting waste that has already been created.
2. Finalise 10-year plans for implementing targets in North America
3. Continue to deliver long-term roadmap for eliminating waste to landfill from our paper mills

Our next steps:
1. Continue to share the best practices from sites that have achieved zero waste to landfill
2. Finalise 10-year plans for implementing targets in North America
3. Continue to deliver long-term roadmap for eliminating waste to landfill from our paper mills

Total waste to landfill (kilotonnes)

2015 2018 2019
87 104 175

OUR TARGET

Zero waste to landfill by 2030

Our Key Performance Indicators:

OUR TARGET

In the past year as a Group, we sent 64 per cent of our waste to recycling, 25 per cent to landfill, 9 per cent to incineration and 6 per cent to landspread.

In our legacy business our waste to landfill has increased by 42 per cent since 2017. This increase has been driven primarily by short-term changes at our Kemsley paper mill as part of the long-term investments in energy from waste and CHP systems. We anticipate a significant reduction in due course as the energy from waste facility at our Kemsley mill becomes fully operational.

Over the past year our net landfill figures have increased by 2 per cent on a like-for-like basis predominantly due to the long-term changes at Kemsley mentioned above. There is however strong underlying performance. Our Kayeirnberg and Coulissons paper mills have achieved zero waste to landfill during 2019. Our North American packaging operations have reduced landfill waste by 15 per cent. Around 90 per cent of our waste impact comes from our paper mills where we have several difficult to recycle streams including approximately 50,000 tonnes of plastic contamination in the form of ragger rejects. We have been exploring projects with the Ellen MacArthur Foundation to find alternatives for this waste stream but the mix of polymers makes this challenging.

The major driver behind the increase in waste to landfill in recent years is the continued acquisition and integration of new operations. Including acquisitions our waste to landfill has increased by roughly 45 per cent in 2019 compared with 2018 driven largely by our Zarnesti paper mill. We have recently commissioned several waste projects at Zarnesti mill and anticipate a very significant reduction in waste to landfill volumes here in the coming year. This challenge highlights how our continued growth through acquisition means we often integrate businesses with lower environmental standards and drive rapid improvements as part of our integration process.

In Europe, all our packaging sites continue to operate well organised waste streams and are equipped with underfloor conveyors which capture pre-consumer off-cuts for recycling at our paper mills. National recycling infrastructure is more limited in the US, compared to Europe where our packaging sites send only 1 per cent of their waste to landfill. Therefore seemingly simple actions in North American packaging sites have also made a significant difference, with previously unrecycled wastes of aerosol cans and used light bulbs now being properly assessed, identified and recycled.

Beyond our targets

Our Recycling division has been operating a zero waste to landfill policy for many years; ensuring all waste managed on behalf of retailers and brands is properly recycled. Over the last year, they have introduced a new policy, specifically focused on their plastics recycling operations. Implementing a ban on exports of plastic to Asia enables us to further reduce the risk of plastics entering the ocean and natural environments through poor waste management practices in other countries.

More information and policies

• DS Smith Zero Waste to Landfill Policy

CASE STUDY

Lucca closes fibre loop

Over the past two years, in our Lucca paper mill in Italy, technicians have developed a new plant to process screen contaminants. Various materials such as plastics, wood, fabrics or metals can end up mixed in with paper fibre. These rejects are notoriously hard to recycle. By installing new equipment, the project has reduced reject weight by up to 20 per cent, resulting in over 2,500 tonnes of fibre being returned to the paper-making process annually, whilst diverting valuable resources from landfill or incineration.
Our Performance

Health and safety

How we apply our Purpose:

- Developing the right strategies
- Thinking differently

Mental health problems in the workplace cost the global economy €900 billion per year in lost productivity

Source: World Health Organization

Every year in the European Union, there are around 5,600 fatal work-related accidents

Source: EU OSHA

DS Smith performance highlights

8 per cent reduction in Lost Time Accidents

15 per cent increase in health and safety engagement rate

Context

Meeting high expectations around on-time delivery in full, speed to market demands, quality and profit expectations without exploiting energy, resources and employees is an enormous challenge for all manufacturing businesses. The average person spends 90,000 hours of their life working (source: Forbes), but our employment mindset is changing. Employers are recognising their responsibility to not only prevent physical harm, but also to provide advice and support on mental and physical health and wellbeing. This has been especially clear during the recent COVID-19 pandemic. Research is increasingly showing that these softer measures are not only crucial from an ethical standpoint, but also have a positive correlation with safety and performance.

Performance

At DS Smith, we aim to foster a culture where both health and safety are an integral part of our business activities and where we strive to ensure people are not harmed. The health and safety of all people - employees, agency workers, contractors and visitors - is our top priority. A healthy and safe working environment and culture is the cornerstone of any responsible, sustainable and profitable business.

This year, we achieved an 8 per cent like-for-like reduction in our Accident Frequency Rate and 8 per cent reduction in our Lost Time Accidents. Our legacy businesses performed well, however our North American operations struggled to maintain the excellent improvements gained last year, increasing their number of LTAs significantly. We are confident that the further integration of North America into our business will improve the results for 2020/21. Sites no longer receive certificates for zero LTAs, but instead receive a Bronze, Silver or Gold certificate based on LTAs, audit results and engagement, providing a much more rounded approach.

Our Vision Zero strategy consists of four key areas: leadership; engagement; systems and processes; and culture. Each of these has a goal with annual activities and KPIs.

Leadership

Health and safety leadership is for everyone, not just health and safety professionals. Our successful H&S on-boarding programme for all new and newly promoted site managers continues, in order to drive the behaviours and mindsets required to perform as H&S leaders. However, we are acutely aware that this needs to be even more embedded within our organisation. Safe behaviours and mindsets should be the foundation for all front-line managers, and we are working with Learning and Development (L&D) to embed this into the front-line manager development programme.

Engagement

Our new proactive internal KPI, the health and safety engagement rate (measuring the number of near misses or safety observations per person), has increased significantly by 15 per cent this year. Part of this success comes from the ‘Choose to challenge’ campaign introduced by our Broxy mascot and poster campaign which encouraged people to actively discuss health and safety conditions and behaviour, not just observe and report. Emerging trends show a correlation between high engagement and lower accident rates.

Systems and processes

The integration of elements such as reporting systems, audit results and engagement; systems and processes; and culture. Each of these is an integral part of our business activities. By striving to our vision of zero harm, we promote safe and secure working environments for all (target B.8) and promote mental health and wellbeing (target 3.4).

Our next steps:

1. Introduce Cultural Curve Tool
2. Embed health and safety leadership skills within front line manager training

CASE STUDY

Wellness strategy for Kemsley

The team at Kemsley paper mill, the second largest mill for recycled papers in Europe, have been deploying a wellness strategy for the 445 employees on site. Over 12 months, the site opened a new Occupational Health Centre, trained 31 mental health First aiders and delivered mental health training to all line managers. Business Breakfast Meetings allow employees to contribute further wellbeing ideas, such as annual health MOTs, 5K Fridays, Parkrun Takeover, community litter picks, beach cleaning, and annual sports events.

Our Key Performance Indicators:

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Our targets

- Zero accidents
- Vision Zero Harm

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Source: EU OSHA

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Source: EU OSHA
Context

Over the last decade, there has been increasing expectations on companies to give back to the communities in which they operate and have a Purpose which extends beyond just financial growth. Large manufacturing companies in particular are often one of the largest employers in the area. They often have a significant influence or involvement in the employment rate, transport networks, infrastructure and community services. For many, the recent COVID-19 pandemic has completely re-shaped their perception of how companies should step up to support the local economy. From financial and product donations to job security and entire manufacturing line changes, the crisis has ushered in a new era of joint responsibility to create thriving communities.

“...We are often a significant employer in our communities and that brings with it a responsibility to help create thriving, healthy, clean neighbourhoods. It makes me immensely proud to see the work we are doing, especially how we have contributed during the recent COVID-19 crisis.”

Greg Dawson, Corporate Affairs Director

Beyond our targets

Charitable Foundation

Last year, the DS Smith Charitable Foundation announced that it would make over £1 million available to reinforce the value of sustainability education. One year later, we have donated over £375,000 to a variety of groups involved in sustainability and circular economy education.

Circular Economy lesson plan

Aligned with our focus on education as a key category of our community programme and charitable giving, we have been using our expertise to create a Circular Economy lesson plan. This is being developed in collaboration with the EMP. We hope to roll out this programme first internally to our own employees engaging with schools, and in future we hope to extend it to the public domain.

More information and policies

• DS Smith Community Engagement Policy
• DS Smith Charitable Foundation website

Performance

We are delighted to announce that we have achieved our target of all of our sites engaging in community programmes. Having only started our community programme less than two years ago, this is considerable progress. At DS Smith, we are just at the beginning of this journey and we look forward to announcing our new ambition for community activities.

Our sites have done incredible work to engage in their local communities. The last 12 months have seen our sites open their factory doors to school educational trips, our employees teach in classrooms, organise litter picks, support food banks and much more. As we have evolved, our focus has been less about simply hitting the target, and more about ensuring we generate real value for our surrounding communities. This is an important pivot in our attitude and culture overall as a business, and one which we have certainly seen shift significantly as a result of the recent coronavirus lockdown.

The global community programme continues to be facilitated by local budgets which have been set aside specifically for community activities only. There is a balance to be struck between strategy and responding to genuine need. However, most of the time we continue to focus on activities which fall into two key categories:

1. Environment: supporting the improvement and protection of the environment
2. Future generations: inspiring and educating future generations in a growing digital world by using our industry expertise and knowledge

Progress has not been without its challenges. Production sites are focused primarily on manufacturing and delivering products to our customers, so prioritisation of community activities is a delicate balance. There have also been a range of logistical and cultural differences to overcome around how community engagement is approached. At DS Smith, we continue to learn from these healthy challenges as we continually deliver more value for our local communities. This will be especially important as the world moves into a more difficult economic period.
OUR PERFORMANCE

innovation to work. We want to be passionate about what we do, encouraging our people to bring their creativity and workforce is critical to our business success. Having a modern, diverse, engaged and motivated workforce is key to our business success.

People expect varied careers, with fulfilling and purpose-driven companies whose values reflect their own. Expectations of their employers are evolving. The global workforce is changing and employees’ expectations of their employers are evolving. The global workforce is changing and employees’ expectations of their employers are evolving.

DS Smith performance highlights

43 per cent female representation on the first high potential leaders programme

How we apply our Purpose:

1. Developing strategies
2. Putting sustainability at the heart

88 per cent of millennials want to work for purpose-driven companies whose values reflect their own. Expectations of their employers are evolving. The global workforce is changing and employees’ expectations of their employers are evolving. The global workforce is changing and employees’ expectations of their employers are evolving.

50 per cent of employed adults across the USA, UK, France and Germany believe their employer should do more to increase diversity and inclusion.

Our Diversity and Inclusion (D&I) plan is regularly reviewed by our executive team. Through our D&I forum and other employee representative groups we can build the inclusive networks and local action plans that will have the greatest impact, focusing on the most relevant challenges for our people and communities.

One area of collective focus has been on improving representation of women through targeted action on talent attraction, development and agile working. In the past year the mean gender pay gap was 4.7 per cent (10.2 per cent in 2018) whilst the median gender pay gap was 6.7 per cent (10.3 per cent in 2018). The improvement is encouraging. To improve further we need more women in senior positions and are working to deepen the leadership pipeline. We currently have 28 per cent female representation in our global senior management population, 38 per cent of our second global leadership programme cohort and 43 per cent of our first high potential leaders programme cohort are female. We also aim for gender parity in our graduate hiring and through targeted action have achieved 40 per cent female representation across our graduate cohorts.

The Hampton-Alexander Review, one of the most reputable gender diversity benchmarks, has set a target of 33 per cent female representation on FTSE 350 boards by 2020. The report published in November 2019 ranked DS Smith based on our submission of gender diversity at Board and executive level. Our position at that date was 22nd ranking in the industry sector (manufacturing) and as at May 2020 we have achieved the target of 33 per cent gender diversity on our Board.

Engagement and sustainable employment

By giving all employees a voice, we create the opportunity to improve their work experience and increase their pride in working for DS Smith. Our biennial employee survey acts as a listening tool to get feedback from our employees. Sustainable engagement and employment, supporting people to stay in work and develop, is beneficial for us as a business and for employees. We measure success through a Sustainable Employability Index (SEI) using responses from our most recent employee survey on questions including ‘health and vitality’, ‘workability and skills’ and ‘wellbeing and work pride’.

Ethical standards of respect

At DS Smith, our Code of Conduct and Management Standards set out common processes for respecting other employees, human rights and business practices. For sites, alignment is monitored via the Sustainable Supplier Ethical Data Exchange (Sedex).

Modern slavery

As a Group, we have a zero-tolerance approach to modern slavery. The DS Smith Anti-Slavery and Human Trafficking policy governs our approach to modern slavery in our own and in our suppliers’ businesses. Our management of modern slavery risks is detailed in our annual statement. More information and policies

- Code of Conduct
- DS Smith Modern Slavery Policy and Statement
- DS Smith UK Gender Pay Gap report

Our SDG contribution

By building a diverse, engaged and respected workforce, we achieve full and productive employment and decent work for all women and men, including young people and people with disabilities (target 8.5), empowering and promoting inclusion and equal opportunities (also supporting targets 5.5 and 10.2).

Our next steps:

1. Continue to deliver consistently on the identified engagement action plans to ensure our employees’ voice is heard
2. Continue to execute Diversity and Inclusion plans
3. Reach out to a more diverse talent pool by determining our offer and accelerating the development of our existing diverse talent
4. Extend impact across the organisation to make sure we embrace the diversity of backgrounds and ideas and prioritise actions that have the most impact
5. Deepen our fact base

Case Study

Transgenerational training

The Netherlands and Finland implemented transgenerational training programmes after identifying shifts in the workforce age profile. Due to the success of the programmes we are exploring how to roll out globally.

Context

The global workforce is changing and employees’ expectations of their employers are evolving. People expect varied careers, with fulfilling and meaningful roles in inclusive working environments which respect their diverse personal circumstances. Having a modern, diverse, engaged and motivated workforce is critical to our business success. We want to be passionate about what we do, encouraging our people to bring their creativity and innovation to work.

“We know that the talent of today wants to work for a company that is tackling global sustainability challenges. Our Purpose and focus on the circular economy are increasingly helping us to attract great people to DS Smith.”

Jacky Wearn, Group HR Director

For more information please visit our website: www.dssmith.com/sustainability

Performance

Creating a modern, inclusive and diverse culture

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From engagement to strategy

Communication with our stakeholders is an essential building block of our sustainability strategy and activities. We have an ongoing dialogue with a range of stakeholders, listening to them in order to shape our priorities. We take a leading role in our industry to shape the sustainability agenda and deliver for society.

<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>Who we engaged with</th>
<th>What they told us</th>
<th>What we did</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers</td>
<td>We have a dedicated team and supporting network focused on supporting our customers across all segments and geographies with their sustainability challenges.</td>
<td>Driven by consumer trends and government regulations, customers are digging deeper into the sustainability comparisons of different product specifications in order to understand the net environmental impact of packaging. Technical expectations around sustainable design are on the rise.</td>
<td>Invested in the capability to conduct full life cycle analyses (LCA) and compare materials. Developed and launched our Circular Design Principles.</td>
</tr>
<tr>
<td>Investors</td>
<td>We have engaged with a significant portion of our largest shareholders, as well as some smaller shareholders, on topical issues of particular interest to them.</td>
<td>Investors’ top priority is honest and transparent communication. Their primary focus has been on plastics, forestry and carbon and the opportunity for DS Smith with sustainability as a growth driver across the packaging industry.</td>
<td>We have continued to invest in and improve performance in ESG assessments. Our investor materials showcase our latest plastic replacement projects and innovations.</td>
</tr>
<tr>
<td>Regulators and policy makers</td>
<td>• European Commission representatives, including Director General Environment, and various Ministers of the European Parliament • UK Ministers and Members of Parliament • Policy advisors and researchers • Local councillors</td>
<td>Driven by consumer trends, the primary focus of regulators and policy makers has been on: plastic packaging, waste, eco-design, Extended Producer Responsibility for packaging.</td>
<td>DS Smith responded to a range of government consultations, including: • EU Consultation on single-use plastics • Essential requirements regulations</td>
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<tr>
<td>Trade associations and cross-industry groups</td>
<td>• FEFCO (European Federation of Corrugated Board Manufacturers) • CEP (Confederation of European Paper Industries) • CPI (Confederation of Paper Industries) • The Packaging Federation • INCPEN (Industry Council for Research on Packaging and the Environment) • EUROPE (The European Organisation for Packaging and the Environment) • WRAP (Waste and Resources Action Programme) • BPF (British Plastics Federation) • FCCG (Food Contact Coordination Group) • National trade associations • 4Evergreen</td>
<td>Driven by government and policy makers, trade associations have been focused on: plastic, waste, recycling, awareness of the benefits of corrugated, implications of the above on product design.</td>
<td>Technical experts across our business were heavily involved in the following: the ‘Paper and Board Recyclability Recommendations’ (CPI and CEPI) the life cycle assessment of corrugated board 2018 (FEFCO) the ‘Food Contact Guidelines for the compliance of paper and board materials and articles’ (FCCG) multi-departmental teams hosted various workshops, including: Eunomia workshop on modulated recycling fees and FEFCO Influence the influencers day.</td>
</tr>
<tr>
<td>Media, consultancy and education</td>
<td>• Forbes • University of Arts London (UAL) • White Space • L’Ouboo • CNH, BBC and other reporters and editors</td>
<td>Our interactions with media and consultants have been focused on: company financial performance, company acquisitions, trends in plastics, e-commerce and recycling.</td>
<td>Our campaigns this year focused on: • University of Arts London (UAL) workshop on modulated recycling fees and FEFCO Influence the influencers day.</td>
</tr>
<tr>
<td>Non-governmental organisations and charities</td>
<td>• Ellen MacArthur Foundation • British Heart Foundation • Keep Britain Tidy • Greenpeace</td>
<td>The charities which we engaged with have been focused on environmental education, biodiversity and monoculture, healthy lifestyles and encouraging future generations.</td>
<td>We have donated more than £375,000 to a variety of groups involved in sustainability and circular economy education.</td>
</tr>
</tbody>
</table>

Materiality analysis

Focusing on the areas where we can have greatest impact

Our sustainability strategy (see pages 8-9) is focused on addressing a number of high priority sustainability topics where we believe we can have the greatest impact. These focus areas were identified through engagement with customers, investors, banks, regulators, trade associations and employees. We undertake this process, our materiality analysis, regularly to ensure our priorities remained aligned to those of our stakeholders.

We last undertook a materiality analysis in 2018. Over the past two years we have seen a rapid acceleration in the focus on a range of sustainability topics, from ocean plastics to natural habitat preservation, climate change to gender pay and employee wellbeing. Accordingly, as a result of achieving our three sustainability targets with a deadline for April 2020, we are currently refreshing our materiality analysis and will publish the results and a revised set of even more ambitious sustainability commitments in the near future.
A culture of transparency and good governance

Increasingly stakeholders are interested not just in what we do, but how we do it. A commitment to tackling some of the world’s biggest sustainability challenges is central to our Purpose. The right governance structures, accountability processes and transparent performance reporting are essential components of leadership in sustainability.

Sustainability governance

At DS Smith, our overarching sustainability strategy sits at the heart of our business model. Our targets are supported by policies and procedures which align the management of sustainability issues across our entire organisation. Ultimate accountability is with the Group Chief Executive and risks arising from sustainability are considered by the Board as being among the key risks to the Group’s operations. These are reviewed monthly by the Health, Safety, Environment and Sustainability Committee. Topics discussed this year include:

- Target performance
- Extended Producer Responsibility
- Recyclability definitions and plastics approach
- Carbon reduction targets and strategy
- FSCP International membership
- Modern slavery

To manage and mitigate risks adequately and effectively, we have put in place policies and procedures which are periodically reviewed for existing and emerging issues including:

- Conflict minerals
- Carbon and energy efficiency
- Community engagement
- Supplier standards
- Water stewardship
- Zero waste to landfill
- Sustainable forest management and fibre sourcing

Responsibility for making certain decisions, achieving targets and progressing projects is delegated to various functions, with regular oversight by the Group Sustainability Steering Group.

Commitment to transparent reporting

DS Smith remains committed to transparent reporting. For the fourth year running, this report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option, in line with best practice. We also continue to grow the number of submissions we make to highly reputable third-party platforms and benchmarks (see page 42).

Managing compliance

Ethical business conduct and compliance with local, national and international legislation are fundamental to our way of doing business. It is a licence to operate and a condition of trading. Building trust in our stakeholders and protecting our reputation are crucial, as they lead to repeat business and sustainable financial growth. We also continue to review and enhance our policies and procedures to maintain and improve our business practices and relationships.

Implementation of the Task Force on Climate-related Financial Disclosures (TCFD) recommendations

At DS Smith, sustainability related risks are embedded within everything we do. The chapters in this report reflect both risks and opportunities within our business.

Our teams in legal, risk, safety and sustainability provide guidance and oversight on climate-related risks. This allows the Group to respond to the complexities of operating in a changing world. The TCFD recommendations group risks into two categories: physical and transition risks. The Group Risk function assesses physical risks with support from our insurance partners FM Global. Transition risks are managed by the Group’s Sustainability team, collaborating across functions to examine these risks, including their financial implications.

Amongst other mega trends climate change is one of our biggest sustainability risks and is a force which will drastically reshape the world we live in. Climate-related risks are identified and assessed using a range of credible sources on an ongoing basis, evaluating the likelihood of occurrence and the estimated magnitude of the resulting financial impacts over short-term (current annual reporting cycle), medium-term (3-3 year) and long-term (3-10 year) horizons. This information is documented and, based on these criteria, material risks are assessed in greater depth, considering our operations, supply chain, stakeholder expectations and regulation. Our greatest climate-related transition risk is that we fail to meet the expected level of environmental performance in the design, manufacture, use and disposal of our products, threatening our ability to respond to customer preferences that favour low impact packaging.

The environmental footprint of our packaging is driven largely by energy consumption during paper manufacture, which exposes the Group to regulation that sets a price for GHG emissions under the Emissions Trading Scheme (EU ETS).

Our greatest opportunity is therefore to minimise our exposure to the increasing cost of GHG emissions by lowering our emissions through improved energy efficiency and consumption of renewable energy. This not only reduces our exposure to the increasing cost of GHG emissions but also improves the environmental performance of our products.

As this is strategically material, we have set a target to reduce our carbon emissions by 30 per cent per tonne of production by 2030 against a 2015 baseline. We have developed a roadmap of investments that once implemented will improve the GHG performance of our highest emitting assets and we are exploring the use of public-sector initiatives, partnerships and incentives to help fund the decarbonisation of our operations. This will improve the long-term resiliency of our energy supply, providing reliable, affordable and sustainable energy sources, reducing our exposure to legislation aimed at curtailing GHG emissions and improving the environmental performance of our product. Over the coming months, we will be undertaking analysis to review our existing portfolio, taking into consideration various climate-related scenarios. We expect to disclose the result of this analysis in 2021.
ESG and Sustainability Performance Benchmarks

We value the chance to have our performance assessed by external organisations and benchmarks. This year, we have continued to proactively submit to a wide range of highly reputable third-party platforms and benchmarks in order to demonstrate to a range of stakeholders our continued strong sustainability performance. Our focus every year is to develop plans to address any areas of weakness identified by these ratings to improve our performance.

Performance in benchmarks

Maintained assessment score of A, achieving the highest scoring range relative to global peers and demonstrating good corporate governance.

Maintained position within the top ten of peer group with a rating of 72.

Improved to a ‘Leadership’ category, achieving an A+ rating for each of the three assessments (climate change, forests and water security).

Continued inclusion in the Index since 2012, indicating DS Smith as a long-term, sustainable investment.

Maintained a leading position and awarded Gold, placing us in the top 5 per cent of all manufacturing companies who submitted.

Continued membership to the platform to ensure compliance with international labour standards.

Awarded to DS Smith for generating at least 50 per cent of our revenue from sustainable products and services.

As a Sounding Board member, DS Smith is involved in the development and testing of the most comprehensive circularity measurement tool for companies.

Other involvements

Awarded to DS Smith for generating at least 50 per cent of our revenue from sustainable products and services.

As a Sounding Board member, DS Smith is involved in the development and testing of the most comprehensive circularity measurement tool for companies.

Continued membership to the platform to ensure compliance with international labour standards.

Maintained position within the top ten of peer group with a rating of 72.

Improved to a ‘Leadership’ category, achieving an A+ rating for each of the three assessments (climate change, forests and water security).

Continued inclusion in the Index since 2012, indicating DS Smith as a long-term, sustainable investment.

Maintained assessment score of A, achieving the highest scoring range relative to global peers and demonstrating good corporate governance.

Maintained position within the top ten of peer group with a rating of 72.

Prime’ status, awarded to the top 20 per cent highest performers in our industry.

Commitment to transparent reporting and benchmarking

DS Smith remains committed to transparent reporting on progress to stakeholders. This year, we have continued to develop our internal non-financial data collection and reporting processes with a focus on improving the quality of data so that it is accurate, reliable and complete.

Statutory data is reported in both the Annual report 2020 (see page 30) and Sustainability Report 2020 (see page 44) and further data, including breakdowns by region and country, can be found in our online Data Book, Modern Slavery Statement and Gender Pay Gap Report.

For the fourth year running, this report has been prepared in accordance with the Global Reporting Initiative (GRI) Standard: Core option, in line with best practice. We also continue to submit to a wide range of reputable third-party platforms including CDP, EcoVadis, FTSE4Good and Sedex, which allows us to benchmark our performance against the industry.

Statistics and scope

Unless otherwise specified, any statistical information referred to in this report covers the calendar year January to December 2019 and refers to all 254 manufacturing sites that we have owned since January 2019. The following indicators have been externally verified:

- energy consumption
- greenhouse gas emissions
- raw material usage
- water consumption
- waste
- discharge to air and water, and
- production.

Environmental incidents

During the year, we received notification of breaches of minor environmental incidents at 32 sites. There were 0 major incidents (defined as incidents of significant impact reportable to local or national authorities, or incidents potentially resulting in legal prosecution) reported for the period of this report.
Environmental indicators

A summary of our environmental performance can be found below.

For further detail, please find our data book available to download:
dssmith.com/company/sustainability/our-environment/performance

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Unit of measurement</th>
<th>2015 (baseline)</th>
<th>2018 (restated)</th>
<th>2018 (with acquisitions and disposals)</th>
<th>% variance (with acquisitions and disposals)</th>
<th>% variance (like-for-like)</th>
<th>% variance against baseline</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scope 1 (tCO₂e)</td>
<td>Kt CO₂e</td>
<td>1,678</td>
<td>1,758</td>
<td>1,833</td>
<td>4</td>
<td>0</td>
<td>-6</td>
</tr>
<tr>
<td>Scope 2 (market)</td>
<td>Kt CO₂e</td>
<td>355</td>
<td>525</td>
<td>510</td>
<td>-3</td>
<td>-14</td>
<td>12</td>
</tr>
<tr>
<td>Emissions from energy exports</td>
<td>Kt CO₂e</td>
<td>348</td>
<td>381</td>
<td>398</td>
<td>5</td>
<td>5</td>
<td>11</td>
</tr>
<tr>
<td>Total CO₂ (net)</td>
<td>Kt CO₂e</td>
<td>1,686</td>
<td>1,902</td>
<td>1,944</td>
<td>2</td>
<td>-5</td>
<td>-7</td>
</tr>
<tr>
<td>Total energy exported</td>
<td>GWh</td>
<td>962</td>
<td>861</td>
<td>910</td>
<td>6</td>
<td>6</td>
<td>-10</td>
</tr>
<tr>
<td>Total energy consumption (net)</td>
<td>GWh</td>
<td>11,835</td>
<td>12,176</td>
<td>12,176</td>
<td>3</td>
<td>-2</td>
<td>-5</td>
</tr>
<tr>
<td>Total production</td>
<td>Kt</td>
<td>8,059</td>
<td>9,204</td>
<td>9,307</td>
<td>1</td>
<td>-3</td>
<td>4</td>
</tr>
<tr>
<td>Total waste to landfill</td>
<td>Kt</td>
<td>87</td>
<td>199</td>
<td>289</td>
<td>45</td>
<td>2</td>
<td>54</td>
</tr>
</tbody>
</table>

CO₂e per tonne of production (kg CO₂e/tonne nsp) | 209 | 207 | 209 | 1 | -3 | -11 |

Comments on the data:
1. 2019 (with acquisitions and disposals) data based on data from 254 in-scope sites.
2. 2020 (restated) data based on data from 248 in-scope sites. We have restated this data because we now have more accurate data available for the North American market than we had in 2018, which was the first year of ownership. In 2018, to report our performance it was necessary to estimate some data and we have since closed that gap with real data. This decision was taken to provide a useful comparison to the 2019 numbers reported.
3. Figures from all years are based on data from sites we owned for the entirety of that year. The 2019 (with acquisitions and disposals) data is based on sites we owned as of 1st January 2019. We have included the data from our Plastics business, which we have now disposed of, in both the 2018 and 2019 columns.
4. Total production is the sum of printed reels and paper reels from our paper mills; plastics production (all types) from our Plastics sites; recovered fibre and other materials collected and processed through our Recycling depot network; finished wood products from our timber business and boxes and sheets sold to third parties from our Packaging sites and other types of packaging production from these sites.
5. 5. DS Smith collects and reports environmental data in accordance with the guidelines of the Global Reporting Initiative and the Greenhouse Gas Protocol (GHG).
6. The CO₂ emissions were calculated using the UK DECC 2017 factors for all fuels.
7. The emissions factor for flare gas is estimated to be 240 kg/MWh of CO₂e.
8. The CHP that supplies our Belišće paper mill and corrugator with steam and electricity is fired by a combination of natural gas and flare gas. The emissions factor for flare gas is estimated to be 240 kg/MWh of CO₂e.
9. The CHP that supplies our Witzenhausen paper mill with steam is fired predominantly by refuse-derived fuels. The emissions factor for this site has been estimated as 32.77 kg/MWh of CO₂e.
10. The emissions factor for the electricity is 32.8 kg/MWh of CO₂e. The CHP supplies our Belišće paper mill and corrugator with steam and electricity is fired by a combination of natural gas and flare gas.
11. The 2015 vs 2019 comparison is based on exclusion of all disposals made in the period with the exception of the legacy Plastics Division.

GRI Content Index

This report has been prepared in accordance with the GRI Standards: Core option and the SASB Framework. The content index below refers to the relevant disclosures contained in the DS Smith Sustainability Report 2020 and the DS Smith Annual report 2020.

General Standard Disclosures

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<thead>
<tr>
<th>Indicator</th>
<th>Page number and links</th>
<th>External assurance</th>
<th>Stakeholder engagement</th>
<th>Page number and links</th>
<th>External assurance</th>
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<tr>
<td>Organisational profile</td>
<td>102-1</td>
<td>SR back cover</td>
<td>Yes</td>
<td>102-40</td>
<td>SR pg. 3B-39</td>
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<tr>
<td></td>
<td>102-2</td>
<td>AR pg. 4-7, SR pg. 4-5</td>
<td>102-41</td>
<td>GRI report*</td>
<td>102-39</td>
</tr>
<tr>
<td></td>
<td>102-3</td>
<td>SR back cover</td>
<td>102-42</td>
<td>SR pg. 3B-39</td>
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<tr>
<td></td>
<td>102-4</td>
<td>AR pg. 7, SR pg. 4</td>
<td>102-43</td>
<td>SR pg. 3B-39 and GRI report*</td>
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<tr>
<td></td>
<td>102-5</td>
<td>AR inside cover</td>
<td>102-44</td>
<td>SR pg. 3B-39</td>
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<tr>
<td></td>
<td>102-6</td>
<td>AR pg. 23</td>
<td>102-45</td>
<td>AR pg. 111</td>
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<tr>
<td></td>
<td>102-7</td>
<td>AR pg. 36-37, SR pg. 5</td>
<td>102-46</td>
<td>SR pg. 4, 43</td>
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<tr>
<td></td>
<td>102-8</td>
<td>AR pg. 27-29 and GRI report*</td>
<td>102-47</td>
<td>SR pg. 39 and GRI report*</td>
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<td></td>
<td>102-9</td>
<td>GRI report*</td>
<td>102-48</td>
<td>SR pg. 4</td>
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<td></td>
<td>102-10</td>
<td>SR pg. 4</td>
<td>102-49</td>
<td>SR pg. 44</td>
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<td>102-11</td>
<td>SR pg. 40</td>
<td>102-50</td>
<td>SR pg. 44</td>
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<tr>
<td></td>
<td>102-12</td>
<td>AR pg. 34, SR pg. 40</td>
<td>102-51</td>
<td>GRI report*</td>
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<td></td>
<td>102-13</td>
<td>SR pg. 3B and GRI report*</td>
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<td>SR pg. 43</td>
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<tr>
<td>Strategy</td>
<td>102-14</td>
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<td>102-53</td>
<td>SR back cover and website</td>
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<tr>
<td>Ethics and integrity</td>
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<td>AR pg. 4, SR pg. 4</td>
<td>102-54</td>
<td>SR pg. 43</td>
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<tr>
<td>Governance</td>
<td>102-18</td>
<td>SR pg. 40-41</td>
<td>102-55</td>
<td>SR pg. 43</td>
<td></td>
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</tbody>
</table>

Key
SR = Sustainability Report 2020, and if external assurance column contains “Yes”, please find statement on SR pg. 43
AB = Annual report 2020, and if external assurance column contains “Yes”, please find statement on AB pg. 35

* Our Sustainability Report 2020 content is defined by the topics which our internal and external stakeholders collectively found to be most important during our materiality analysis in 2017. However, there are some further aspects and indicators which are also material to our business. We have reported our actions on these aspects in our GRI disclosure report which can be found at: dssmith.com/company/sustainability/sustainabilityreport/GRI-disclosure-report
# Sustainability Accounting Standards Board (SASB) Framework

<table>
<thead>
<tr>
<th>Topic</th>
<th>Accounting Metric</th>
<th>Category</th>
<th>Unit of Measure</th>
<th>Code</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Greenhouse gas emissions</strong></td>
<td>Gross global Scope 1 emissions, percentage covered under emissions-limiting regulations</td>
<td>Quantitative</td>
<td>Metric Kilotonnes (Kt)</td>
<td>CO2e, Percentage (%)</td>
<td>RT-CP-110a.1</td>
</tr>
<tr>
<td></td>
<td>Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets</td>
<td>Discussion and analysis</td>
<td>n/a</td>
<td>RT-CP-110a.2</td>
<td>Page 27</td>
</tr>
<tr>
<td><strong>Air quality</strong></td>
<td>Air emissions of the following pollutants: (1) NOx (excluding N2O), (2) SOx, (3) volatile organic compounds (VOCs), and (4) particulate matter (PM)</td>
<td>Quantitative</td>
<td>Metric tonnes (T)</td>
<td></td>
<td>RT-CP-120a.1</td>
</tr>
<tr>
<td><strong>Energy management</strong></td>
<td>(1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable, (4) total self-generated energy</td>
<td>Quantitative</td>
<td>Gigawatt hours (GWh), Percentage (%)</td>
<td>RT-CP-130a.1</td>
<td>See Databook</td>
</tr>
<tr>
<td><strong>Water management</strong></td>
<td>(1) Total water withdrawn, (2) total water consumed, percentage of each in regions with high or Extremely high baseline Water Stress</td>
<td>Quantitative</td>
<td>Thousand cubic metres (m³), Percentage (%)</td>
<td>RT-CP-140a.1</td>
<td>See Databook</td>
</tr>
<tr>
<td></td>
<td>Description of water management risks and discussion of strategies and practices to mitigate those risks</td>
<td>Discussion and analysis</td>
<td>n/a</td>
<td>RT-CP-140a.2</td>
<td>Page 29</td>
</tr>
<tr>
<td></td>
<td>Number of incidents of non-compliance associated with water quality permits, standards, and regulations</td>
<td>Quantitative</td>
<td>Number</td>
<td>RT-CP-140a.3</td>
<td>Page 29</td>
</tr>
<tr>
<td><strong>Product Safety</strong></td>
<td>Amount of hazardous waste generated, percentage recycled</td>
<td>Quantitative</td>
<td>Metric Kilotonnes (Kt), Percentage (%)</td>
<td>RT-CP-150a.1</td>
<td>See Databook</td>
</tr>
<tr>
<td></td>
<td>Number of recalls issued, total units recalled</td>
<td>Quantitative</td>
<td>Number</td>
<td>RT-CP-250a.1</td>
<td>See Databook</td>
</tr>
<tr>
<td></td>
<td>Discussion of process to identify and manage emerging materials and chemicals of concern</td>
<td>Discussion and analysis</td>
<td>n/a</td>
<td>RT-CP-250a.2</td>
<td>See REACH Chemicals Management Policy</td>
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<tr>
<td><strong>Product Lifecycle Management</strong></td>
<td>Percentage of raw materials from: (1) recycled content, (2) renewable resources, and (3) renewable and recycled content</td>
<td>Quantitative</td>
<td>Percentage (%) by weight</td>
<td>RT-CP-410a.1</td>
<td>See Databook</td>
</tr>
<tr>
<td></td>
<td>Revenue from products that are reusable, recyclable and/or compostable</td>
<td>Quantitative</td>
<td>Reporting currency</td>
<td>RT-CP-410a.2</td>
<td>See Databook</td>
</tr>
<tr>
<td></td>
<td>Discussion of strategies to reduce the environmental impact of packaging throughout its lifecycle</td>
<td>Discussion and analysis</td>
<td>n/a</td>
<td>RT-CP-410a.3</td>
<td>Pages 18-21</td>
</tr>
<tr>
<td><strong>Supply chain management</strong></td>
<td>Total wood fiber procured, percentage from certified sources</td>
<td>Quantitative</td>
<td>Metric Kilotonnes (Kt), Percentage (%)</td>
<td>RT-CP-430a.1</td>
<td>See Databook</td>
</tr>
<tr>
<td></td>
<td>Total aluminum purchased, percentage from certified sources</td>
<td>Quantitative</td>
<td>Metric Kilotonnes (Kt), Percentage (%)</td>
<td>RT-CP-430a.2</td>
<td>Not disclosed</td>
</tr>
</tbody>
</table>

1. We consider this indicator immaterial in the manufacture of corrugated packaging.