REDEFINING

PACKAGING FOR A CHANGING WORLD

ANNUAL REPORT 2023

DS Smith

2022/23 HIGHLIGHTS

FINANCIAL

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

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

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

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

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

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

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

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

NON-FINANCIAL

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

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

100%
reusable or recyclable packaging manufactured (target achieved)

6%
reduction in accident frequency rate vs 2022

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

CONTENTS

THE DS SMITH DIFFERENCE

WHY INVEST IN DS SMITH?

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

STRONG MARKET DRIVERS

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

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

STRONG CUSTOMER BASE

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

AN INDUSTRY LEADER

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

A SUSTAINABILITY LEADER

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

STRONG FINANCIAL POSITION

Revenue growth +11 per cent.

Adjusted operating profit growth +35 per cent.

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

WINNING WITH CUSTOMERS

AT A GLANCE

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

PACKAGING

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

c. 25,000 employees

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

PAPER

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

c. 4,000 employees

c. 4.0 million tonnes CCM produced in 2022/23

RECYCLING

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

c. 1,000 employees

c. 5.7 million tonnes fibre managed in 2022/23

WHERE WE OPERATE

Our business operates in four geographic segments.

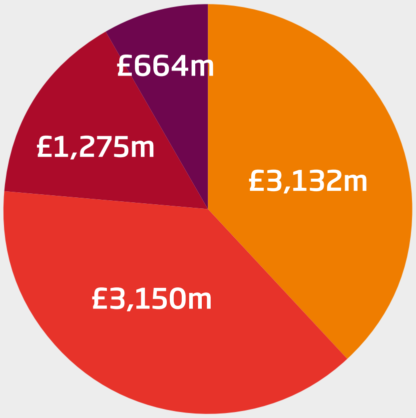
Northern Europe
Belgium, Denmark, Finland, Germany, Netherlands, Norway, Sweden, Switzerland and United Kingdom

Southern Europe
France, Italy, Portugal and Spain

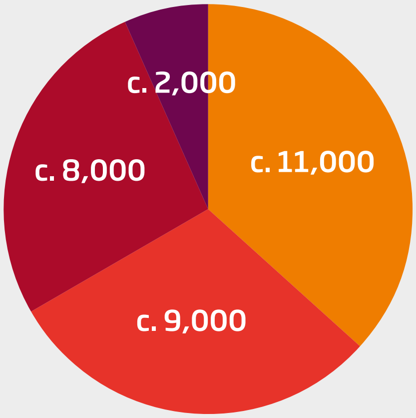
Eastern Europe
Austria, Bosnia and Herzegovina, Bulgaria, Croatia, Czechia, Estonia, Greece, Hungary, Latvia, Lithuania, North Macedonia, Poland, Romania, Serbia, Slovakia, Slovenia and Türkiye

North America
United States

2022/23 Revenue



2022/23 Employees



OUR PURPOSE AND VALUES

REDEFINING PACKAGING FOR A CHANGING WORLD

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

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

WE DELIVER OUR PURPOSE THROUGH OUR STRATEGIC GOALS...

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

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

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

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

See pages 16-17 for more information

AND OUR NOW & NEXT SUSTAINABILITY STRATEGY...

Our focus is on:

Circularity

Designing out waste and pollution, and keeping materials in use

Carbon

Decarbonising our operations and value chain

People & Communities

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

Nature

Protecting and regenerating nature

See pages 24-29 for more information

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

Underpinned by our values:

Be caring

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

Be trusted

We can always be trusted to deliver on our promises

Be challenging

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

Be tenacious

We get things done

Be responsive

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

UNDERSTANDING OUR CUSTOMERS

DYNAMICS OF OUR MARKETS

Sustainability

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

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

Retail

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

E-commerce

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

Digital and data

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

See more www.dssmith.com

$28bn

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

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

SNAPSHOT OF OUR CUSTOMERS

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

Change brings innovation and opportunity

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

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

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

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

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

THE DS SMITH DIFFERENCE

"We collaborate with DS Smith for the long term, and for the past ten years we have partnered on an exclusive supply basis. The strength of such relationships is put to the test in the hardest times, and DS Smith has proven a core partner to us.

They have demonstrated time and again that they can carry the responsibility of our exclusive agreement, and have the right culture to protect and prioritise our business, especially when it comes to shielding consumers from inflationary costs, for which we appreciate the very conscientious approach they take."

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

11%

11% REVENUE GROWTH

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

INNOVATING FOR OUR CUSTOMERS

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

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

Our customers value:

Local market presence

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

Security of supply

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

Forward-thinking and innovation

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

Tailored packaging solutions

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

Sustainable supply chains

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

Replacing plastic

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

CHAIR'S STATEMENT

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

Geoff Drabble
Chair

Strong strategic progress

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

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

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

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

Sustainability

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

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

The Board

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

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

Health and safety

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

Strong financial performance and position

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

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

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

Our strategic direction and outlook

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

ENGAGING WITH STAKEHOLDERS: SECTION 172 STATEMENT

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

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

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

GROUP CHIEF EXECUTIVE'S REVIEW

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

Miles Roberts
Group Chief Executive

Leading the transition to the circular economy

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

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

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

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

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

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

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

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

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

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

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

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

Q&A

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

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

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

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

How have you managed inflation and higher input prices?

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

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

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

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

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

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

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

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

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

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

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

OUR STRATEGY

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

To delight our customers

How we engage with customers

See more on pages 18-19

To realise the potential of our people

How we engage with our people

See more on pages 20-23

To lead the way in sustainability

How we engage with society

See more on pages 24-29

To double our size and profitability

How we engage with our investors

See more on pages 30-34

TO BE THE LEADER IN SUSTAINABLE PACKAGING SOLUTIONS

OUR RELATIONSHIPS AND RESOURCES

Our people and values

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

Manufacturing and other physical assets

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

Our relationships

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

Intellectual capital

We have substantial customer understanding, innovation and patented designs.

Digital and data

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

Financial capital

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

Natural capital

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

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

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

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

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

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

HOW WE CREATE VALUE

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

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

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

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

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

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

OUR DIFFERENTIATORS

- Scale
- Innovation
- Sustainability and circular economy

MARKET DRIVERS

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

THE VALUE WE CREATE

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

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

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

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

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

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

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

See pages 14-15 for more information on our stakeholders

UNDERSTANDING OUR STAKEHOLDERS

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

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

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

OUR STRATEGY AND KPIS

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

OUR STRATEGIC PILLARS

TO DELIGHT OUR CUSTOMERS

We do this by:

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

TO REALISE THE POTENTIAL OF OUR PEOPLE

We do this by:

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

TO LEAD THE WAY IN SUSTAINABILITY

We do this by:

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

OUR NON-FINANCIAL KPIS

On-time, in-full deliveries (OTIF)

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

Why this is a KPI

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

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

2023 Target: 97%

Our corrugated packaging customers by volume

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

Why this is a KPI

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

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

Accident frequency rate (AFR)

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

Why this is a KPI

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

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

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

FTSE Women Leaders Report 2022

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

Why this is a KPI

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

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

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

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

Carbon reduction

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

Why this is a KPI

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

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

2030 Target: 4,651,383 tonnes CO_2e

Plastic replacement

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

Why this is a KPI

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

2023	**762 million units***

2025 Target: 1 billion units

* Cumulative to the end of 2022/23.

TO DOUBLE OUR SIZE AND PROFITABILITY

We do this by:

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

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

OUR FINANCIAL KPIS

LFL corrugated box volume growth

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

Why this is a KPI

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

2023	-5.8%
2022	5.4%
2021	3.5%

2023 Target: 3%

Net debt/EBITDA

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

Why this is a KPI

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

2023	1.3x
2022	1.6x
2021	2.2x

2023 Target: <2.0x

Return on sales

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

Why this is a KPI

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

2023	10.5%
2022	8.5%
2021	8.4%

2023 Target: 10% - 12%

Cash conversion

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

Why this is a KPI

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

2023	101%
2022	142%
2021	150%

2023 Target: >100%

Adjusted return on average capital employed

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

Why this is a KPI

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

2023	14.3%
2022	10.8%
2021	8.2%

2023 Target: 12% - 15%

TO DELIGHT OUR CUSTOMERS

84%
FMCG and other consumer goods

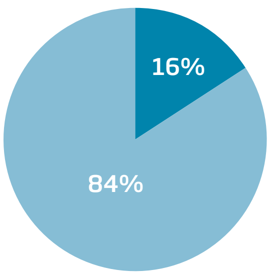
762M
units of plastic replaced since 2020

96%
OTIF deliveries

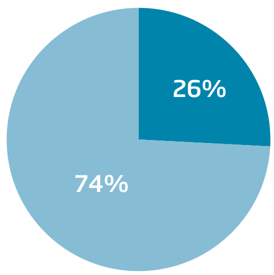
Packaging

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

Our corrugated packaging customers by volume



European industry average corrugated packaging by volume



● Industrial ● FMCG and other consumer goods

Source: DS Smith analysis

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

Circular Design Metrics in action

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

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

Dajana Mrčela
CEO of Saponia d.d.

Case study: Replacing plastic with Velux

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

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

Paper

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

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

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

Recycling

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

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

Case study: Award-winning work with the Cotswold Company

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

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

Jacquie Silvester
Head of Sustainability and Improvement at Cotswold Co

TO REALISE THE POTENTIAL OF OUR PEOPLE

+29%
leadership-led health and safety activities

45,000
leadership safety talks

176,000
observation tours

Ensuring the health, safety and wellbeing of all

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

Health and safety culture

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

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

Wellbeing of our people

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

Engaging our employees

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

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

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

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

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

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

Developing our employees

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

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

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

Leadership and talent development

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

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

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

Case study: Compass programme

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

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

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

Creating a modern, inclusive and diverse culture

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

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

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

Definition of DE&I

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

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

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

Case study: Culture and ethnic diversity network

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

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

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

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

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

Diversity of our team

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

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

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

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

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

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

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

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

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

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

TO LEAD THE WAY IN SUSTAINABILITY

762M

units of plastic replaced with corrugated since 2020/21

10%

reduction in total GHG emissions since last year

100%

reusable or recyclable packaging manufactured

Now & Next Sustainability Strategy

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

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

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

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

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

Circularity

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

Carbon

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

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

People & Communities

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

Nature

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

Materiality assessment

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

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

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

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

Now & Next Sustainability Strategy progress

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

Now & Next Sustainability Strategy target			2022/23	2021/22	Status
Circularity	**Design out waste and pollution**	By 2025, optimise fibre for individual supply chains in 100 per cent of new packaging solutions	**64%**	26%	Ahead
		By 2030, optimise every fibre for every supply chain	**Ongoing**	Ongoing	On track
		By 2025, help our customers to take one billion pieces of problem plastic off supermarket shelves	**762 million cumulative total since 2020/21**		Ahead
		By 2030, send zero waste to landfill	**204,637 tonnes**	255,920 tonnes	On track
	Keep materials in circulation	By 2025, test up to five reuse pilots and continue to manufacture 100 per cent recyclable and reusable packaging	**New target**		Early stage
		By 2030, aim for all our packaging to be recycled or reused	**Ongoing**	Ongoing	On track
Carbon	**Decarbonise our operations and value chain**	By 2030, reduce Scope 1, 2 and 3 GHG emissions by 46 per cent compared to 2019	**7,391,418 tonnes CO_2e**	8,250,702 tonnes CO_2e	On track
		By 2027, encourage 100 per cent of our strategic suppliers (representing 76 per cent of purchased goods and services emissions) to set their own science-based targets.	**32%**		On track
		By 2050, reach Net Zero GHG emissions	**Ongoing**	Ongoing	On track
People & Communities	**Engage people and communities**	By 2025, engage 100 per cent of our people on the circular economy	**57%**	50%	On track
		By 2030, engage 10 million people on the circular economy and circular lifestyles	**8.4 million cumulative total since 2020/21**		Ahead
		100 per cent of our sites engaged in community activities each year	**100%**	100%	Achieved
	Provide a safe and inclusive workplace	Reduce the Accident Frequency Rate (AFR) every year	**1.82**	1.93	On track
		Strive to achieve Vision Zero	**Ongoing**	Ongoing	On track
		By 2025, inclusive leadership workshops completed by all leadership teams across sites	**New target**		On track
		By 2030, improve gender diversity towards 40 per cent women in senior leadership and set an aspiration for other protected characteristics	**34.5%**	31.8%	On track
	Respect human rights	By 2025, complete SEDEX SAQ roll out to all sites and perform appropriate auditing of SAQs	**56%**		On track
		Continue to improve human rights due diligence each year	**Ongoing**	Ongoing	On track
Nature	**Protect and regenerate forests and biodiversity**	By 2025, measure and improve biodiversity in our own forests and assess our dependencies on nature	**Ongoing**	Ongoing	On track
		By 2025, biodiversity programmes in place at each of our paper mills	**13**	12	On track
		Set targets to regenerate nature taking a science-based approach	**New target**		Early stage
	Water management	By 2025, 100 per cent of our paper mills and packaging sites to have water management plans	**New target**		Early stage
		By 2030, 10 per cent reduction in water withdrawal intensity at mills at risk of water stress compared to 2019	**8.9m³ / t nsp**	8.1m³ / t nsp	Behind

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

Now & Next progress highlights

Circularity

Designing out waste and pollution

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

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

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

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

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

Keeping materials in circulation

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

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

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

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

Carbon

Decarbonising our operations

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

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

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

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

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

Decarbonising our value chain

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

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

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

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

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

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

People & Communities

Engaging our people and communities on the circular economy

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

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

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

Respecting human rights

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

Providing a safe and inclusive workplace

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

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

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

Nature

Protecting and regenerating forests and biodiversity

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

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

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

Water management

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

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

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

Governance of sustainability

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

Topics discussed this year included:

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

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

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

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

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

Alignment with international frameworks

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

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

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

ESG ratings

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

EcoVadis: Platinum

MSCI: AA

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

Sustainalytics: 'Low ESG Risk'

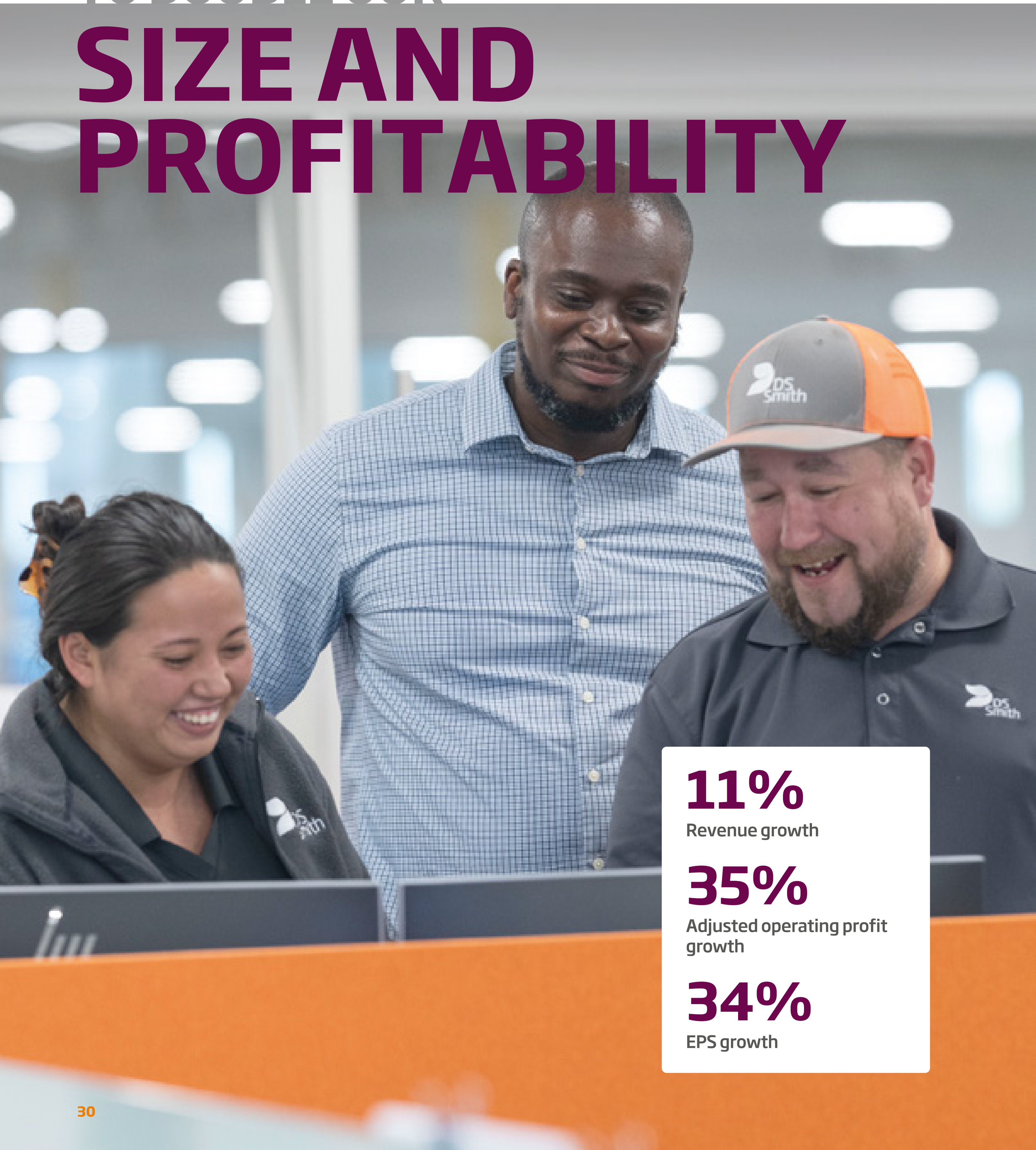
Circulytics: A-

FTSE4Good: Included since 2012

ISS: 'Prime' B-

UN Global Compact: Member since 2013

TO DOUBLE OUR SIZE AND PROFITABILITY



11%
Revenue growth

35%
Adjusted operating profit growth

34%
EPS growth

OPERATING REVIEW

Deep customer relationships and cost mitigation driving profit growth

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

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

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

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

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

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

Cash flow and net debt

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

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

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

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

* See notes on page 34

Investing for growth

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

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

Leading the way in sustainability

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

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

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

Dividend

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

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

Progress against medium-term targets

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

* See notes to the financial tables on page 34.

Our medium-term targets and key performance indicators

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

Non-financial key performance indicators

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

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

Operating review

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

Group

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

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

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

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

Northern Europe

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

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

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

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

Southern Europe

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

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

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

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

Eastern Europe

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

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

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

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

North America

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

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

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

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

Outlook

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

Notes to the financial tables

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

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

FINANCIAL REVIEW

"

Delivering profit growth in a challenging economic environment.

Adrian Marsh
Group Finance Director

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Overview

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

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

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

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

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

Non-GAAP performance measures

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

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

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

Trading results

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

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

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

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

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

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

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

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

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

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

Adjusting items

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

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

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

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

Interest, tax and earnings per share

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

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

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

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

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

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

Acquisitions and disposals

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

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

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

Cash flow

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

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

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

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

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

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

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

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

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

Statement of financial position

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

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

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

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

Energy costs

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

Capital structure and treasury management

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

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

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

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

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

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

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

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

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

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

Impairment

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

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

Pensions

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

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

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

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

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

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

RISK MANAGEMENT: SAFEGUARDING OUR PURPOSE

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

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

OVERSIGHT OF OUR PRINCIPAL RISKS

Enterprise risk management framework, policies, standards and governance

12 PRINCIPAL RISKS

1. Macroeconomic impacts
2. Paper/fibre price volatility
3. Cyber attacks
4. Shopping habits
5. Regulation and governance
6. Sustainability commitments
7. Organisation capability
8. Packaging capacity fluctuations
9. Disruptive market players
10. Substitution of fibre packaging
11. Security of paper/fibre supply
12. Digital enablement

TOP DOWN

- Quarterly — **Audit Committee**
- Quarterly — **Group Strategy Committee**
- Monthly — **Group Operating Committee**

BOTTOM UP

- Quarterly — **Group Compliance Committee**
- Ongoing — **Internal Audit**
- Ongoing — **Group Risk**
- Ongoing — **Group functions**
- Ongoing — **Divisions & Regions**

RESILIENCE

LINES OF ASSURANCE

- 1ST — Operational management
- 2ND — Governance, Risk, Audit & Compliance support functions
- 3RD — Policies & procedures
- 4TH — Internal audit & control reviews
- 5TH — External assurance

Our risk perspective

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

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

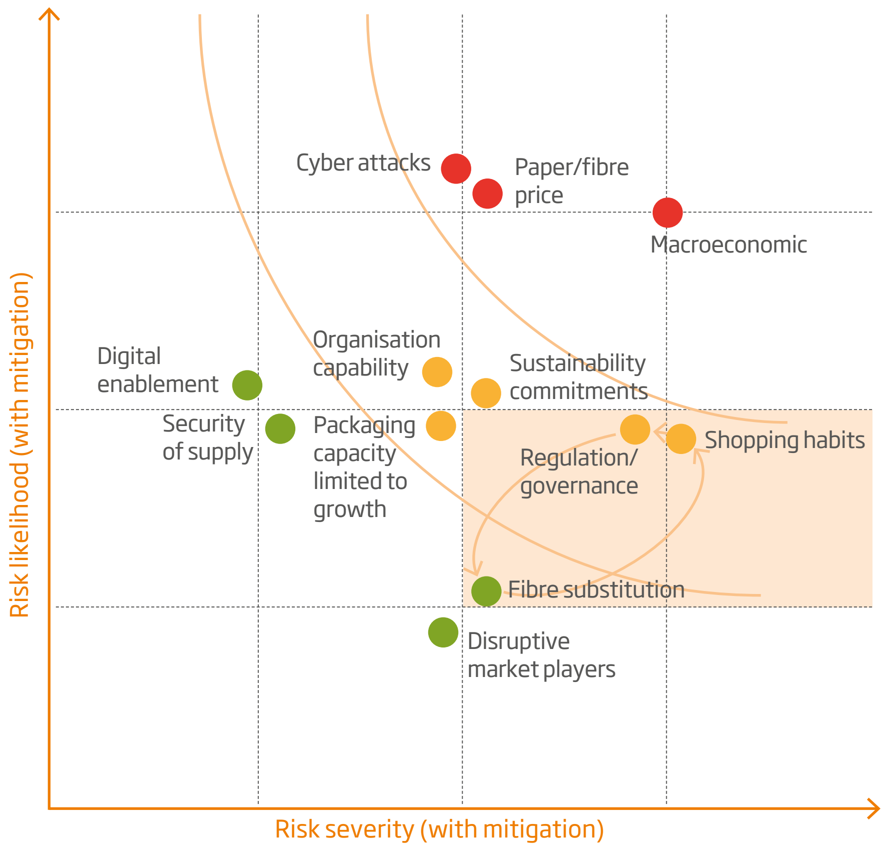
As in the past these tests are not new and with each fresh set of challenges we remain confident in the fundamentals of our business strategy and our allocation of resources and investments to be able to withstand these headwinds, improve our business and take advantage of key areas of opportunity.

Annual risk reporting cycle

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

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

Principal risks heat map



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

Bubble colour reflects risk relative priority

- highest risk
- second level priority
- third level priority

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

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

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

Climate-related risks and opportunities and principal risks

See pages 53 to 55

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

Our principal risks

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

Macroeconomic impacts

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

Definition

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

Key defence/mitigations

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

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

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

Link to business strategy

To double our size and profitability

Opportunity

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

Key risk indicator

Eurozone GDP growth rate.

Risk tolerance

Risk outlook

Paper/fibre price volatility

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

Definition

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

Key defence/mitigations

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

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

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

Link to business strategy

To double our size and profitability

Opportunity

Strengthening our value proposition and the fibre and efficiency programmes.

Key risk indicator

Paper/recovered fibre market price and box selling price.

Risk tolerance

Risk outlook

Cyber attacks

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

Definition

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

Key defence/mitigations

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

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

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

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

Link to business strategy

To double our size and profitability

Opportunity

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

Key risk indicator

IT security training effectiveness and phishing campaign statistics.

Risk tolerance

Risk outlook

Risk rank change by year key

Principal risk example 1 – highest 12 – lowest

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

Net risk tolerance key

Unacceptable Re-assess Acceptable

Risk outlook

Increasing Stable Decreasing

Shopping habits

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

Definition

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

Key defence/mitigations

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

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

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

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

Link to business strategy

To double our size and profitability

Opportunity

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

Key risk indicator

Revenue and production growth for FMCG sector.

Risk tolerance

Risk outlook

Regulation and governance

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

Definition

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

Key defence/mitigations

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

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

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

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

Link to business strategy

To delight our customers

Opportunity

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

Key risk indicator

Group and divisional compliance training and reviews.

Risk tolerance

Risk outlook

Sustainability commitments

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

Definition

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

Key defence/mitigations

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

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

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

Link to business strategy

To lead the way in sustainability

Opportunity

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

Key risk indicator

Reduction of CO_2e per tonne of production.

Risk tolerance

Risk outlook

Risk rank change by year key

Principal risk example 1 – highest 12 – lowest

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

Net risk tolerance key

Unacceptable Re-assess Acceptable

Risk outlook

Increasing Stable Decreasing

Organisation capability

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

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

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

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

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

Link to business strategy
To realise the potential of our people

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

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

Risk tolerance

Risk outlook

Packaging capacity fluctuations

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

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

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

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

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

Link to business strategy
To delight our customers

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

Key risk indicator
Packaging demand and production volume metrics.

Risk tolerance

Risk outlook

Disruptive market players

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

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

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

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

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

Link to business strategy
To double our size and profitability

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

Key risk indicator
Proportion of market share.

Risk tolerance

Risk outlook

Substitution of fibre packaging

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

Definition

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

Key defence/mitigations

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

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

Link to business strategy

To lead the way in sustainability

Opportunity

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

Key risk indicator

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

Risk tolerance

Acceptable

Risk outlook

Decreasing

Security of paper/fibre supply

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

Definition

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

Key defence/mitigations

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

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

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

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

Link to business strategy

To double our size and profitability

Opportunity

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

Key risk indicator

Paper/recovered fibre supply volumes.

Risk tolerance

Acceptable

Risk outlook

Decreasing

Digital enablement

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

Definition

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

Key defence/mitigations

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

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

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

Link to business strategy

To delight our customers

Opportunity

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

Key risk indicator

Customer satisfaction surveys and website visitor traffic.

Risk tolerance

Acceptable

Risk outlook

Stable

Risk rank change by year key

Principal risk example 1 – highest 12 – lowest

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

Net risk tolerance key

Unacceptable Re-assess Acceptable

Risk outlook

Increasing Stable Decreasing

Continuous improvement is the cornerstone of our risk management

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

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

Emerging risks

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

New wave of nationalism – global operations operating locally

Description

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

Impact

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

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

Action

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

Prolonged extreme weather and infrastructure impact

Description

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

Impact

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

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

Action

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

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

Viability Statement

Context

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

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

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

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

Assessment of longer-term viability

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

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

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

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

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

Confirmation of viability

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

Going concern

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

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

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

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

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

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

Liquidity and financing position

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

Overview

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

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

Mitigating actions

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

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

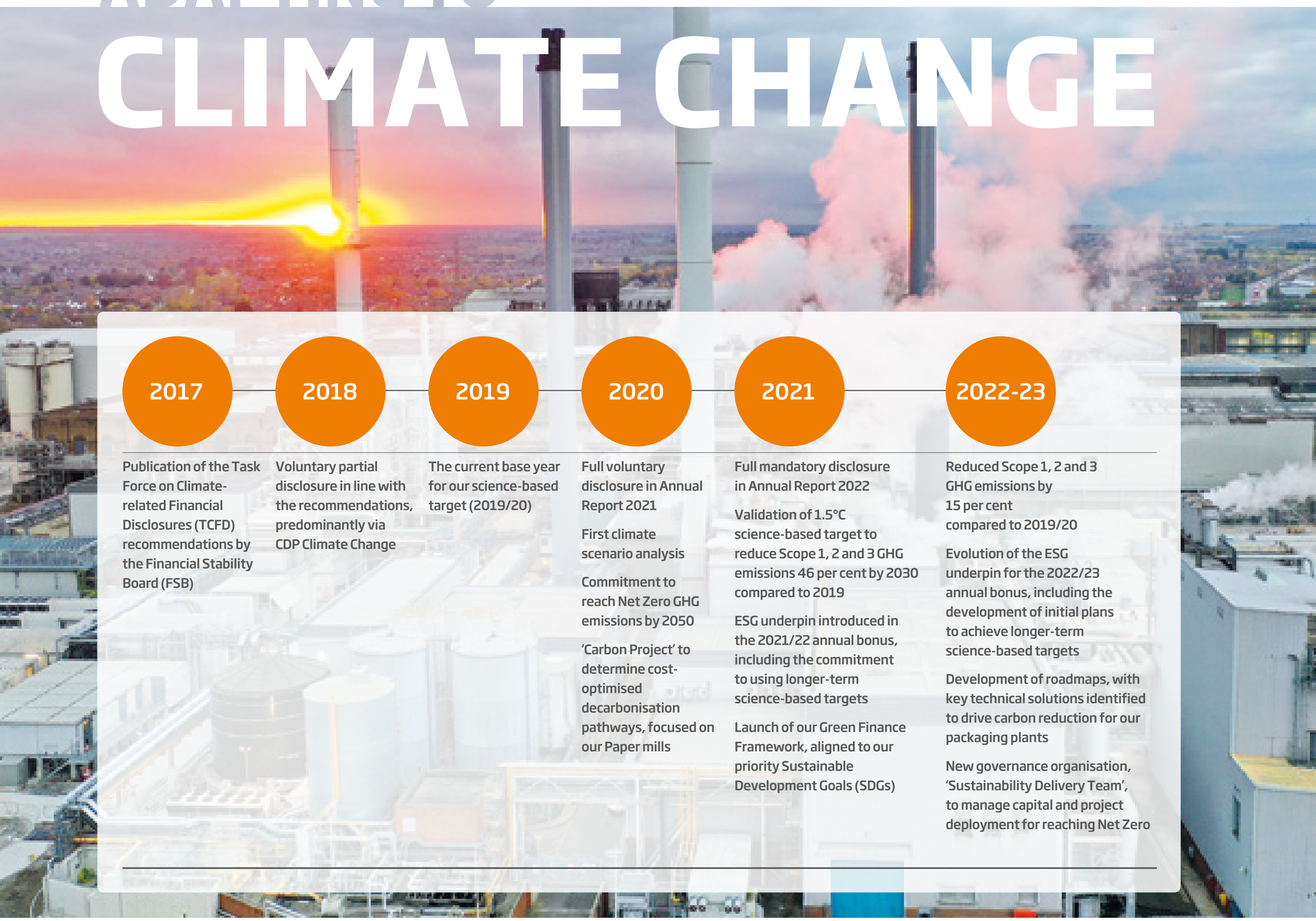
The Group could also consider actions to assist covenant compliance, such as increased utilisation of debt factoring facilities and optimising working capital by negotiating longer payment terms whilst continuing to pay suppliers in full and in line with contractual terms.

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

Going concern basis

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

ADAPTING TO CLIMATE CHANGE



2017	2018	2019	2020	2021	2022-23
Publication of the Task Force on Climate-related Financial Disclosures (TCFD) recommendations by the Financial Stability Board (FSB)	Voluntary partial disclosure in line with the recommendations, predominantly via CDP Climate Change	The current base year for our science-based target (2019/20)	Full voluntary disclosure in Annual Report 2021 First climate scenario analysis Commitment to reach Net Zero GHG emissions by 2050 'Carbon Project' to determine cost-optimised decarbonisation pathways, focused on our Paper mills	Full mandatory disclosure in Annual Report 2022 Validation of 1.5°C science-based target to reduce Scope 1, 2 and 3 GHG emissions 46 per cent by 2030 compared to 2019 ESG underpin introduced in the 2021/22 annual bonus, including the commitment to using longer-term science-based targets Launch of our Green Finance Framework, aligned to our priority Sustainable Development Goals (SDGs)	Reduced Scope 1, 2 and 3 GHG emissions by 15 per cent compared to 2019/20 Evolution of the ESG underpin for the 2022/23 annual bonus, including the development of initial plans to achieve longer-term science-based targets Development of roadmaps, with key technical solutions identified to drive carbon reduction for our packaging plants New governance organisation, 'Sustainability Delivery Team', to manage capital and project deployment for reaching Net Zero

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

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

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

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

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

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

Compliance statement

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

Governance

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

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

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

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

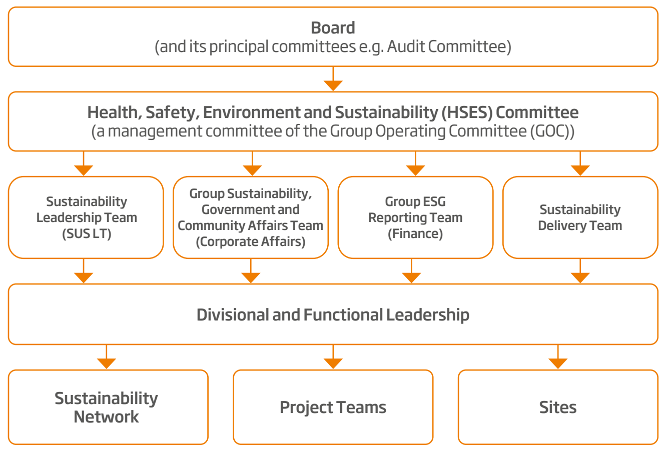
Members of the Health, Safety, Environment and Sustainability (HSES) Committee, chaired by the Group Chief Executive, assess and manage climate-related risks and opportunities. This Committee meets monthly, having met 12 times during 2022/23 to discuss, amongst other topics, GHG emissions forecasts,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

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

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

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

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



Strategy

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

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

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

Climate-related risks

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

Climate-related opportunities

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

Climate-related risks

Increased spend on carbon taxes

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

Increased cost of raw materials or threat to supply

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

Increased severity of extreme weather events

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

Increased likelihood of water stress

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

Climate-related opportunities

Growth in demand for sustainable packaging

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

Greater resource efficiency

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

Use of lower-emission energy sources

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

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

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

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

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

●●●●● Greater likelihood ● Lesser likelihood

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

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

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

Acquisitions or divestment

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

Products and services

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

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

Operations

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

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

Research and development (R&D)

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

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

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

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

Climate-related risks

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

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

Climate-related opportunities

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

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

Climate scenario analysis methodology

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

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

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

IEA SDS 1.5°C by 2030 (Pulp & Paper)

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

IEA Net Zero Emissions by 2050 (Pulp & Paper)

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

IEA ETP SDS 2°C

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

IPCC RCP 8.5 4°C

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

Outcome of our climate scenario analysis

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

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

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

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

Implications for financial planning

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

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

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

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

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

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

Risk management

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Metrics and targets

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

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

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

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

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

Carbon pricing

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

Climate-related remuneration

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

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

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

For more information, see page 108.

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

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

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

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

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

Methodology

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

Independent Assurance Statement

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

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

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

EU TAXONOMY

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

Background

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

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

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

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

- Climate change mitigation
- Climate change adaptation.

How does it work?

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

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

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

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

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

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

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

EU Taxonomy eligible and aligned activities

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NON-FINANCIAL AND SUSTAINABILITY INFORMATION (NFSI) STATEMENT

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

Compliance statement

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

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

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

Our policies

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

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

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

Statement of approval

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

Miles Roberts
Group Chief Executive

BOARD OF DIRECTORS

N R

Geoff Drabble
Chair

Appointed to the Board on 1 September 2020 as a Non-Executive Director and became the Chair of the Board and the Nomination Committee on 3 January 2021.

Key strengths
- Wealth of industrial and international experience
- Extensive experience of chairing boards

Skills, experience and contribution
Geoff's wealth of industrial and international experience, combined with his experience of chairing boards of listed companies and his awareness of both the non-executive and chief executive perspective, means that his skills and experience contribute to the Board's practical understanding of good governance in action, balancing stakeholders' interests across the range of issues considered by the Board, including environmental, social and governance (ESG) matters.

Geoff served for 12 years as Chief Executive of Ashtead Group plc, the FTSE 100 industrial equipment rental company. He was previously an executive director of The Laird Group plc and held a number of senior management positions at Black & Decker. Geoff retired from being the Senior Independent Director at Howden Joinery Group Plc in May 2023.

External appointment
Geoff is non-executive chair of Ferguson plc.

N

Miles Roberts
Group Chief Executive

Appointed to the Board on 4 May 2010 as Group Chief Executive.

Key strengths
- Clear strategic mindset
- Strong leadership skills

Skills, experience and contribution
Miles' strong leadership skills combined with his clear strategic mindset, rooted in the practicality of his engineering and accountancy training, means that his skills and experience, and ability to identify material risks and sustainable growth opportunities for the Group's business, contribute to the Board's clear strategic vision. He brings to the Board extensive financial and operational experience particularly within international manufacturing industries.

Following his early career in engineering, Miles became a chartered accountant. He was previously Chief Executive of McBride plc, having originally joined as its Group Finance Director.

As Group Chief Executive, Miles leads the executive management of the Group and is responsible for DS Smith's overall ESG performance and its clear objectives at the centre of our business model, taking into account the Board's risk appetite. He chairs the Group's Health, Safety, Environment and Sustainability Committee that monitors the establishment of goals, management of risks and opportunities, reporting and related governance procedures in that area.

External appointment
Miles is a non-executive director of Land Securities Group PLC.

Adrian Marsh
Group Finance Director

Appointed to the Board on 24 September 2013 as Group Finance Director, Adrian will retire from the Board on 30 June 2023.

Key strengths
- Strong financial and risk management expertise within an international context
- Wealth of finance experience in large, listed multinationals

Skills, experience and contribution
Adrian's depth of experience in a range of financial roles in large, listed multinationals means that his skills and experience contribute to the Board's understanding of all aspects of the financial implications, whether risks to be assessed and managed, or opportunities to be identified and realised, of both the day to day and project aspects of the Group's business and operations.

As the former head of Tax, Treasury and Corporate Finance at Tesco PLC, Adrian has helped DS Smith to significantly build the finance function and deliver strong financial results. As a qualified accountant, and coming from a FTSE background, he has held divisional CFO positions at both AstraZeneca plc and Pilkington plc.

External appointments
Adrian is a non-executive director and audit committee chair at John Wood Group PLC and with effect from 1 May 2023 became non-executive director and chair of the risk and audit committee of Co-operative Group Limited.

Principal Board Committees key:

A Audit Committee

N Nomination Committee

R Remuneration Committee

Chair

A N R

Celia Baxter
Non-Executive Director

Appointed to the Board on 9 October 2019 as a Non-Executive Director and Chair of the Remuneration Committee.

Key strengths
- Extensive HR experience and ESG knowledge and experience
- Board experience in non-UK listed companies

Skills, experience and contribution
Celia's background of working in a range of sectors means that, as well as her experience as a remuneration committee chair and her understanding of employee dynamics and ESG issues, she brings extensive and practical business knowledge to the Board.

Celia was Director of Group HR and responsible for all ESG activities at Bunzl plc for 13 years. Her early executive career was with Ford Motor Company and KPMG. She has held HR positions with Hays plc, Enterprise Oil Plc and Tate & Lyle Plc. As a non-executive director she was on the board of NV Bekaert SA until May 2020 and on the board of RHI Magnesita N.V. until June 2021 and retired as Senior Independent Director and the remuneration committee chair at Senior plc in April 2023.

External appointments
Celia is the senior independent director and remuneration committee chair of Dowlais Group plc and non-executive director of discoverIE Group plc.

A N R

Alan Johnson CMG
Non-Executive Director

Appointed to the Board on 1 June 2022 as a Non-Executive Director.

Key strengths
- Strong financial background in the FMCG sector
- Extensive international experience

Skills, experience and contribution
Alan's extensive financial and international experience working within the consumer goods and retail sectors and his experience of chairing international accountancy bodies brings a range of important different perspectives to contribute to the Board's discussions.

Alan has been President and Chair of the Board of the International Federation of Accountants and chaired the audit committee of the International Valuation Standards Council. Alan held a number of senior finance positions at Unilever during a 30-year career, including Chief Audit Executive and Chief Financial Officer of the Global Foods Division. He was previously Chief Financial Officer and then a non-executive director at food retailer Jerónimo Martins, SGPS, SA until April 2016.

External appointments
Alan is a non-executive director of Imperial Brands plc and William Grant & Sons Holdings Limited, where he also chairs the audit committee and has been appointed as the inaugural Chair of the Stakeholder Advisory Council, which will provide strategic advice to the International Ethics Standards Board for Accountants and the International Auditing and Assurance Standards Board.

A N R

Alina Kessel
Non-Executive Director

Appointed to the Board on 1 May 2020 as a Non-Executive Director.

Key strengths
- Broad and wide-ranging marketing experience
- International outlook

Skills, experience and contribution
Alina's experience of living, as well as working, in a number of different countries, including the US, combined with her expertise in marketing and communications means that her skills and experience contribute an additional perspective to the Board's discussions, particularly when considering the interests of employees (based in over 30 countries) and our global customers and discussing how to communicate key non-financial aspects of our business.

She has over 25 years of experience building global brands for large multinational clients, helping them grow their business through communications, experience, commerce and technology. Her current role with WPP includes working with global clients on their sustainability agenda. Originally from Ukraine and a US national, Alina has lived and worked in the UK, US, Australia and Germany.

External appointment
Alina is a Global Client Leader at WPP, a leading international marketing communications company.

Eric Olsen
Non-Executive Director

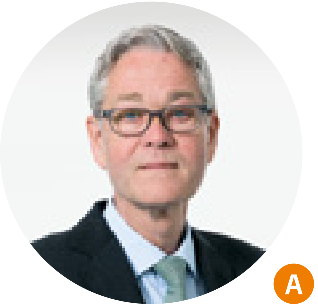
Appointed to the Board as a Non-Executive Director on 15 May 2023.

Key strengths
- Knowledge of manufacturing operations
- Experience in leading multinational listed entities

Skills, experience and contribution
Eric's extensive experience in the fields of finance, human resources, strategy, operations and global leadership will contribute a deepening of the range of perspectives brought to the Board's discussions.

Eric is a Certified Public Accountant (CPA), holding a Master of Business Administration from HEC international business school in Paris. Eric was the CEO of LafargeHolcim from 2015-2017. Prior to that he also held a number of other roles within the Lafarge Group, including as EVP Organisation and Human Resources and EVP in charge of Operations. Eric started his career in the field of M&A at Deloitte & Touche and Banque Paribas and was one of the managing partners of Trinity Associates for six years. Eric has dual American and French nationalities.

External appointments
Eric is CEO of Aliaxis SA, board member of Fortera Inc, member of the Technical and Strategic Advisory Committee of Breakthrough Energy Ventures Europe and a corporate advisor for Temasek Holdings Inc.



David Robbie
Senior Independent Director

Appointed to the Board as a Non-Executive Director on 11 April 2019 and became Chair of the Audit Committee at the conclusion of the 2019 AGM. He was appointed Senior Independent Director on 28 February 2022.

Key strengths
- Strong financial, risk management and corporate finance experience
- International and strategic mindset

Skills, experience and contribution
David's strong financial, risk management and corporate finance experience combined with his international and strategic mindset and practical governance experience with over 20 years serving as a director on FTSE boards means that his skills and experience add depth to the Board's discussions in these areas.

David was the Senior Independent Director and chair of the audit committee at FirstGroup plc until June 2021. He was previously Finance Director of Rexam PLC. Prior to his role at Rexam, David served in senior finance roles at BTR plc before becoming Group Finance Director at CMG plc in 2000 and then Chief Financial Officer at Royal P&O Nedloyd N.V. in 2004. He served as a non-executive director of the BBC between 2006 and 2010 and as chair of their audit committee. David qualified as a chartered accountant at KPMG.

External appointment
David is a non-executive director and audit committee chair of easyJet plc.

Louise Smalley
Non-Executive Director

Appointed to the Board on 23 June 2014 as a Non-Executive Director.

Key strengths
- Strong HR experience
- Extensive knowledge of people management, rewards and remuneration schemes

Skills, experience and contribution
Louise's recent experience as a serving listed company executive director, combined with her extensive knowledge of progressive people management practices in multi-site large scale businesses, means that her skill and experience contribute to the Board's focus on the importance of enabling everyone who works for the Group, whatever their background, to realise their potential.

She was Group Human Resources Director of Whitbread PLC and for nine years until August 2021 an executive director of Whitbread PLC, where she held several key transformation and HR roles. She previously worked as a HR professional in the oil industry, with BP and Esso Petroleum. Louise is an alumna of the Cambridge Institute for Sustainability Leadership and has experience of leading timely evolutions of sustainability strategies.

External appointments
Louise is a non-executive director and remuneration committee chair of Informa PLC and a non-executive director of A.G. BARR p.l.c.

Principal Board Committees key:

A Audit Committee

N Nomination Committee

R Remuneration Committee

Chair

Richard Pike

Group Finance Director - designate

As was announced on 27 April 2023, Richard will be appointed to the Board as Group Finance Director and as an Executive Director with effect from 30 June 2023 when Adrian Marsh retires.

Key strengths

- Financial and general management experience in leadership roles in manufacturing
- Experience in the recycling and sustainability sectors

Skills, experience and contribution

Richard's financial and general management experience in leadership roles within manufacturing companies, together with his knowledge and understanding of the recycling and sustainability sectors, will play a central role with the Board's discussions on the next chapter of growth for DS Smith.

Before joining DS Smith, Richard was Chief Financial Officer of Biffa plc. Prior to that he spent time in the food manufacturing sector as Group Finance Director of AB Sugar and Managing Director of British Sugar (both parts of ABF plc), followed by being Chief Financial Officer of Boparan Holdings Limited. Earlier in his career Richard trained and qualified as a chartered accountant with PwC, and thereafter went on to hold a variety of roles at Scapa Group plc, Pilkington plc and Manchester Airports Group.

External appointment

None.

Iain Simm

Group General Counsel and Company Secretary

Appointed Group General Counsel and Company Secretary on 6 June 2016.

Key strengths

- Legal expertise
- Wealth of experience in assisting boards with legal and governance matters

Skills, experience and contribution

Iain's experience as general counsel and company secretary in listed entities operating on a multi-jurisdictional basis means that the Board benefits from his advice on governance and compliance matters as well as advice on complex legal issues.

Iain has previously held General Counsel and Company Secretary roles with Signature Aviation plc and P&O Ports Ltd. He undertook his legal training with Slaughter and May and worked for a number of years in their corporate and commercial department.

External appointment

None.

CHAIR'S INTRODUCTION TO GOVERNANCE

Good corporate governance is an essential element in helping to build a successful business in a sustainable manner.

Geoff Drabble,
Chair

Introduction

This section of the Annual Report focuses on corporate governance. Having a structured corporate governance framework enables the right information to be brought before the right people at the right time to make informed decisions, which in turn strengthens the Group's decision-making processes and supports the Board's key focus on delivering the Group's strategy for the benefit of our shareholders and taking into account the interests of all our stakeholders.

Your Board understands that good corporate governance is an essential element in helping to build a successful business in a sustainable manner and that regular evaluation (see page 80) supports that.

Division of responsibilities

My role as Chair is to lead the Board and be responsible for its overall effectiveness in directing the Company. It is important that each member of the Board is clear about their responsibilities and that each member of the Board is able to contribute fully to all aspects of the discussions we have as a Board.

The approval of certain Group policies (including some of those listed in the Non-Financial and Sustainability Information Statement on pages 66 to 68) is one of the matters reserved to the Board and is one of the ways we, as a Board, have oversight of longer-term aspects of the Group's operations, including our leadership on sustainability matters and our progress in addressing climate-related issues.

Succession planning

As a Board, and when we meet as the Nomination Committee, we regularly discuss senior leadership succession, as we recognise that non-financial resources and the manner in which we deliver our strategy are as important as financial resources and the strategic content of our Corporate Plan. For simplicity of presentation, information about this crucial topic is set out in the Nomination Committee Report.

Balancing stakeholders' interests

Each Board pack for Board meetings includes a reminder of each Director's duties under section 172 of the Companies Act 2006. That frames our deliberations at meetings in the context of a reminder that every Director must act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, while thinking about the likely consequences of any decision in the long term, the interests of the Company's employees, the need to foster the Company's business relationships with suppliers, customers and others, the impact of the Company's operations on the community and the environment, the desirability of the Company maintaining a reputation for high standards of business conduct, and the need to act fairly as between the members of the Company.

The principal decisions that the Board takes can be divided into two categories: there are decisions taken relating to matters considered each year (such as approving the Corporate Plan, the budget and the Annual Report, or considering the level of dividend payment to propose) and there are decisions that relate to a new project or an identified inflection point, when a new direction is to be taken.

Over the past 12 months the Board has discussed a number of important capital expenditure projects, such as the expansion of the paper mill at Lucca, Italy, our greenfield sites that opened in September 2022 in Italy and Poland, and the development of a biomass plant at Rouen, France. When considering this type of project, the Board looks beyond the financial projections and asks questions about, for example, the emissions of the expanded sites and the impacts on the local communities, whether that be offering new employment opportunities or contributing to concerns about water scarcity. These are long-term projects with the potential for beneficial long-term impacts that contribute to our strategic goal of leading the way in sustainability.

Having approved in 2022 the Group's commitment to a 1.5°C science-based target, validated by the Science Based Targets initiative, the Group is now moving to the next phase which includes adopting decarbonisation templates on a site by site basis, prioritising the greatest emission sources. The templates identify the major technical solutions that will need to be implemented, such as solar and heat pumps, in addition to green electricity sourcing and energy efficiency opportunities, and are being consolidated into a Group-wide roadmap for achieving the 2030 commitment. These solutions will aim to accelerate progress to meet the near-term 2030 target to reduce Scope 1, 2 and 3 greenhouse gas emissions 46 per cent by 2030 compared to 2019, as part of reaching the long-term 2050 target of Net Zero greenhouse gas emissions. The Board understands the importance of being both thoughtful and nimble, as it supports the executive team in implementing longer-term plans, in setting appropriate metrics in this key area and in reacting to the regulatory changes.

As your Chair I look forward to both supporting and challenging the executive team to adapt and evolve to the long-term benefit of all our stakeholders as we realise our Purpose of 'Redefining Packaging for a Changing World'.

Geoff Drabble
Chair

22 June 2023

In addition to the regulatory requirement to include a statement about section 172 of the Companies Act 2006 in the Strategic Report (which is on page 9), there is also a requirement to make a statement about the Company's engagement with the wider UK workforce and with suppliers and customers. The methods of engagement in the UK and outside the UK are broadly the same, so we have cross-referenced below, not repeated, our disclosures on these matters.

Statement about the Company's engagement with the wider UK workforce

More detail about how we realise the potential of our people by engaging with our wider workforce (a term that is wider than the term employees, who are those employed directly by the Group under contracts of service) wherever they are based (not just those based in the UK) is set out on pages 20 to 23 of the Strategic Report.

Statement about the Company's engagement with suppliers and customers

More detail about how we engage with our customers and the importance of sustainability throughout our supply chain is set out on pages 18 and 19 and 24 to 29 of the Strategic Report.

DIVISION OF RESPONSIBILITIES

DIVISION OF RESPONSIBILITIES OF THE BOARD

The Board

The Board is collectively responsible for the long-term success of the Group and for ensuring leadership within a framework of effective controls. The key roles of the Board are:

- Setting the strategic direction of the Group
- Overseeing implementation of the strategy by ensuring that the Group is suitably resourced to achieve its strategic aspirations
- Providing entrepreneurial leadership within a framework of prudent and effective controls which enables risk to be assessed and managed
- Ensuring that the necessary financial and human resources are in place for the Group to meet its objectives
- Setting the Group's values.

Chair

- Primarily responsible for overall operation, leadership and governance of the Board
- Leads the Board, sets the agenda and promotes a culture of open debate between Executive and Non-Executive Directors
- Regularly meets with the Group Chief Executive and other senior management to stay informed
- Ensures effective communication with our shareholders.

Group Chief Executive

- Responsible for executive management of the Group as a whole
- Delivers strategic and commercial objectives within the Board's stated risk appetite
- Builds positive relationships with all the Group's stakeholders.

Senior Independent Director

- Provides a sounding board to the Chair and appraises his performance
- Acts as intermediary for other Directors, if needed
- Available to respond to shareholder concerns if contacted.

Non-Executive Directors

- Constructively challenge and help develop proposals on strategy
- Scrutinise the performance of management
- Review performance of the business.

Board and Board Committee meetings attendance

	Board	Nomination Committee	Audit Committee	Remuneration Committee
Total number of meetings in 2022/23	7	6	4	6
Executive Directors				
Miles Roberts	7/7	6/6	n/a	n/a
Adrian Marsh	7/7	n/a	n/a	n/a
Non-Executive Directors				
Geoff Drabble	7/7	6/6	n/a	6/6
Celia Baxter	7/7	6/6	4/4	6/6
Alan Johnson – joined the Board on 1 June 2022	7/7	6/6	4/4	5/6
Alina Kessel	7/7	6/6	4/4	6/6
David Robbie	7/7	6/6	4/4	6/6
Louise Smalley	6/7	5/6	3/4	6/6
Rupert Soames – retired from the Board on 6 September 2022	2/2	2/2	1/1	3/3

The Chair also holds meetings with the Non-Executive Directors without the Executive Directors present.

BOARD'S PRINCIPAL COMMITTEES

Nomination Committee

- Reviews the structure, size and composition of the Board and its Committees
- Identifies and recommends suitable candidates to be appointed to the Board and reviews the wider senior management talent pool
- Considers wider elements of succession planning below Board level, including diversity.

For more information see page 81

Audit Committee

- Monitors the integrity of the Group's reporting process and financial management, its accounting processes and audits (internal and external)
- Ensures that risks are carefully identified and assessed and that sound systems of risk management and internal control are in place
- Oversees fraud prevention arrangements and reports received under the 'Speak Up!' policy.

For more information see page 86

Remuneration Committee

- Recommends the policy for the remuneration of the Chair, the Executive Directors, the Company Secretary and senior executives, in alignment with the Group's reward principles
- Considers remuneration of the wider workforce when setting remuneration of the Chair, the Executive Directors, the Company Secretary and senior executives and reviews related policies and alignment of incentives and rewards with culture, to help inform setting of the Remuneration policy
- Considers the business strategy of the Group and how the Remuneration policy reflects and supports that strategy.

For more information see page 92

Board's standing sub-committees

In addition to the three principal Committees of the Board there are four further standing sub-committees of the Board.

Disclosure Committee

which oversees the Company's compliance with its disclosure obligations.

US Sub Committee

which oversees the strategic direction of business in the US, together with any associated risks or opportunities in the business.

General Purposes Committee

which facilitates efficient operational management decision-making in relation to day to day financing and administrative matters.

Share Schemes Committee

which facilitates administrative matters in relation to the Group's share schemes.

Management committees

Four management committees, chaired by the Group Chief Executive, and the Group Compliance Committee also support the work of the Board and its principal Committees.

Group Health, Safety, Environment and Sustainability Committee

Meets monthly

Oversees the management processes, targets and strategies designed to manage health and safety and environmental and sustainability risks and opportunities, including reviewing performance on climate-related issues and the Group's health and safety and environmental and sustainability responsibilities and commitments.

Group Operating Committee

Meets monthly

Considers Group-wide initiatives and priorities. Reviews the implementation of operational plans. Reviews changes to policies and procedures and facilitates the discussion of the development of new projects.

Group Strategy Committee

Meets once every two months

Plans the business strategy implementation as approved by the Board and set out by the annual Corporate Plan process. The Corporate Plan is used to develop the Group's strategy, based on the set strategic direction. The Corporate Plan's focus is primarily on strategic actions, supported by high level financial information. It covers a three-year time horizon and is reviewed annually by the Board.

Group M&A Committee

Meets once every two months

Considers potential acquisitions and disposals and other related aspects that may impact the realisation of the Corporate Plan.

Group Compliance Committee

Meets quarterly

Oversees compliance with all legal, regulatory and organisational requirements including the effective interface between the financial, legal, risk and internal audit functions, reporting back to both the Group Operating Committee and the Audit Committee.

CORPORATE GOVERNANCE IN CONTEXT

Corporate governance in action

The governance section of the Annual Report outlines how we have applied the main principles of the 2018 UK Corporate Governance Code (Code). The Code is published by the Financial Reporting Council (FRC) and available at frc.org.uk.

All relevant provisions of the Code have been complied with throughout the year ended 30 April 2023, other than provision 38. More information about the retirement benefit contribution rates for Executive Directors was included in prior annual reports. These contribution rates were fully aligned to those available to the workforce on 30 December 2022.

Our compliance with the UK Corporate Governance Code's five sections

1 Board leadership and Company Purpose

Your Board rigorously challenges strategy, assesses performance and balances the interests of all our stakeholders to ensure that every decision we make is of the highest quality.

The regulatory requirement is to include in the Strategic Report a statement about the Directors' compliance with section 172 of the Companies Act 2006, which includes taking into account the interests of a variety of stakeholders. This is on page 9.

s172 We use this symbol in the governance section of the Annual Report to highlight examples that illustrate aspects of that statement.

The Directors' biographies on pages 70 to 73 summarise what each Board member contributes to the governance of the Company and its long-term success. The Chair's introduction to governance puts DS Smith's approach to matters of corporate governance into our DS Smith context and links to the topics covered in section 1 of the Code, as we explain in this governance section how we have applied aspects of Code principles A to E and how we have put the related provisions of the Code into practice.

From page 79

2 Division of responsibilities

Your Board and its Directors, both Executive and Non-Executive, operate within a clear framework of roles and responsibilities. One of the roles of Non-Executive Directors is to broaden the diversity of viewpoints shared in the boardroom discussion, drawing on the full range of their experience in other industries and other countries, while considering a range of other stakeholders' perspectives.

We explain how we have applied aspects of Code principles F to I and how we have put the related provisions of section 2 of the Code into practice in the section on division of responsibilities and in the Nomination Committee Report, where we also have more information about the independence of Directors.

From page 76

3 Composition, succession and evaluation

Your Board scrutinises the effectiveness of its performance in an annual Board evaluation and evaluates the balance of skills, experience, knowledge and independence of the Directors. That then informs the succession planning process, which also takes into account the contribution made by having a diversity of backgrounds (whether of gender, of social or ethnic backgrounds, or of the less immediately visible cognitive differences). All new Directors receive a tailored induction programme, which builds on their personal experience and ensures that appointments can be made from a wider pool of talent than one limited to only those with previous experience of holding a directorship with a UK listed company.

The Nomination Committee Report and the paragraphs on Board evaluation in practice within the Board leadership section explain how we have applied aspects of Code principles J to L and how we have put the provisions of section 3 of the Code into practice.

From page 81

4 Audit, risk and internal control

All your Board's decisions are discussed within the context of the risks involved. Effective risk management, set in the context of a well-structured internal control framework, is central to achieving our strategic objectives, particularly as we balance the sometimes conflicting interests of our stakeholders.

The audit, risk and internal control section and the Audit Committee Report explain how we have applied aspects of Code principles M, N and O in section 4 of the Code and how we have put the provisions of that section into practice, firstly through matters that come before the full Board and secondly through the detailed work of the Audit Committee. Further information about our principal and emerging risks, as well as our viability and going concern statements, are in the risk section on pages 42 to 51.

From page 84

5 Remuneration

Our Remuneration policy, which was approved at the 2020 AGM and is being proposed for renewal at the 2023 AGM, is designed to support our long-term strategy and to promote long-term sustainable success. It was developed taking into account wider circumstances as your Board currently understands them and setting those in the context of the longer-term future of DS Smith in this ever-changing world. Each element of remuneration is looked at, both individually and cumulatively, and in the context of the remuneration arrangements for the wider workforce.

The remuneration sections of this report explain how we have applied aspects of principles P, Q and R in section 5 of the Code and how we have put the provisions of that section into practice, as well as how we have complied with regulatory requirements in relation to remuneration matters. It also includes the full text of the Remuneration policy that is being voted on by shareholders at the 2023 AGM. The remuneration of the Executive Directors is summarised in our 'at a glance' section. Our Remuneration policy is aligned to our Purpose of 'Redefining Packaging for a Changing World'.

From page 92

BOARD LEADERSHIP AND COMPANY PURPOSE

Board leadership in action

The Code provides that a board should establish a company's purpose and values as well as its strategy and that its directors should lead by example and promote the desired culture.

The Code highlights the importance of effective engagement with shareholders and other stakeholders. The Group's key stakeholders and their differing perspectives are identified and taken into account, not only as part of the Board's annual strategy and corporate planning discussions, but also in our project assessments and in other Board conversations.

Health and safety is always a priority item on the Board's agenda. Setting the example from the top down is critically important and the Board was pleased to hear that the Group-wide lost time accident frequency rate has fallen again to a new low of 1.82.

Delivery of our Corporate Plan will be driven by our continuing progress in sustainability and circularity, innovation, digital and data and organic growth. The Board is regularly briefed about our progress in delivering against each of these. Each element has a key role in the realisation of our Purpose of 'Redefining Packaging for a Changing World'.

The Board understands that the Group has a role as an employer and as a taxpayer, as well as a member of the wider communities in which our sites are based and as a key link in the supply chains through which so many goods pass, and that these roles are broader than the more traditional single role of a corporate entity reporting on its financial results to its shareholders. The balancing of the differing perspectives of all our key stakeholders is a recurrent theme in our Board's conversations.

All discussions, assessments and conversations focus not only on delivering increased value for shareholders, but also assess the impacts of our decisions and strategies on the Group's wider stakeholders. (The concerns of, and our response to, our stakeholders are summarised on pages 14 and 15.) The Board recognises the importance of regular, open and constructive dialogue with shareholders and other stakeholders and this has long been a key aspect of our culture and of our decision-making.

Engagement with our shareholders

Dialogue with investors continues throughout the year, not only ahead of the AGM.

s172

The Group's Investor Relations team coordinates ongoing communication with shareholders and analysts, and the Board receives regular updates on the views of the Group's shareholders from our internal team and also from the Company's brokers, so all Board members have a clear understanding of the views of the shareholders. Celia Baxter, as Chair of the Remuneration Committee, leads the engagement with shareholders when we have remuneration matters to discuss.

s172

Each year some institutional investors (and other interested bodies) issue materials concerning their expectations of companies. These are summarised for, and considered by, the Board, which also informs the comments that Board members make on the working drafts of the Annual Report that they review, prior to its final approval and publication.

Engagement with our workforce

Our engagement with our workforce makes use of the well-established European Works Council (EWC) structure.

s172

EWC representatives meet regularly with our Group Chief Executive and Group HR Director to discuss a wide range of topics. While health and safety, Group performance and sustainable employment are always on the agenda for these discussions, this year topics have also included discussions about implementation of closed circuit television in some areas to support further health and safety improvements, mental health and wellbeing, and diversity and inclusion.

s172 s172 s172

Members of management continued to attend EWC meetings throughout the year, held virtually on a platform that enables live translation. Again this year an EWC representative joined a meeting of the Remuneration Committee to support and inform discussions about the Remuneration policy being proposed for 2023 to 2026 and health and financial wellbeing programmes and to reflect on some of the topics discussed when Celia Baxter, the Chair of our Remuneration Committee, met with the EWC Executive earlier in 2023. All these meetings build further on the dialogue started in 2020.

s172

The regular schedule of reporting to the Nomination Committee includes the review of employee talent, development and succession plans as well as insight into the progress made on diversity, equity and inclusion and updates on the growing network of employee resource groups. All these activities ensure that the voice of our workforce is heard regularly in the boardroom and provide richer context for the Board's decision-making.

Engagement with our suppliers, customers and other stakeholders

The business relationships with our suppliers, customers and other stakeholders, such as regulators and non-governmental organisations, are matters which the Group Chief Executive covers in his regular reports to the Board.

s172

In addition the Board receives regular updates from the Group procurement function which has first-line responsibility for relationships with suppliers. In the past year the Board has discussed the continuing effects of Covid-19, the war in Ukraine, and some of the impacts of high levels of inflation in some countries and of the unprecedented volatility in energy prices. The Board has appreciated the work done by the procurement function strengthening existing relationships with suppliers so that supplies have continued to flow, even in times of shortage.

s172 The most recent update to the Board on sales, marketing and innovation highlighted the importance of product-based innovation and the role of the efficiency improvements expected from the digital and data programmes underway. The Global R&D and Innovation Centre focusing on early-stage design and prototyping work, based in Redditch, UK, alongside one of our sheet plants, will support the strong pipeline of product innovation.

Complementing the regular briefings from operational and functional management about Group-specific matters (such as reports from our Corporate Affairs director on progress made during the year on our programme of wider engagement in the community and the report to each Board meeting on health and safety), the Board also has a programme of briefings both from internal specialists (on such topics as the new Packaging and
s172 Packaging Waste regulations in the EU and its implications for the Group) and from the Group's external advisers on a range of topics, including cyber security, and the wider views of the market, and of institutional shareholders in particular, on the Group. This enables current and future plans to be set in the wider context of the broader environment. This covers not just topics that are currently visible, but emerging areas of interest and concern across a diverse range of fields.

Our engagement with the local communities of which our sites and employees are a part has been a developing area of focus in
s172 recent years. The Board has been briefed on recent examples such as the eco-classroom providing an outdoor classroom and creative community space in Nagykáta, Hungary, and the support provided by colleagues in Asheboro and Cambridge, US, to provide meals at Thanksgiving to residents in Delaware, Maryland, Virginia and North Carolina.

Board engagement through site visits

Board site visits are an important way in which Board members can engage with our employees, assess and monitor culture, and understand more about our customers and suppliers. The Board went to Madrid for its October 2022 meetings and enjoyed seeing at first hand the successful integration of Europac and the strengths and culture of that business and its management and the qualities our employees there bring to the overall Group.

At each Board meeting health and safety is reported on, including the total number of near misses and safety observations. These are seen as indicators of employee engagement in observing and reporting positive behaviour and identifying health and safety risks. The level of engagement is seen as a reflection of the culture and health and safety leadership at a site and in 2022/23 the number of safety observations per employee (the health and safety engagement index) was 20.8, a 65 per cent increase compared to the previous year, demonstrating the increasing levels of engagement with applying continuous improvement techniques in all areas, as this is the highest figure since the Group started tracking it in 2017. While virtual site visits were a helpful part of the induction programme for new Board members
s172 in 2020/21, Board members have appreciated the richer experience of in-person visits.

Board evaluation in practice

Board evaluation is an iterative process. After each evaluation (whether internal or external and including evaluations of Committees and Directors) the Board sets itself objectives. Following the formal external evaluation in 2022, the Board set itself a number of objectives, taking forward from that external evaluation a focus on a structured approach to succession planning with improved oversight of talent and development programmes.

In the first part of 2023 Board members completed an internal questionnaire, which gave structured content for each Board member's individual discussions with the Chair. At that time David Robbie, as Senior Independent Director, met with all the Directors individually, to appraise the Chair's performance and subsequently discussed this with him. At the April Board meeting the Directors considered the feedback from the above process and adopted Board objectives for 2023. After the pandemic's disruption of physical site visits and the limited opportunities for virtual site visits, the Board and individual Directors were particularly keen to set an objective of arranging additional visits to sites in the coming months. Other objectives for the Board in 2023/24 include maintaining focus on talent and succession planning and considering the balance between short, medium and longer term in the corporate planning cycle. Both as part of the Board and Committee evaluation process and during the year, the Non-Executive Directors met without members of executive management being present.

As with every high performing board, the Directors will continue to watch for areas of improvement, not just when Board evaluation is a formal agenda item at a Board meeting, so that the Board continues to contribute to the overall effectiveness of the Group. A recent example of this was developing an executive summary financial dashboard for inclusion in the Board papers which supports the focus on the key metrics of the drivers of business performance.

Succession and composition

More details about succession planning are set out in the Nomination Committee Report.

NOMINATION COMMITTEE REPORT

Our principal objective as a Nomination Committee is to make sure the Board has individuals with the necessary range of skills and knowledge, and diversity of experiences to lead the Company and deliver the Group's strategy.

Geoff Drabble,
Chair of Nomination Committee

Dear shareholders

The Nomination Committee supports the Board on the crucial topic of executive and non-executive succession planning.

Our principal objective as a Nomination Committee is to make sure the Board has individuals with the necessary range of skills and knowledge, and diversity of experiences to lead the Company and deliver the Group's strategy. As a Committee we continue to focus on senior executive succession planning, as well as Board composition, as we progress towards a greater range of diversity of experiences across the Group's senior leadership team.

Our key responsibilities

As a Committee we have delegated authority from the Board to focus on Board and Committee composition and succession planning. In discharging those key responsibilities in relation to succession planning we also consider ways to:

- Improve diversity in the pipeline for senior management roles
- Further strengthen the senior management team.

As Chair of this Committee, I report to the Board on the outcome of our meetings.

Our priorities over the year were:

- To keep under review succession planning at the Executive Director level and support succession planning at senior management levels
- To improve the diversity on the Board
- To monitor the Group's progress towards increasing the relative number of women in senior management positions and senior management diversity
- To understand in overview the Group's talent processes
- To keep under review our leadership needs, both executive and non-executive, with a view to ensuring the continued ability of DS Smith to compete effectively in the marketplace.

Looking forward

Our key priorities over the next 12 months remain consistent with those for the previous year. As well as the regular cycle of matters that the Committee schedules for consideration each year, we are planning to:

- Oversee the increase in capabilities and bench strength of our core employee base in order to properly support our growth in areas such as innovation and digital enablement
- Encourage the spotlight on talent rising up through the organisation, enabled by the focus on training and development for all
- Improve the Nomination Committee's understanding of the challenges and benefits of reporting on progress in relation to diversity, equity and inclusion.

Geoff Drabble
Chair of Nomination Committee

22 June 2023

Membership and operation of the Committee

Member	Since
Geoff Drabble (Chair)	2020
Celia Baxter	2019
Alan Johnson – with effect from 1 June 2022	2022
Alina Kessel	2020
Miles Roberts	2010
David Robbie	2019
Louise Smalley	2014

Rupert Soames retired from the Board and its Committees on 6 September 2022. Eric Olsen joined the Board and its Committees on 15 May 2023.

During the year, the Committee held six formal meetings and there were updates between formal meetings and a number of ad hoc briefings. Details of individual Directors' attendance can be found on page 76. The Group General Counsel and Company Secretary acts as Secretary to the Committee.

Board changes and composition

Alan Johnson joined the Board on 1 June 2022 and Rupert Soames retired from the Board at the conclusion of the Annual General Meeting on 6 September 2022, but all the other Directors held office throughout the year under review. Their biographies, including their key strengths, skills, experience and contribution to the Board, are set out on pages 70 to 73.

Adrian Marsh will retire from the Board on 30 June 2023 and Richard Pike (whose appointment was announced on 18 November 2022) will replace him from that date as the Company's Group Finance Director and an Executive Director. Eric Olsen joined the Board with effect from 15 May 2023 and Eric's and Richard's respective elections as a Director of the Company will be put to the Annual General Meeting on 5 September 2023 for approval.

Succession planning and recruitment

The Committee keeps under regular review succession planning at the Executive Director level and supports succession planning at senior management levels, valuing the balance of continuity and refreshment over the medium term. The Committee's annual rolling schedule of periodic agenda items includes a deep dive into senior talent management, talent and skillset mapping and succession planning, informed by a presentation given by the Group HR Director.

For each Board appointment made we follow a similar process as the Board seeks to appoint an outstanding candidate, with a different range of experience, to maximise Board effectiveness.

When we think about diversity we recognise that diversity can take many forms, including diversity of gender and of socio-economic and ethnic backgrounds, and diversity of cognitive and personal strengths, as well as the diversity of life experience and the role of intersectionality, where different characteristics overlap. We also recognise that diversity at Board level and throughout the Company is a valuable strength, bringing with it a range of perspectives.

The mix of skills needed by Board members will change as the landscape in which the Group operates changes. Therefore, as we consider each new Board appointment, the role specification is not a direct replication of the role of a retiring Board member.

The process for the appointment of Richard Pike as the new Group Finance Director began with a process to appoint an appropriate firm of consultants to support our search. Odgers Berndtson were selected as the preferred partner given their track record in executive finance appointments.

A role specification was agreed and provided to Odgers Berndtson who then put forward a shortlist of candidates for review by the Committee. The shortlisted candidates were interviewed by a number of the Executive and Non-Executive Directors and the Committee made a recommendation to the Board. When making decisions on new appointments, Board members consider the skills, experience and knowledge already represented on the Board and the alignment in terms of the culture and values of DS Smith. The Committee also kept in mind the benefits of diversity, in all its forms, including of gender, ethnicity and life experience. A similar process was followed for the recruitment of Eric Olsen as a Non-Executive Director to the Board, supported by Korn Ferry, who were selected as the preferred partner given their track record in non-executive appointments.

Apart from assisting with recruitment, Odgers Berndtson has no other connection to the Company. Korn Ferry has also provided advice to the Remuneration Committee in relation to various aspects of remuneration and talent assessment services to the Group. Neither Odgers Berndtson nor Korn Ferry have any connection with any individual Directors, other than Korn Ferry is advising the International Federation of Accountants on the search for its next chief executive officer and Alan Johnson is the chair of the search committee.

Induction, training and development programmes

Upon appointment to the Board, Directors undertake an induction programme, receiving a broad range of information about the Group tailored to their previous experience. This includes information on the operational and sustainability performance and business of the Group and details of Group strategy, corporate governance and Board procedures. In reviewing his induction programme experience, as part of the latest Board evaluation, Alan Johnson was very impressed with the well-structured onboarding programme, and thanked the senior management team for the time they spent with him. The engagements gave him a very thorough introduction to the Group.

Assisted by the Group Company Secretary, the Chair has responsibility for Directors' induction programmes, and also for the Board's training and professional development. Directors have been given training and presentations during the course of the year to keep their knowledge current and enhance their experience. This has included topics such as updates on remuneration matters, implementation of our sustainability regime, Task Force on Climate-related Financial Disclosures (TCFD) and associated reporting and cyber security.

Directors will continue to receive regular training updates from appropriate internal and external specialists on governance issues, financial and reporting standards, digital development, cyber security and sustainability. In addition, Directors are fully aware of their own responsibility for identifying and satisfying their own specific training requirements.

Time commitments

Under the Code the reasons for the Board permitting its members to enter into significant new external appointments should be explained in the Annual Report.

Miles Roberts joined the board of Land Securities Group PLC in September 2022, having until August 2021 been on the board of

Aggreko plc, so the Board was confident that this appointment would not adversely impact the time Miles commits to his DS Smith role. Similarly, (having retired from the board of Senior plc in April 2023) Celia Baxter joined the board of discoverIE Group plc in June 2023 and Dowlais Group plc (where she is senior independent director and remuneration committee chair) became a listed company in April 2023. Also with the Board's approval, noting that this expansion of his portfolio of roles was done in the light of his forthcoming retirement, Adrian Marsh joined the board of Co-operative Group Limited with effect from 1 May 2023. Louise Smalley's appointment to the board of A.G. BARR p.l.c. with effect from 1 June 2023 was also approved by the Board, noting that she was building up her portfolio of roles, following her retirement from full-time executive employment in 2021. As part of the process of appointing Eric Olsen to the Board, the Board noted the value that the variety of his current roles will bring to the Group.

The experience gained in external roles held by our Board members broadens and deepens the knowledge and experience of the Directors, which in turn benefits the Company. Directors do not take part in any discussion concerning their own external appointments.

Diversity

The Board diversity and inclusion policy applies to the Board and its principal Committees. The policy acknowledges the importance of diversity and includes an explicit requirement to take into account diversity when considering appointments to the Board. DS Smith acknowledges the importance of diversity of thought, skills and experience in the effective functioning of the Board and the wider organisation. This diversity may arise from any number of sources, including differences in age, gender, ethnicity, disability, sexual orientation, cultural and economic background and religious belief. Our Directors have experience of a wide range of industries and backgrounds, as well as of complex organisations with a global reach.

Looking at diversity beyond the Board and across the Group, the Board recognises that some challenges in achieving diversity arise from social contexts with impacts not limited to DS Smith as a Group, but the Board remains committed to ensuring that all have an equal chance of developing their careers within our business. Currently the Group's leadership populations are internationally diverse but the Group is aware that more needs to be done to improve the gender and ethnic mix and address the ageing demographic in the leadership population. (See page 22 for more about our programmes to develop diverse leadership talent, from whom might be drawn a future generation of executive and non-executive directors, and to improve the gender balance of those in senior management and their direct reports.)

Tables with numerical data reporting on gender and ethnic background diversity in the format required by recent regulatory changes are set out on page 23. As at 30 April 2023 (the final day of the financial year, which is our chosen reference date) our Board was made up of three women and five men. With 37.5 per cent of the Board being women, we are below the 40 per cent threshold specified by the Financial Conduct Authority. In addition we do not have a woman in at least one of the specified senior board positions (chair, chief executive, senior independent director or chief financial officer). The Board is mindful of these requirements being introduced following recent regulatory changes and of changing expectations of stakeholders. The Board is actively looking to increase the proportion of women on the Board. Our most recently published UK gender pay gap report is available on our website. We know that we have a relative lack of women in executive management positions and that the number of women in senior leadership roles fluctuates, but the trend in recent years has been towards a better gender balance.

With the appointment of Alan Johnson on 1 June 2022 the Board now meets the Parker Review recommendation that each FTSE 100 board should have at least one director from a non-white ethnic minority background.

Independence and re-election of Directors

The Nomination Committee makes an assessment each year of the criteria set out in the Code concerning independence and the Committee also reviews the time commitment of Non-Executive Directors to assess whether each has sufficient time to discharge their duties. Louise Smalley was first appointed to the Board nine years ago in June 2014, but the Board is of the view that Louise remains independent as she continues to exercise independent judgement and that she provides continuity and experience of the Board's previous discussions, since the other Non-Executive Directors were appointed much more recently, in 2019 and later. The Committee therefore confirms that all the Non-Executive Directors are independent and each has sufficient time to discharge their duties. The Committee also considered Geoff Drabble to be independent on his appointment to the Board.

The Nomination Committee this year considered the then current term of appointment to the Board of Geoff Drabble, Alina Kessel and Louise Smalley. Board members reviewed the commitment and contribution to the Board and its Committees of Geoff, Alina and Louise, as well as the balance of their skills, knowledge and experience with those of the other Directors and it was agreed that Geoff's term and Alina's term should be renewed for a further three years and Louise's should be renewed for a further period, recognising her already nine years in the role. (Directors do not participate in any debate or decision about their own re-appointment.) The expiry date of the current term of each of the Non-Executive Directors is set out on page 113.

All current Directors (except for Adrian Marsh) are standing for re-election or, in the case of Eric Olsen, election and Richard Pike will be standing for election, at the 2023 AGM.

Board and Committee evaluation

Information about this year's internal evaluation of the Board and its Committees can be found on page 80.

AUDIT, RISK AND INTERNAL CONTROL

Risk management and internal control

The Board has overall responsibility for establishing and maintaining the Group's systems of risk management and internal control (including financial, operational and compliance controls) and retains ultimate accountability for the effectiveness of the systems and processes implemented. The Board confirms it has conducted an annual review of the overall effectiveness of the Group's system of internal controls and risk management procedures implemented during the year and up to the date of approval of this Annual Report, as well as a robust assessment of the Group's emerging and principal risks, summarised on pages 42 to 49. This review consisted of annual presentations from, and challenges to, senior management, together with regular updates from the risk, governance and Internal Audit functions throughout the year.

The systems and processes implemented are designed to identify, manage and, where appropriate, avoid or eliminate significant risks that might affect delivery of the Group's business objectives; and to provide reasonable, but not absolute, assurance against material misstatement or loss. There is an established and ongoing process for identifying, evaluating and managing the significant risks and uncertainties faced by the Group. This includes a process of self-certification by senior divisional management, confirming that their divisions have complied with Group policies and procedures and reporting any significant control weaknesses identified during the past year. In addition, it includes reviewing the results of the work of the Group's Internal Audit function and Group Governance team and the adherence to the risk identification and management processes identified above. These procedures have continued to be in place throughout the year and up to the date of approval of this Annual Report.

The Board also has procedures in place to ensure that its powers to authorise and manage conflicts are operated effectively. These procedures were followed throughout the year and up to the date of approval of this Annual Report.

Risk management

Our risk management framework and processes remained robust during the year, supporting management in identifying changes in the profile of our principal risks despite the unprecedented volatility of the external economic environment. Management and employees have continued to manage the day to day risks that the Group faces and have been able to adapt and to plan responses to these changing situations. Our risk reviews, embedded within our strategic planning processes, support effective management of the Group's principal risks and uncertainties and inform the regular updates on specific risk areas that are brought for discussion and review at the Audit Committee. Given the ever-increasing regulatory and governance requirements on risk reporting, including those required as part of the Task Force on Climate-related Financial Disclosures (TCFD), the Board reviewed and updated the Group's risk policy to ensure that increased reporting obligations continue to be managed efficiently. The policy was amended to provide greater clarity of purpose in the Group's risk management objectives, how risk information is to be collected and collated and how that information is shared across the Group's senior management and those who are involved in implementing the Group's risk management strategy and risk reporting.

The Board discusses regularly the Group's cyber security programme, as well as benefiting from presentations from external cyber advisers. Cyber security is also discussed by senior executive management at the Group Operating Committee meetings, along with other aspects of IT infrastructure and security controls.

The Audit Committee has kept up to date with risk developments throughout the year with in-depth discussion of the Group's principal risks and mitigation efforts and has noted the way in which our divisions and Group functions have continued to demonstrate resilience and revise risk mitigation remedies in their plans where appropriate.

The Group Compliance Committee has continued to meet regularly and to expand its oversight of the business. Recent topics have included product safety compliance, compliance training, UK defined benefit pensions legislation, update on TCFD requirements, embedding compliance through a communications campaign and the introduction of a risk-profiling tool to improve the due diligence on modern slavery in the supply chain.

Further details on the Group's risk management and mitigation approach for each principal risk, including its emerging risks reporting, are set out in the risk management section on pages 42 to 49 and the Group's viability statement on page 50. Our Task Force on Climate-related Financial Disclosures are set out on pages 52 to 63. Emerging risks are reported on as part of the risk management reviews. Integrating them into the reporting processes supports the Board in maintaining a clear overview, taking account of the increasing ESG disclosure requirements and the effect of macroeconomic uncertainty.

Internal control

The Board determines the objectives and broad policies of the Group and has a set schedule of matters which are required to be brought to it for decision. Overall management of the Group's risk appetite, its tolerance of risk and discussion of key aspects of execution of the Group's strategy remain the responsibility of the Board. The Board has delegated to the Audit Committee the responsibility for establishing a system of internal controls appropriate to the business environments in which the Group operates. Key elements of this system include:

- A clearly defined divisional organisation structure for monitoring the conduct and operations of individual business units
- Clear delegation of authority throughout the Group, starting with the matters reserved for the Board
- A formal process for ensuring that key risks affecting operations across the Group are identified and assessed on a regular basis, together with the controls in place to mitigate those risks. Risk consideration is embedded in decision-making processes at all levels with input from risk specialists where appropriate, and the most significant risks are periodically

reviewed by the Board. The risk process is reviewed by the Audit Committee
- Control policies and procedures in functions including finance, tax, IT, HR, procurement and legal, are reviewed and updated as appropriate and supplemented by mandatory training
- Assurance processes over the internal financial control environment such as annual controls self-assessment and ongoing divisional control review programmes
- The preparation and review of comprehensive annual divisional and Group budgets; and an annual review and approval by the Board of the three-year Corporate Plan
- The monthly reporting of actual results using the Group consolidation system and their review against budget, forecasts and the previous year, with explanations obtained for all significant variances
- The Operating Framework which outlines key control procedures and policies to apply throughout the Group. This includes clearly defined policies and escalating authorisation levels for capital expenditure and investment, with larger capital projects, acquisitions and disposals requiring Board approval. This framework is kept under periodic review
- Regular formal meetings between the Group Chief Executive, the Group Finance Director and divisional management to discuss strategic, operational and financial issues
- Communicating key corporate values through our Code of Conduct and associated policies to all employees to ensure relevant staff are properly trained and equipped to exercise management oversight and control.

The Group Governance team is a centrally-led function that maintains and develops the internal control framework, provides support and training to the business in complying with that framework and provides assurance to management about compliance with the framework through a site and risk-based work programme. As the second line of defence, an important part of this function's role is to support the business in development of remediation plans and corrective actions for control weaknesses identified through the governance and compliance work programme, or through Group Internal Audit's activities. The function continues to lead the cross-functional preparation for the anticipated UK Government-led reform of financial and non-financial internal controls and corporate governance.

Internal Audit

The Internal Audit function is an in-house function that operates under a charter approved by the Audit Committee that sets out the purpose, scope and authority of the function to deliver the Internal Audit plan. It is the third line of defence.

The Internal Audit function's remit is to provide independent assurance to measure the success of the organisation at managing risk and to drive continuous improvement. This takes the form of reviews of the operations of Group sites, service centres, functions, projects, processes and compliance risk areas, in accordance with a previously agreed plan, including an assessment of implemented systems of internal control. Internal Audit provides reports detailing findings and recommendations of potential control process improvements and conducts supplementary reviews, where merited, to ensure that management implements the recommendations agreed. During the year, Internal Audit's activities were supported and complemented by management's Group Governance team.

The Internal Audit plan is designed each year to align to key risks faced by the Group, as well as to provide rotational assurance. The annual Internal Audit plan, and any revisions required to respond to emerging risks or areas of concern, are approved by the Audit Committee. The Internal Audit plan considers the scope and effectiveness of the management assurance programme undertaken by the Group Governance team in determining rotational coverage of financial controls audit activities, as well as providing assurance over the management assurance programme itself.

Findings from the Internal Audit and Group Governance teams are reported to Group and divisional business management as well as to the Audit Committee to give a holistic assurance picture.

The Audit Committee periodically considers stakeholder feedback on the quality of the work of Internal Audit. External Quality Assessment is required by the Institute of Internal Auditors Standards every five years so this will next be due in 2025.

AUDIT COMMITTEE REPORT

The Committee plays a key role in assisting the Board to fulfil its oversight obligations and continues to respond to its remit concerning the Group's reporting processes, risk management and the control environment, while preparing for developments in new regulations.

David Robbie,
Chair of Audit Committee

Dear shareholders

I am pleased to present the Audit Committee Report, which provides an overview of the Audit Committee's role supporting the Board in its oversight of the integrity of the reporting process and control framework across the Group. Details of the Board's procedures and processes in relation to oversight of risk management and internal control are set out on pages 84 and 85.

Our principal objectives as an Audit Committee are:

- To monitor the integrity of the Group's reporting process and adherence to the Group's accounting policies and procedures
- To ensure that risks are carefully identified and assessed; and that sound systems of risk management and internal control are implemented.

Our role as a Committee is pivotal in ensuring the robustness of the Group's risk management activities and internal control environment, ensuring the integrity of the financial reporting process. The Group's procedures and systems to identify, mitigate and manage risks continue to develop to allow the internal control and financial reporting processes to also benefit from continuous incremental improvement.

During the year under review, Ernst & Young LLP (EY) were appointed as the Group's external Auditor, following the conclusion of Deloitte's tenure. The Group has successfully worked with EY on the necessary audit transition activities, and EY now having completed both their first half year review and full year Group and Company audits.

The Committee continues to monitor the presentation of financial results, particularly taxation and the measures of underlying performance, cash flows and financial position together with impairment assessments, going concern and viability. This year the Committee has included ESG information presented under the Streamlined Energy and Carbon Reporting (SECR) and the Task Force on Climate-related Financial Disclosure (TCFD) requirements as part of its review work. In addition, the Committee has reviewed the Group risks and systems of risk management and internal control, noting the likely developments in response to the UK Government-led reforms to financial and non-financial controls and corporate governance.

Looking forward

As well as the regular cycle of matters that the Committee schedules for consideration each year, we are planning over the next 12 months to:

- Expand scrutiny, both by the Committee and Internal Audit, over sustainability, climate and broader ESG reporting
- Continue to monitor emerging risks for the Group
- Continue to monitor legislative and regulatory changes that may impact the work of the Committee, particularly the development of the requirements from the UK Government's restoring trust in audit and corporate governance initiative.

As Chair of the Audit Committee I make myself available at the Company's annual general meeting to answer any shareholder questions on the Committee's remit.

David Robbie
Chair of Audit Committee

22 June 2023

AUDIT COMMITTEE MEETINGS' KEY TOPICS

2022

JUN 2022

- Review of the 2021/22 Annual Report and announcement, including a review to ensure the report was fair, balanced and understandable
- Going concern and viability statement
- Impairment assessment review
- Effectiveness of internal control framework update
- Review of adjusting items
- Review of risk appetite and tolerance statement, risk heat maps and assurance matrix
- Internal Audit report
- External Auditor report
- Review of external Auditor effectiveness paper and recommendation to the Board to appoint Ernst & Young LLP for 2022/23

OCT 2022

- 2022/23 external Auditor plan for the half year
- Review of letter to management from external Auditor on 2021/22 audit
- Impairment assessment review
- Review of adjusting items
- Internal Audit report
- Ethics and compliance report review
- Risk update

DEC 2022

- Update on half year forecast results
- Going concern
- Review of announcement of half year results
- External Auditor half year report, including confirmation of independence and objectivity
- Internal Audit report
- Non-audit fees review
- Risk update

2023

APR 2023

- Update on full year forecast results and trading outlook and emerging year-end accounting issues and matters of judgement
- Interim going concern assessment and consideration of significant accounting policies and judgements
- Annual impairment review
- Effectiveness of internal controls review
- Ethics and compliance report review
- Update on external Auditor plan and fees
- Risk update and review of emerging risks
- Review and approval of Internal Audit plan for 2023/24 including confirmation of non-financial areas to be targeted
- Review of fraud processes
- Review of current developments in ESG reporting

JUN 2023

- Review of the 2022/23 Annual Report and announcement, including a review to ensure the report was fair, balanced and understandable
- Going concern and viability statement
- Review of the key non-financial metrics in the SECR and TCFD tables
- Impairment assessment review
- Effectiveness of internal control framework update
- Review of adjusting items
- Internal Audit report and review of internal assessment of the effectiveness of the Internal Audit function
- External Auditor report
- Review of external Auditor effectiveness
- Recommendation of appointment of the external Auditor

Other matters particularly focused on by the Audit Committee in its discussions with management include:

- Oversight of external audit tender and transition processes
- Risk management, internal control and compliance enhancements
- Quality of earnings
- Financial commitments and liabilities
- Pensions
- Taxation matters, including review of strategy and risks
- Internal Audit and in-house governance, compliance and corporate governance activities updates
- Climate and sustainability risks and the evolution of disclosure requirements

Membership and operation of the Committee

Member	Since
David Robbie (Chair)	2019
Celia Baxter	2019
Alan Johnson – since 1 June 2022	2022
Alina Kessel	2020
Louise Smalley	2014

Eric Olsen joined the Board and its Committees on 15 May 2023.
Rupert Soames retired from the Board and its Committees on 6 September 2022.

The Audit Committee met on four occasions during the year, with meetings scheduled to align with the Group's external financial reporting obligations. Details of the attendance of individual Directors can be found on page 76. As and when required, the Audit Committee members were joined by the Group Chief Executive, the Group Finance Director, the Group Financial Controller, the Group Risk Officer and representatives from the Internal Audit and Governance teams and the external Auditor for parts of these meetings, by invitation. The external Auditor was not present at meetings where their performance was discussed. The Audit Committee also met privately with the external Auditor as appropriate.

The Group General Counsel and Company Secretary acts as Secretary to the Committee.

The Board is satisfied that the Chair of the Committee and other members of the Audit Committee have both recent and relevant financial experience (as set out on pages 70 to 73) and that the Audit Committee, as a whole, has competence relevant to the sector (namely manufacturing) in which the Company operates.

In addition to the scheduled Committee meetings, the Chair of the Audit Committee held separate individual meetings during the year with the Group Finance Director and his team, the Group Risk Officer, representatives from Internal Audit and the external Auditor.

The Audit Committee received sufficient, reliable and timely information from management to enable it to fulfil its responsibilities.

Risk management, internal control and Internal Audit

In fulfilling the Committee's oversight of the risk management and control environment, a number of key activities are undertaken during the year, including regular meetings with senior management.

The Audit Committee considered the Group's risk management activities during the year (with specific discussions of topics such as an update on the Group's Risk policy, an in-depth discussion on sustainability commitment risks, security of paper supply and risks associated with future resourcing capability needs, particularly in the strategic growth drivers of innovation, sustainability and digital and data). The Audit Committee continued its regular review of risk reporting to ensure that the balance between risk and opportunity was in keeping with the Group's risk appetite and tolerance. The Audit Committee is satisfied that the Group's executive compensation arrangements do not prejudice robust controls and good stewardship.

A key element of the Committee's oversight role is to challenge management and test the validity of any critical assumptions and matters of significant judgement. Areas debated include an assessment of the Group's mitigation of the risk of fraud and the impairment assessment assumptions. The Committee has taken a close interest in developments in sustainability reporting. In conjunction with the Board, the Committee continues to challenge management on its approach to matters relating to cyber security.

The Committee approved the Group's annual Internal Audit plan, which was primarily risk-based, focusing on those areas which are the most significant risks facing the business, as well as providing rotational coverage of processes, systems, core compliance risks and strategic projects, and overseeing internal management compliance activities. During the year, the Committee received regular reports summarising findings from the Internal Audit reviews performed, action plans to address any areas highlighted for improvement and additional activity review summaries from internal compliance teams. As two years had elapsed since bringing the Internal Audit function in-house, an independent internal assessment of the effectiveness and performance of the Internal Audit function was carried out during the year with the findings reported to and evaluated by the Committee. This annual review, complemented by the insights into performance provided by the quality of the regular reports, enabled the Committee to remain satisfied that the performance of the function was effective and that its quality, experience and expertise are appropriate for the business.

Fraud risk

The Group has a framework to both protect itself against the risk and the consequences of fraud and to detect and investigate instances of actual and alleged fraud. Fraud encompasses misappropriation of assets, financial misstatement, and bribery and corruption. The tone from the top is clear – the Group has a zero tolerance to fraud, as set out in the fraud policy guidance. In terms of protection against fraud, there is an operational framework setting out policies on such areas as code of conduct, anti-bribery and corruption, conflicts of interest and gifts and hospitality, complemented by mandatory training. The Group internal financial control framework provides the day to day first line of defence against misappropriation and misstatement, and adherence to this control framework is monitored through site visits by Internal Audit and Group Governance and detailed bi-annual certification processes. The confidential 'Speak Up!' reporting programme, together with a comprehensive, specific fraud response policy and associated guidance, underpin the approach to detection and investigation of alleged and actual fraud. All instances of alleged fraud are investigated fully and lessons learnt incorporated, as appropriate, into the frameworks and training. The Internal Audit function takes the lead on these investigations and the Audit Committee is informed fully on these activities. The Committee is satisfied that the Group's overall framework to mitigate the risk of fraud is appropriate and proportionate.

Confidential reporting

Twice a year the Committee receives separate reports on matters raised through 'Speak Up!', the Group's confidential reporting channel, and any related investigations. The 'Speak Up!' programme is available through a multi-language phone line and web portal and third parties, such as suppliers and contractors, can also report through that phone line and web portal. The Code specifies that reports arising from such confidential reporting channels should either be reviewed by the Board or an explanation given. All Board members attend that part of the Audit Committee meeting when 'Speak Up!' and any related investigations are reported on. This means that representatives from both Internal Audit and the external Auditor (who attend the Audit Committee meetings but not Board meetings) can contribute their perspectives, which is a valuable part of the review process. Internal Audit are also able to provide specialist support where such assurance is considered necessary.

Financial reporting

The Code requires the Board to confirm that the Annual Report presents a fair, balanced and understandable assessment of the Group's performance, business model and strategy. This is an important area of focus for the Committee. At the request of the Board, the Committee undertook procedures so as to be able to advise the Board on this. Committee members gave input at various stages during the planning and drafting process, as well as taking the opportunity to review the Annual Report as a whole and discuss, prior to the June Audit Committee meeting, any areas requiring additional clarity or better balance in the messaging.

Significant matters considered in relation to the financial statements

Issue	Review and conclusion
Carrying value of goodwill	The Group has significant balances of goodwill and customer related intangibles arising from the acquisition programme of the last 10 years. Goodwill is subject to an annual impairment exercise undertaken by comparing the value in use of the Group's four cash-generating units (CGUs) – Northern Europe, Southern Europe, Eastern Europe and North America. This exercise uses the Group's annual Board approved budget financial information and assumptions as the basis for the CGUs' cash flows, together with long term growth assumptions and market based discount rates. The Committee has reviewed the results of this exercise and the disclosures in the Financial Statements. The Committee is mindful that these assumptions are subject to change and has considered appropriate scenarios reflecting these sensitivities. The Committee noted that the assumptions for North America, as a region in which the Group has a limited track record, required more judgement. The Committee is satisfied that the impairment exercise was rigorous and the judgements made by management were reasonable, that there is significant headroom of value in use over the carrying values of each of the CGUs, that no impairments were necessary and that the disclosures in the Financial Statements are appropriate.
Taxation	Taxation remains a key area of focus for the Committee, particularly given the continued and increasing level of fiscal authority activity, ongoing tax enquiries and the second pillar of the OECD Base Erosion and Profit Shifting framework. The Group is exposed to differing tax regimes and risks which affect both the carrying values of tax balances (including deferred tax) and the resultant income statement charges. The Audit Committee reviewed the tax charge for the half year and the full year, including the underlying tax charge, the appropriateness of and movement in tax provisions recognised and the risks associated with them. The Committee is satisfied that the amounts recognised and the disclosure provided are appropriate.

ESG reporting

The ESG reporting landscape has over the past 12 months been an area of significant regulatory development and this is set to continue. The Group maintains its monitoring and assessment of the implications of developments such as CSRD (Corporate Sustainability Reporting Directive) and ISSB (International Sustainability Standards Board), in addition to EU Taxonomy requirements and the recommendations set out under the UK TPT (Transition Plan Task Force).

Over the past year, the Group has continued to develop its ESG disclosures, including reporting under the requirements of the TCFD (Task Force on Climate-related Financial Disclosures) on pages 52 to 63, EU Taxonomy (pages 64 and 65), the Non-Financial and Sustainability Information Statement (pages 66 to 68) and Streamlined Energy and Carbon Reporting (SECR) in alignment with the greenhouse gas protocol on page 63. The ESG reporting function is integrated within the Group reporting and governance functions within the Group finance team and delivers work relating to assurance, reporting systems, forecasting and planning and disclosure, in addition to partnering with the business to strengthen the production and use of ESG data. The Audit Committee has received a comprehensive briefing during the year covering the evolving ESG landscape together with regular updates. The Committee has specifically reviewed the SECR and TCFD disclosures and is satisfied that they are appropriate.

Deloitte LLP is the independent assurance provider providing assurance for selected metrics (indicated with an asterisk in the relevant disclosures in the 2023 Annual Report) during the financial year 2022/23.

Other activities of the Committee

Preparation for corporate governance reform

The Committee continues to stay abreast of ongoing guidance and consultations arising from the UK Government's proposals for restoring trust in audit and corporate governance. The Committee has reviewed updates on management's ongoing preparation activities to respond to the likely final requirements.

Financial Reporting Council (FRC) correspondence

During the year, the FRC reviewed the Group's Annual Report and Financial Statements for the year ended 30 April 2022. No questions or queries arose from this review and matters noted of disclosure improvement and compliance with legal, accounting and reporting requirements have been reflected as appropriate in this year's Annual Report.

Committee's continued development

In order to help the Committee continue to meet its responsibilities, Committee meetings include regular corporate governance updates and briefings from external advisers or from members of senior management.

The Committee's effectiveness was reviewed as part of the wider Board's evaluation and review of effectiveness, as described on page 80.

External Auditor

Effectiveness

In addition to the external Auditor confirming their independence and objectivity, the Audit Committee also evaluates and monitors their effectiveness through a review of the qualifications, expertise and resources of the engagement team.

This is conducted through direct assessment and recurring activities. As part of the current assessment of effectiveness, the Audit Committee has taken into consideration the guidance issued by the FRC including, insofar as practical the new guidance on oversight of the external audit set out in the recently published document "Audit Committees and the External Auditor: Minimum Standard". Based on evidence from management, the external Auditor and, as appropriate, external sources together with its own experience, the Audit Committee assessed the mindset and culture, skills, character and knowledge, quality control and judgement of the external Auditor. The assessment considered the degree of challenge to management, the issues identified and the quality of explanations. The Audit Committee recognises that the quality of an audit is paramount. The Committee is satisfied with the effectiveness of the external Auditor and that the current year audit was one of high quality.

Separate from the meetings of the Audit Committee, the Chair of the Committee meets regularly with the external Auditor's lead engagement partner. The Committee also has meetings with members of the external Auditor team, with no members of executive management present.

Independence and objectivity

In order to ensure the independence and objectivity of the external Auditor, the Audit Committee maintains and regularly reviews the Auditor Independence policy which covers non-audit services which may be provided by the external Auditor, and permitted fees.

The Group has a policy on the supply of non-audit services by the external Auditor, which was most recently updated in April 2023. The policy prohibits certain categories of work in accordance with guidance such as the FRC Ethical Standard. It specifies that the Group should not employ the external Auditor to provide non-audit services where either the nature of the work or the extent of such services might impair their independence or objectivity. The external Auditor is permitted to undertake some non-audit services under the Group's policy, providing it has the skill, competence, integrity and appropriate independence safeguards in place to carry out the work in the best interests of the Group, for example, permissible reporting accountant work associated with significant acquisitions. All proposed permitted non-audit services above a de-minimis financial threshold are subject to the prior approval of the Audit Committee.

Non-audit services and fees are reported to the Audit Committee twice each year. During 2022/23, total non-audit fees paid to the external Auditor of £0.3 million were 5 per cent of the annual Group audit fee (2021/22: £0.5 million: 10 per cent): see note 3 to the consolidated financial statements. In addition, £9.4 million was paid to other accounting firms for non-audit work, including £0.1 million for specific work projects allocated by the Internal Audit team.

The EU Audit Regulation (Retained Legislation) and the FRC's revised Ethical Standard mean that there is also a cap of 70 per cent on the ratio of non-audit fees to audit fees that can be paid to the external Auditor, which places a further constraint on the non-audit services permitted.

Annually, the Audit Committee receives written confirmation from the external Auditor of the following:

- Whether they have identified any relationships that might have a bearing on their independence
- Whether they consider themselves independent within the meaning of the UK regulatory and professional requirements
- The continued suitability of their quality control processes and ethical standards.

The external Auditor also confirms that no non-audit services prohibited by the FRC's Revised Ethical Standard were provided to the Group or parent Company.

On the basis of the Committee's own review, approval requirements in the non-audit services policy, and the external Auditor's confirmations, the Audit Committee is satisfied with the external Auditor's independence and objectivity.

External Auditor fee and appointment

External audit fee negotiations are approved by the Audit Committee each year. There are no contractual restrictions on the Group in regard to the current external Auditor's appointment.

Ernst and Young LLP were appointed as external Auditor to the Group in 2022, with Kevin Harkin being appointed the lead audit partner for the 2022/23 year end.

Pursuant to the terms of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Process and Audit Committee Responsibilities) Order 2014 (Competition & Markets Authority Order), which is now in force, the Audit Committee is solely responsible for negotiating and agreeing the external Auditor's fee, the scope of the statutory audit and initiating and supervising any competitive tender process for the external audit. When a tender is undertaken, the Committee is responsible for making recommendations to the Board as to the external Auditor's appointment. The Committee's policy is that the role of external Auditor will be put out to tender at least every ten years in line with the applicable rules.

The Audit Committee confirms that the Company has complied with the provisions of the Competition & Markets Authority Order with regards to external audit tendering and audit responsibilities throughout its financial year ended 30 April 2023.

Our key responsibilities

As a Committee we have delegated authority from the Board to focus on the following key responsibilities:

- Ensuring the integrity of financial reporting and associated external announcements
- Reviewing and challenging the application of the accounting policies and principles reflected in the Group's financial statements
- Reviewing disclosures made under the provisions of the Streamlined Energy and Carbon Reporting legislation and Task Force on Climate-related Financial Disclosures provisions
- Assessing the basis on which the viability statement and going concern statement are being made and challenging the assumptions underlying them
- Managing the appointment, independence, effectiveness and remuneration of the Group's external Auditor, including the policy on the supply of non-audit services
- Initiating and conducting the audit tender process for the external audit
- Monitoring the adequacy and effectiveness of the internal control environment
- Challenging the plans and effectiveness of the Internal Audit function, which is independent from the Group's external Auditor
- Overseeing the Group's risk management processes and performance
- Reviewing the effectiveness of established fraud prevention arrangements and reports made through the confidential 'Speak Up!' policy process
- Assessing the Group's compliance with the 2018 UK Corporate Governance Code
- Providing advice to the Board on whether the Annual Report and financial statements, when taken as a whole, are fair, balanced and understandable and provide all the necessary information for shareholders to assess the Group's position, performance, business model and strategy
- Recommending to the Board the appointment of the external Auditor.

REMUNERATION COMMITTEE REPORT

Our Remuneration policy and practices remain aligned to our strategy and incentivise performance.

Celia Baxter,
Chair of Remuneration Committee

Dear shareholders

Introduction

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 30 April 2023, which sets out how we have implemented the Remuneration policy that was approved by shareholders at the annual general meeting (AGM) in September 2020. Three years on from that vote, our Remuneration policy is due for renewal this year and will be put to shareholders for approval at our AGM in September. The Remuneration policy proposed for 2023 to 2026 is set out in full on pages 98 to 104, together with background to the minor changes proposed to the existing policy.

My letter on pages 92 to 94, the summary on pages 95 to 97 and the Annual Report on Remuneration on pages 105 to 118 will be presented for approval by an advisory vote at our AGM in September 2023.

Our role as a Remuneration Committee is to develop a reward package for executives and senior management that supports our vision and strategy as a Group and ensures those rewards are performance-based and encourage long-term shareholder value creation. Our Purpose as a Group is 'Redefining Packaging for a Changing World'. More about the delivery of our Purpose through our strategic goals and our Now & Next Sustainability Strategy is set out on page 3 and pages 24 to 29 of this year's Annual Report.

Our achievements and variable pay outcome

Our Purpose also informs the Group's approach to strategy, which has led, not only to the financial and non-financial results highlighted on the inside front cover, but also to our high scores among the environmental, social and governance (ESG) ratings published by MSCI (AA) and EcoVadis (Platinum) as well as those issued by Sustainalytics, S&P Global Corporate Sustainability Assessment (CSA – formerly known as DJSI) and CDP.

You can read about the achievements of our business during 2022/23 in more detail in the Strategic Report starting on page 1. Highlights for the 2022/23 financial year include:

- Adjusted operating profit increased by 35%, on a constant currency basis to £861 million
- 6 per cent reduction in accident frequency rate
- 762 million units of plastic replaced since 2020.

In respect of the variable pay elements linked to the 2022/23 financial year, the Performance Share Plan (PSP) award made in 2020 had performance conditions based on earnings per share (EPS) and return on average capital employed (ROACE) performance and the three year cumulative relative total shareholder return (TSR) performance between 2020/21 and 2022/23. The Committee is mindful of the potential for windfall gains from the vesting of this award. In considering this potential issue the Committee noted that the grant had been made in July 2020 after the share price had recovered from the Covid-19 impact in the first part of that calendar year. The 272p share price used for the grant had recovered 14 per cent by 30 April 2023 and, importantly, this share price recovery has been underpinned by an increase to £861 million from £660 million in adjusted operating profit since the year ending 30 April 2020, being the year before any significant impact of Covid-19. The Committee believes that the PSP outcome is appropriate and is a fair reflection of business performance over the period.

The Group's performance against the bonus measures of adjusted earnings before tax and amortisation (EBTA) and free cash flow was strong and the formulaic outcome of the bonus was 100 per cent of the maximum bonus opportunity. The details of the 2022/23 annual bonus performance are set out on pages 107 and 108.

In considering whether to apply discretion to override the annual bonus formulaic outcome, an ESG underpin is used. The Committee took into account three ESG factors:

- development of initial plans to achieve the longer-term science-based targets for carbon reduction in the business;
- continuing maintenance of high health and safety standards; and
- continued work with our communities.

The Committee reviewed the evidence of performance against these factors (see summary on page 108) and concluded this was satisfactory and that no discretion needed to be applied. The Committee has therefore decided that the Executive Directors will receive 100 per cent of the maximum annual bonus opportunity.

Taking into consideration the context of the wider experience of our key stakeholders described below, the Committee concluded that the total variable pay outcome (both the PSP and the annual bonus) in respect of 2022/23 appropriately reflected the Company's performance and was commensurate with the broader stakeholder experience in the period. It was therefore not felt necessary to apply any discretion to amend the outcome of the PSP or the annual bonus. The Committee also concluded that the Remuneration policy has operated as intended, both in terms of appropriately incentivising corporate performance and in respect of quantum.

Stakeholder experience in the year under review

When deciding the level of these variable pay elements, the Committee also considered the experience of a wide range of the Group's key stakeholders during the 2022/23 financial year.

We have continued to deliver on our commitment to quality and service for our customers, with our on-time, in-full rate increasing to 96 per cent with commensurate improvements in product quality and customer satisfaction scores. These improvements are reflected in the most recent brand survey undertaken by the Group that shows a further increase in the value and standards our brand represents as scored by our actual and prospective customers.

Group-wide we have kept a strong focus on employee health and wellbeing, which features a number of aspects. Our programmes have included supporting the financial education of employees and raising the awareness of the importance of saving for the future, even in challenging economic times.

The Committee has been mindful of the external economic environment and in particular the high levels of inflation which are impacting the cost of living for so many of our employees. We have been able to support our lowest paid colleagues with higher salary increases than those for our more senior colleagues and the use of lump sums in certain countries to address cost of living challenges. An example of the former, in the UK, is that the majority of our lowest paid employees received an increase of 8 per cent in 2022/23, while our more senior employees received an increase of 4 per cent. In the UK and US, during the year we launched a financial wellbeing campaign and consultation service to provide access to online materials on how to manage their money in a challenging economic environment.The Group has surveyed over 250 sites, to better understand what current health and wellbeing initiatives are available to employees across the Group. A health, safety and wellbeing week is planned to further engage with employees around experiences, knowledge, skills and available tools as part of an ongoing programme of employee support.

The Group's connection with the local communities where our sites are based has continued to strengthen. For the fourth year running all our sites with more than 50 full-time employees have participated in community activities. Over the past 12 months we have continued to work with our suppliers and at our sites to increase our focus on human rights due diligence and to integrate this more fully into our business. In 2022/23, our procurement and paper sourcing teams began to engage our strategic suppliers to set their own science-based targets as part of our supplier engagement programme, customised to the carbon maturity of each supplier. We joined the Supplier Leadership on Climate Transition initiative, founded by some of our key customers, to actively encourage our least mature suppliers to begin the process of calculating their carbon footprint, setting a science-based target and implementing an emissions reduction programme. This work has initially prioritised our strategic paper suppliers, given that they represent our largest source of upstream emissions.

As we continue to refine our policies and practices across all areas of the ESG agenda, the Committee continues to be impressed with the progress in relation to sustainability matters that DS Smith makes. This has been driven by the Group's values. Our commitment to carbon reduction has driven our work with a specialist energy consultancy throughout the year to develop our plans to achieve the science-based target, including decarbonisation roadmaps for our packaging plants. These roadmaps identify the major technical solutions that will need to be implemented, such as solar and heat pumps, in addition to green electricity sourcing and energy efficiency opportunities. Our decarbonisation roadmap for our paper mills continued its delivery whilst being refined, continuing to optimise for best cost solutions and improving assessments relating to future alternative fuel availability.

All these factors drive the Group's ongoing profitability and cash flow, impacting the performance measures of our incentive plans. The underlying importance of these factors to the Group continues to be emphasised by the use of a variety of these ESG considerations as an underpin to the annual bonus, both for the 2022/23 and the 2023/24 annual bonus.

In respect of the 2022/23 financial year, an interim dividend has been paid and an increased final dividend has been recommended, subject to the approval of shareholders at the forthcoming AGM.

Our year under review

The key discussions of the Committee and decisions taken since 1 May 2022 were:

- Making sure that there is appropriate balance between the business need for meaningful incentivisation for management and the recognition of the wider societal context in which the business operates, taking into account the differing expectations of each key stakeholder group, including our customers, employees, investors and suppliers

- Undertaking the triennial review of our Remuneration policy, consulting with stakeholders on minor changes proposed and preparing the policy for 2023 to 2026
- Reviewing the salaries of the Group Chief Executive and the next layer of management and approving the treatment of remuneration arrangements for joiners and leavers in that layer of senior management. As part of our review we always consider the salary increases implemented across the Group. This year due to the high inflation rates in the UK, the country in which our Executive Directors are based, we decided to award lower percentage pay increases to senior management than those awarded to the majority of non-management employees
- Considering the treatment of the outstanding unvested awards under the PSP and deferred share bonus plan (DSBP) held by Adrian Marsh, our current Group Finance Director, when he served notice of his intention to retire from the Board and from full-time executive roles. Adrian will continue to receive his salary, retirement and other benefits and will be eligible to receive a bonus for 2023/24 pro-rated to the date he ceases to be an employee. The bonus will (subject to performance targets being met) be payable at the normal time and will be paid 50 per cent in cash and 50 per cent in deferred shares in line with the policy. Adrian will be treated as a good leaver in respect of his outstanding PSP, DSBP and Sharesave awards. The post-cessation shareholding requirement will apply to Adrian on cessation of his employment in September
- Reviewing the remuneration of Richard Pike, the incoming Group Finance Director who joins the Board on 30 June 2023. Richard will receive a salary of £550,000 and benefits in line with the Remuneration policy, including a retirement benefit contribution rate of 6 per cent of salary. He will be entitled to an annual bonus opportunity of 150 per cent of salary and a PSP award of 200 per cent of salary. To compensate for remuneration forfeited from his previous employer on joining DS Smith Plc, Richard has been granted buy-out awards, further details of which are set out later in this report
- Considering whether the formulaic outcome of the annual bonus and PSP are judged to be appropriately aligned with business performance and stakeholder experience over the relevant periods and assessing the impact of Covid-19 on the business when deciding on the appropriate approach for bonus and PSP: this continues to be an important consideration for determining vesting levels in 2023, as it was for selecting performance measures and targets in 2022
- Setting the targets for the annual bonus and PSP awards made in 2022/23 and the performance measures and weighting for the 2023/24 awards: taking into account a number of factors which included our medium term growth targets, the volatility of paper pricing, the challenging economic environment with inflationary pressures, rising interest and tax rates, and our investment programme
- Assessing the operation of the ESG underpin in the bonus
- Considering whether there is a need to include specific ESG measures in the bonus and PSP awards. Sustainability continues to be one of the key values of DS Smith and our progress and our leading position in promoting the circular economy have been achieved without the need to directly incentivise ESG. Accordingly, the Committee decided to maintain the current approach of having an ESG underpin to the annual bonus. The Committee will continue to monitor further developments in this area and will take those into account in considering whether a different approach to using ESG in remuneration might be appropriate in the future.

Our Remuneration policy for 2023 to 2026

The Committee reviewed the operation of the Remuneration policy and concluded that this structure has operated as expected in the context of the Company's performance for the 2020 to 2023 period. It is therefore not proposed to change the structure of remuneration set out in the Remuneration policy approved by shareholders in 2020. Since that policy was approved in 2020 there have been two changes in relation to its implementation as to quantum. Both changes were referred to in the 2022 Annual Report and those changes are now reflected in the proposed Remuneration policy for 2023 to 2026, namely:

- the alignment of the Executive Directors' retirement benefit contribution rate with that available to the workforce in the country where they are based for employment purposes (currently 6 per cent); and
- the increase of the expected shareholding requirement of the Group Finance Director from 175 per cent to 200 per cent of salary.

As part of our regular three-yearly cycle, the Committee this year reviewed the current policy in the context of the business strategy and the evolving expectations of our shareholders and stakeholders and is only proposing a couple of minor changes as detailed (together with the reasoning behind them) on page 98.

Our conversation with our workforce

A European Works Council (EWC) representative joined a Committee meeting this year to support and inform discussions about the Remuneration policy being proposed for 2023 to 2026 and about health and financial wellbeing programmes and to brief the Committee about some of the topics discussed at recent meetings of the EWC.

In addition, I once again attended meetings of the EWC Executive to engage and consult with them on executive remuneration and wider employee remuneration issues. When we met in April 2023 we discussed employee mental health and financial wellbeing. I also updated the EWC Executive on the proposed changes to the Remuneration policy and we discussed the reasons why an employee Sharesave opportunity had not been launched during the year but was under consideration for the forthcoming year. These meetings are a regular feature of the annual timetable as both I and the EWC Executive value the opportunity they provide to understand more about matters relating to the Executive Directors' remuneration and its alignment with that of the wider workforce, as well as providing an additional channel through which the voice of employees can be heard in the boardroom.

Our conversation with our shareholders

Shareholder views, whether directly or indirectly expressed, together with relevant guidance and emerging trends, are carefully considered when reviewing reward design and outcomes. We wrote to our major shareholders in October 2022 asking them for any comments on the proposed 2023 Remuneration Policy. As we are only proposing minimal amendments to our Policy, there was minimal shareholder response and comments received on the changes proposed. At the AGM in September 2023, shareholders will be asked to vote on the Remuneration policy and the Remuneration Report. I hope that the Committee will have your support on both of these resolutions.

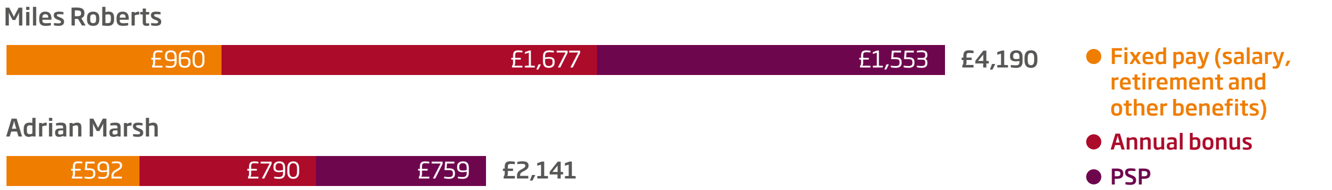
As Committee Chair, I continue to be available to engage with shareholders, as they so wish, on remuneration matters.

Celia Baxter
Chair of Remuneration Committee

22 June 2023

REMUNERATION AT A GLANCE

Single total figure of remuneration for 2022/23 (£'000s) (Audited)



	Total single remuneration figure £'000 2022/23	2021/22	Increase
Miles Roberts	**4,190**	2,580	62%
Adrian Marsh	**2,141**	1,347	59%

	Vesting as a % of maximum: 2022/23 annual bonus	2020/21 PSP vesting in 2023/24
Miles Roberts	100%	66.67%
Adrian Marsh	100%	66.67%

For more information on how this is calculated see page 105.

Salary

Salary increases with effect from 1 August 2023 are set out below and on page 106.

Retirement benefit

The contribution rates for Miles Roberts and Adrian Marsh were further reduced with effect from 30 December 2022 and their retirement benefit contribution rate is now aligned with that available to the workforce in the UK, 6 per cent of salary (being the country where they are based for employment purposes).

2023/24 application

The table below sets out a summary of how the Remuneration policy proposed for 2023 to 2026 will apply during 2023/24.

Remuneration element	Application of the Remuneration policy
Base salary	• The salary for Group Chief Executive Miles Roberts will be increased by 5.13% to £890,000, an increase that took into account the average increase of 5.72% for the UK workforce as a whole. • No increase in the salary of Adrian Marsh, Group Finance Director. • Richard Pike, Group Finance Director designate: £550,000.

Annual bonus	• No changes to maximum award levels of:
	  • Group Chief Executive 200%; and
	  • Group Finance Director 150%.
	• Bonus payable to Executive Directors paid half in cash and half in deferred shares, under the DSBP, with the shares vesting after three years.
	• The performance measures for 2023/24 remain as adjusted EBTA and free cash flow with equal weighting. (Details of the ESG underpin are set out on page 108.)

Performance share plan (PSP)	• No change to maximum award level for Group Chief Executive of 225% and for Group Finance Director of 200%. • The performance measures for 2023/24 will remain as adjusted EPS, adjusted ROACE and relative TSR with equal weighting. • Any shares that vest under this award must be retained for a further two years before they can be sold and they are also subject to a post-employment holding condition.
Retirement benefit	• Contribution or cash alternative rate for Group Chief Executive and for Group Finance Director is 6%, which is aligned with that available to the UK workforce.
Shareholding guidelines	• Shareholding target remains at 225% of salary for the Group Chief Executive and at 200% of salary for the Group Finance Director. • Actual holding (valued at closing price on the last trading day of financial year) was 970% for Miles Roberts and 314% for Adrian Marsh. Richard Pike is required to build up his shareholding over five years from his appointment as an Executive Director. Before joining the Company as an employee Richard already held 372,871 shares in the Company. Any shares that vest under PSP or DSBP awards granted in 2020/21 or subsequent years will, until the relevant shareholding requirement is met, be held in a nominee arrangement, because they are subject to a post-employment holding condition (in addition to the two-year post-vesting holding condition).

Payment schedule for remuneration elements

Year commencing	Base year	Base year +1	Base year +2	Base year +3	Base year +4	Base year +5
Base salary	Paid over financial year					
Annual bonus	Following the end of the base year:	• 50% of annual bonus awarded is paid in cash • 50% of annual bonus awarded paid in an award of shares under the deferred share bonus plan (DSBP) which vests in base year +3		Three years after the cash bonus is paid, the 50% deferred share-based portion vests under the DSBP and is subject to any applicable post-employment holding condition		
Performance share plan (PSP)	Shares are awarded under the PSP			Shares awarded under the PSP vest if performance conditions are satisfied Shares remain subject to a two year post-vesting holding period (that does not extend beyond the second anniversary of any departure) and are subject to any applicable post-employment holding condition		Two year post-vesting holding period for PSP awards ends

Key attributes to consider in reviewing remuneration matters

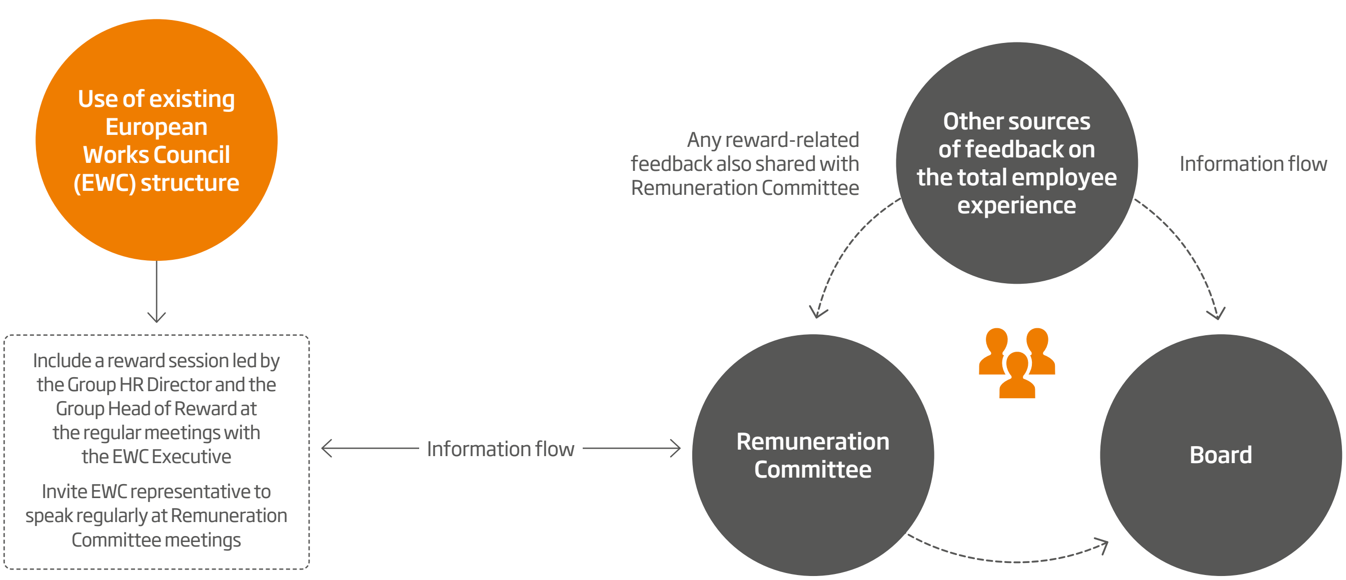
Under the 2018 Corporate Governance Code the Remuneration Committee is asked to describe with examples how it has considered six specific factors.

The Committee has reviewed the reward principles (set out on page 97).

The Committee has noted that these principles are **clear** and **expressed simply**. Under our reward principles incentive levels are to be **proportionate** and designed in a way **to minimise any behavioural risks**. All the criteria for each element of an individual's remuneration are explained, so that each individual has a clear and **predictable** line of sight as to what actions will impact their remuneration outcomes, so that all remuneration is appropriately earned for genuine business performance aligned with the Company's **culture, values and** strategy.

The decisions made in relation to remuneration matters are taken in alignment with these over-arching reward principles that apply to all executive management.

Employee voice in the boardroom



DS Smith reward principles

As part of good practice for any reputable company we apply the following baseline principles when setting reward across the organisation:

- Meets legal and regulatory requirements
- Simple and clear to understand
- Affordable and sustainable
- Is competitive in the market on a total reward basis to enable DS Smith to attract and retain the right level of talent.

However, to differentiate our employee value proposition and ensure that our approach to reward aligns to our culture, we have developed the following DS Smith reward principles:

- We support a culture of meritocracy where our people are encouraged to reach their potential and are clear on what they need to do to succeed. For salaried employees, reward should be differentiated using our Group salary and incentive ranges for entry, established and high performers. Where pay is determined through collective bargaining and there is less scope to differentiate by individual, the highest performers should be rewarded through development, promotion and other recognition opportunities.
- We strive to have consistent policies and practices at a local level and transparency in our benefits offering and policies.
- Incentives are designed to reward collective rather than individual effort, to support our one DS Smith culture. For senior managers, this is Group financial performance but for middle managers and frontline employees, performance measures can be the key value drivers that the individuals are able to influence directly such as cost, quality and service.
- All employees should have the opportunity to share in the success of the Group.
- Share ownership is fundamental at senior levels and desirable across the Group.
- The Group respects the need for employees to make their own choices around what they value, although there are certain reward components linked to health and wellbeing where the Group may decide it is appropriate to set a minimum Group standard.
- Our pension offering should be competitive with the local market where this is a benefit valued by employees.
- When determining rewards, demonstration of an individual's behaviours in line with the Group's values (be caring, be challenging, be trusted, be responsive and be tenacious) are considered alongside the results achieved.
- In managed exits people should be treated fairly, in line with the Group's values and with dignity, but failure should not be rewarded.
- Safeguards are applied to ensure that incentive levels are proportionate, appropriately earned for genuine business performance aligned to Company strategy and designed in a way to minimise any behavioural risks.

In summary: key objectives of our Remuneration policy

The purpose of our current and of our proposed Remuneration policy is to deliver a remuneration package that:

- Attracts and retains high calibre Executive Directors and senior managers in a challenging and competitive business environment
- Reduces complexity, delivering an appropriate balance between fixed and variable pay for each Executive Director and the senior management team
- Encourages long-term performance by setting challenging targets linked to sustainable growth
- Is strongly aligned to the achievement of the Group's objectives and shareholder interests and to the delivery of sustainable value to shareholders
- Seeks to avoid creating excessive risks in the achievement of performance targets
- Is consistent with the Company's Purpose and values
- Is commensurate with pay conditions across the Group
- Is aligned to the DS Smith reward principles (as set out above)
- Takes into account overall corporate performance as well as business performance.

All our decisions as a Remuneration Committee are taken in this context.

REMUNERATION POLICY

This part of the report sets out the proposed Remuneration policy to be put to a binding vote of the shareholders at the annual general meeting (AGM) currently expected to be held on 5 September 2023. This policy will apply for a maximum of three years from the date of approval.

The current Remuneration policy was applicable from 8 September 2020 when the policy was approved by shareholders at the AGM. Votes cast by proxy and at the meeting in respect of the Remuneration policy were 93 per cent voting in favour. That policy can be read in full in the 2020 Annual Report at https://www.dssmith.com/investors/annual-reports/archive.

Proposed Remuneration policy

There are no significant changes being proposed in 2023 to the policy approved in 2020, which it is proposed to roll over for the next three years, with only minor changes, either of a housekeeping nature or intended to provide some degree of future proofing as we set down the policy for the next three years.

In determining the proposed new policy the Committee reviewed the extent to which the current policy was working in the context of the current business strategy and therefore its alignment with the strategic direction of the Company. It also took into account the alignment to the wider pay policy across the Group, the evolving expectations of our shareholders and stakeholders, the appropriateness from a risk appetite perspective, and feedback from shareholders during the policy period. Celia Baxter, the Chair of the Remuneration Committee, met with the EWC Executive earlier in 2023 and an EWC representative joined a meeting of the Remuneration Committee. This dialogue supported and informed discussions about the Remuneration policy being proposed for 2023 to 2026.

All Committee members are independent Non-Executive Directors who have no potential conflict of interest in relation to matters of executive remuneration. In relation to the policy on matters of non-executive remuneration, no changes are proposed in 2023. The limit on aggregate annual fees were last amended and approved by shareholders at the AGM in 2017 and are set out in the Company's Articles of Association.

Both the policy on remuneration of Directors and the policy on remuneration of employees are guided by DS Smith's reward principles (see page 97). Employees in senior management, including the Executive Directors, have a significantly higher proportion of performance-related variable pay. Outside the senior management team, variable pay is also operated with a variety of performance measures used as targets for the applicable bonus plans.

The main changes to the policy are:

- Increasing the shareholding requirement for the Group Finance Director (from 175 per cent to 200 per cent of salary) which was reported in the 2021 Annual Report
- Reducing the maximum retirement benefit contribution rate for Executive Directors which was implemented in 2022 and reported in the 2022 Annual Report.

In addition, a number of minor changes have been included to provide some additional flexibility and clarity to the policy.

Element, purpose and link to strategy	Operation and performance metrics	Maximum opportunity
Base salary To help recruit and retain key senior executives. To provide a competitive salary relative to comparable companies, in terms of size and complexity.	Normally reviewed by the Committee annually and fixed for the 12 months commencing 1 August. The Committee takes into account: • role, competence and performance; • average change in broader workforce salary; and • total organisational salary budgets. When external benchmarking is used, the comparator groups are chosen having regard to: • size: market capitalisation, turnover, profits and the number of employees; • diversity and complexity of the business; • geographical spread of the business; and • domicile of the Executive Director.	Salaries will normally be increased in line with increases for the workforce in general, unless there has been an increase in the scope, responsibility or complexity of the role, when increases may be higher. Phased higher increases may also be awarded to new Executive Directors who were hired at a discount to the market level to bring salary to the desired mid-market positioning, subject to individual performance. The aim is to position salaries around the mid-market level, although higher salaries may be paid, if necessary, in cases of external recruitment or retention.

Element, purpose and link to strategy	Operation and performance metrics	Maximum opportunity
Annual bonus To incentivise executives to achieve or exceed specific, predetermined objectives during a one-year period. To reward ongoing delivery and contribution to strategic initiatives. Deferred proportion of bonus, awarded in shares, provides a retention element and additional alignment of interests with shareholders.	Targets are set annually. The performance measures, targets and weightings may vary from year to year in order to align with the Company's strategy and goals during the year to which the bonus relates. Performance measures can include some or all of the following: financial measures, strategic measures and ESG measures. Bonus payouts are determined by the Committee after the year end, based on performance against predetermined objectives, at least the majority of which will be financial. Up to half of the bonus is paid in cash and the balance is deferred into shares. The deferred bonus shares vest after three years. Dividend equivalents arising over the period between the grant date and the vesting date are paid in cash or shares in respect of the shares which vest. The annual bonus plans are not contractual and bonuses under the plans are not eligible for inclusion in the calculation of the participating executives' retirement benefit arrangements. Malus and clawback provisions apply to the annual bonus plan and the deferred bonus shares so that individuals are liable to repay/forfeit some or all of their bonus if there is a material misstatement of results, error in calculation, gross misconduct, payments based on erroneous or misleading data, significant reputational damage or corporate failure. The Committee will act reasonably in the application of malus and clawback.	Maximum bonus potential of 200% of base salary, with target bonus being no greater than one half of the maximum. Bonus starts to be earned at the threshold level (below which 0% is payable). Current maximum potential for each Executive Director is set out in the Annual Report on Remuneration.
Performance share plan (PSP) To incentivise Executive Directors and other senior executives to achieve returns for shareholders over a longer time frame. To help retain executives and align their interests with shareholders through building a shareholding in the Company.	Awards of nil-cost options or conditional awards of shares are made annually with vesting dependent on the achievement of performance conditions measured at the end of the three-year performance period. Awards will vest, subject to performance, on the third anniversary of grant and will be subject to an additional two-year holding period post-vesting, during which time awarded shares may not be sold (other than for tax purposes). The Committee reviews the quantum of awards annually to ensure that they are in line with market levels and appropriate, given the performance of the individual and the Company. Performance measures can include some or all of the following: financial measures, strategic measures, ESG measures and relative TSR. Dividend equivalents arising over the period between the grant date and the vesting date are paid in cash or shares in respect of the shares which vest. Malus and clawback provisions apply to the PSP so that individuals are liable to repay/forfeit some or all of their shares if there is a material misstatement of results, error in calculation, gross misconduct, vesting based on erroneous or misleading data, significant reputational damage or corporate failure. The Committee will act reasonably in the application of malus and clawback.	The maximum annual award under the PSP that may be granted to an individual in any financial year is 225% of salary in normal circumstances and 400% of salary in exceptional circumstances, which is limited to buy-out awards under recruitment. Actual award levels to Executive Directors are set out in the Annual Report on Remuneration. No greater than 25% of the relevant part of the award will vest for achieving threshold performance (which for a relative TSR performance measure would be median performance), increasing to full vesting for the achievement of maximum performance.

Element, purpose and link to strategy	Operation and performance metrics	Maximum opportunity
Share ownership guidelines To further align the interests of executives with those of shareholders.	**During employment** Executive Directors are expected to build and maintain a shareholding in the Company's shares as a multiple of their base salary within five years of appointment as an Executive Director (Group Chief Executive 225%, Group Finance Director 200%). To achieve this, Executive Directors are expected to retain at least 50% of shares (net of tax) which vest under the Company's share plans until the share ownership guidelines are met. Incentive awards which have vested but that the Executive Director has yet to exercise and unvested incentive awards under the DSBP (if they are only subject to a time-based condition) are considered to count towards the shareholding on a notional post-tax basis. Non-Executive Directors are expected to build and maintain a shareholding that is equivalent to 50% of their annual fee from the Company within two years of their date of appointment. **After employment** In respect of share plan awards granted from 2020 onwards, Executive Directors are required to retain, for two years after leaving the Company, a holding of shares at a level equal to the lower of the shareholding requirement they were subject to during employment and their actual shareholding on departure (excluding shares purchased with own funds and any shares from share plan awards made before 2020).	Not applicable
All employee share plan Encourages long-term shareholding in the Company.	Executive Directors have the opportunity to participate in the UK or international sharesave plans on the same terms as other eligible employees (which is currently an opportunity to save up to £250, or local currency equivalent, per month). There are no performance conditions applicable to awards.	Up to £500 per month (or local currency equivalent).
Retirement benefit To provide income in retirement.	Executive Directors can elect to: • participate in the Group's registered defined contribution plan (DC Plan); or • receive a salary supplement; or • a combination of the above.	Maximum: a retirement benefit contribution rate aligned with that available to the workforce in the country where they are based for employment purposes.
Benefits To help retain employees and remain competitive in the marketplace.	Directors, along with other UK senior executives, receive a car allowance or company car equivalent, income protection insurance, life cover of four times salary, family medical insurance and subsidised gym membership. Additional benefits (including a relocation allowance) may be provided from time to time, where they are in line with market practice. Any reasonable business related expenses may be reimbursed (including tax thereon, if deemed to be a taxable benefit).	Benefit levels may be increased in line with market levels to ensure they remain competitive and valued by the recipient. However, as the cost of the provision of benefits can vary without any change in the level of provisions, no maximum is predetermined.

Element, purpose and link to strategy	Operation and performance metrics	Maximum opportunity
Non-Executive Directors and Chair Attract and retain high performing individuals.	Reviewed annually by the Board (after recommendation by the Committee in respect of the Chair). Fee increases, if applicable, are normally effective from 1 August. The Board and, where appropriate, the Committee, considers pay data at comparable companies of similar scale. Directors with additional responsibilities, currently the Senior Independent Director and the Chairs of the Audit and Remuneration Committees, receive additional fees. No eligibility for participation in bonuses, retirement plans or share plans but limited benefits may be delivered in relation to the permanency of their duties as a Director (e.g. hospitality, provision of a mobile phone, tablet/laptop and travel-related expenses). Tax may be reimbursed if these benefits are deemed to be a taxable benefit. If there is a temporary yet material increase in the time commitments for Non-Executive Directors, the Board may pay extra fees on a pro-rata basis to recognise the additional workload.	No prescribed maximum annual increase. Details of current fees are set out in the Annual Report on Remuneration. Aggregate annual fees limited by Articles of Association (currently to £1,000,000).

Recruitment (and appointment) policy

The remuneration package for a new Executive Director would be set in accordance with the terms of the Company's approved Remuneration policy in force at the time of appointment. Similar considerations may also apply where a Director is promoted to the Board from within the Group.

Element	Recruitment policy
Base salary	The Committee will take into consideration a number of factors, including the current pay for other Executive Directors, external market forces, skills and current level of pay. Salary may (but need not necessarily) be set below the normal market rate, with a series of planned increases implemented over the following few years to bring it to the desired positioning, subject to individual performance.
Benefits	Benefits provision would be in line with normal policy. The Committee may agree that the Company will meet appropriate relocation costs and tax thereon.
Retirement benefit	The retirement benefit contribution rate will be aligned with that available to the workforce in the country where the Executive Director is based for employment purposes.
Annual bonus	Eligible to take part in the annual bonus, with a maximum bonus of up to 200% of salary in line with policy. Depending on the timing of the appointment, the Committee may deem it appropriate to set annual bonus performance metrics different from those that apply to the current Executive Directors for the first performance year in which the appointment falls.
PSP	A normal award of up to 225% of salary, in line with policy. In exceptional circumstances this may be increased up to 400% of salary in order to accommodate any buy-out awards.
Buy-out awards	In exceptional circumstances, the Committee may offer additional awards (using Listing Rule 9.4.2, if necessary). Any such awards would be for the specific purpose of recruiting an Executive Director key to the operation of the Group. The awards would not exceed what is felt to be a fair estimate of remuneration forfeited when leaving the former employer and would reflect (as far as possible) the nature and time horizons attached to that remuneration and the impact of any performance conditions. The Company would aim to replace any forfeited cash awards with shares wherever possible. Shareholders will be informed of any such payments at the time of appointment.

In the case of an internal executive appointment, any variable salary element awarded in respect of the prior role would be allowed to pay out according to its existing terms, adjusted as relevant to take the appointment into account. In addition, any other ongoing remuneration obligations existing prior to appointment would continue.

For the appointment of a new Chair or Non-Executive Director, the fee arrangement would be set in accordance with the approved Remuneration policy in force at that time.

Notice period and payment for loss of office

The Company employs the Executive Directors on 'rolling' service contracts which are terminated only by notice from the Company or the Executive Director. These notice periods will not exceed one year. Non-Executive Directors have letters of appointment for a term not to exceed three years whereupon they are normally renewed, but generally for no more than three terms in aggregate. The notice period is one month by either the Company or the Non-Executive Director. Non-Executive Directors are not eligible for payments on termination. In line with the UK Corporate Governance Code (the Code), all Directors (including Non-Executive Directors) are subject to annual re-election by shareholders at the AGM. Their letters of appointment detail the time commitment expected of each Non-Executive Director. Both these and the Executive Directors' service contracts are available for inspection at the registered office during normal business hours and at each AGM.

Termination payments

Service contracts may be terminated without notice and without payment or compensation, except for sums earned up to the date of termination of employment, on the occurrence of certain events, such as gross misconduct.

The Company may terminate the contract with immediate effect by making a payment equal to basic salary and, in the case of the current Group Chief Executive, retirement benefit contribution/allowance for any unexpired period of notice. In the case of the current Group Chief Executive only, the quantum of the retirement benefit allowance would be based on the rate set out in his original service agreement of 30 per cent of salary (rather than any reduced allowance applying at the time of the termination). As part of the agreement to amend the terms of Miles Roberts' contact in relation to his retirement benefit arrangements, the Company agreed to not amend the existing terms in the employment contract in relation to any payment in lieu of notice due in the event of a termination instigated by the Company.

The Committee's normal policy on termination is to make phased compensatory payments and to reduce or stop such payments to former Executive Directors where they receive remuneration from other employment during the notice period (where this is consistent with local employment legislation and market practice).

The table below sets out key provisions for Directors leaving the Company under their service contracts and the incentive plan rules. Share ownership guidelines applicable after the cessation of employment are set out in the earlier section of this policy under 'share ownership guidelines'.

Element	Termination policy
Fixed pay (salary, retirement and other benefits)	• Payment will be made up to the termination date in line with relevant contractual notice periods and will not exceed contractual entitlements.
Annual bonus: good leaver	• The annual bonus will normally be paid out, subject to performance against targets set. • The award level will be reduced on a pro-rata basis to reflect the proportion of the performance period served. • The Committee retains discretion to further reduce the awards granted to reflect any personal performance issues. • The award will be made half in cash and half in deferred shares with the vesting date for the share element set at the third anniversary of grant. • Payment of the cash bonus will be on the normal payment date unless the Committee determines that the payment will be made early on the date of termination of employment (in exceptional circumstances only).
DSBP: good leaver	• DSBP awards, that are unvested at the date notice is served, will vest on the normal vesting date (i.e. third anniversary of grant) unless the Committee determines that awards will vest early on the date of termination of employment.

Element	Termination policy
PSP: good leaver	• PSP awards will vest, subject to performance, on the normal vesting date unless the Committee determines that the awards will vest early on the date of termination of employment (in exceptional circumstances only). • For awards that vest following departure, the Committee will reduce the two year post-vesting holding period so that it does not extend beyond the second anniversary of departure. • Awards will normally be reduced on a pro-rata basis unless, exceptionally, the Committee determines that such an adjustment would be inappropriate. • The Committee retains discretion to further reduce the awards granted to reflect any personal performance issues.
Incentive plans: all other leavers	• All unvested performance-related elements of pay will normally lapse immediately at the earlier of notice being served or the date of termination, unless by exception the Committee determines that it will lapse on the date of termination. • Any vested but unexercised PSP awards still in their two year post-vesting holding period will still remain available for exercise regardless of the reason for leaving.

For all leavers, the Committee may also determine to make a payment in reimbursement of a reasonable level of outplacement and legal fees and tax thereon in connection with a settlement agreement. The Committee may agree payments it considers reasonable in settlement of legal claims. This may include an entitlement to compensation in respect of leavers' statutory rights under employment protection legislation in the UK or in other jurisdictions.

Change of control

There are no enhanced provisions on a change of control, but the Committee can exercise judgement and discretion in line with the respective incentive plans (such as for the vesting of share awards or making bonus payments part of the way through the financial year).

Discretions and judgements

The Committee will operate the annual bonus plan and long-term plans according to the rules of each respective plan, their respective ancillary documents and the UK Financial Conduct Authority's Listing Rules, which, consistent with market practice, include discretion in a number of respects in relation to the operation of each plan. Discretions include:

- Who participates in the plan
- Determining the timing of grants of awards and/or payments
- Determining the quantum of an award and/or payment
- Determining the extent of vesting
- How to deal with a change of control or restructuring of the Group
- Whether or not an Executive Director or a senior manager is a good leaver for incentive plan purposes and whether the proportion of awards that vest do so at the time of leaving or at the normal vesting date(s)
- How and whether an award may be adjusted in certain circumstances (e.g. for a rights issue, a corporate restructuring or for special dividends)
- What the weighting, measures and targets should be for the annual bonus plan and PSP awards from year to year
- The Committee also retains the ability, within the policy, if events occur that cause it to determine that the conditions set in relation to an annual bonus plan or a granted PSP award are unable to fulfil their original intended purpose, to adjust targets and/or set different measures or weightings for the applicable annual bonus plan and PSP awards.

The Committee can use its judgement to make adjustments to published outturns for significant events or changes in the Company's asset base that were not envisaged when the targets were originally set or for changes to accounting standards, to ensure that the performance conditions achieve their original purpose.

The Committee also has the discretion to reduce or apply other restrictions to an award if, after taking into account all circumstances known to the Committee, it determines that the amount which a participant would otherwise receive pursuant to an incentive award in accordance with its terms would result in the participant receiving an amount which the Committee considers cannot be justified or which the Committee considers to be an unfair or undeserved benefit to the participant.

The Committee has the discretion to override formulaic outcomes to the bonus and the PSP or DSBP in order to ensure that outcomes reflect true underlying business performance or to reduce awards if the business has suffered an exceptional negative event in order to ensure that outcomes reflect overall corporate performance.

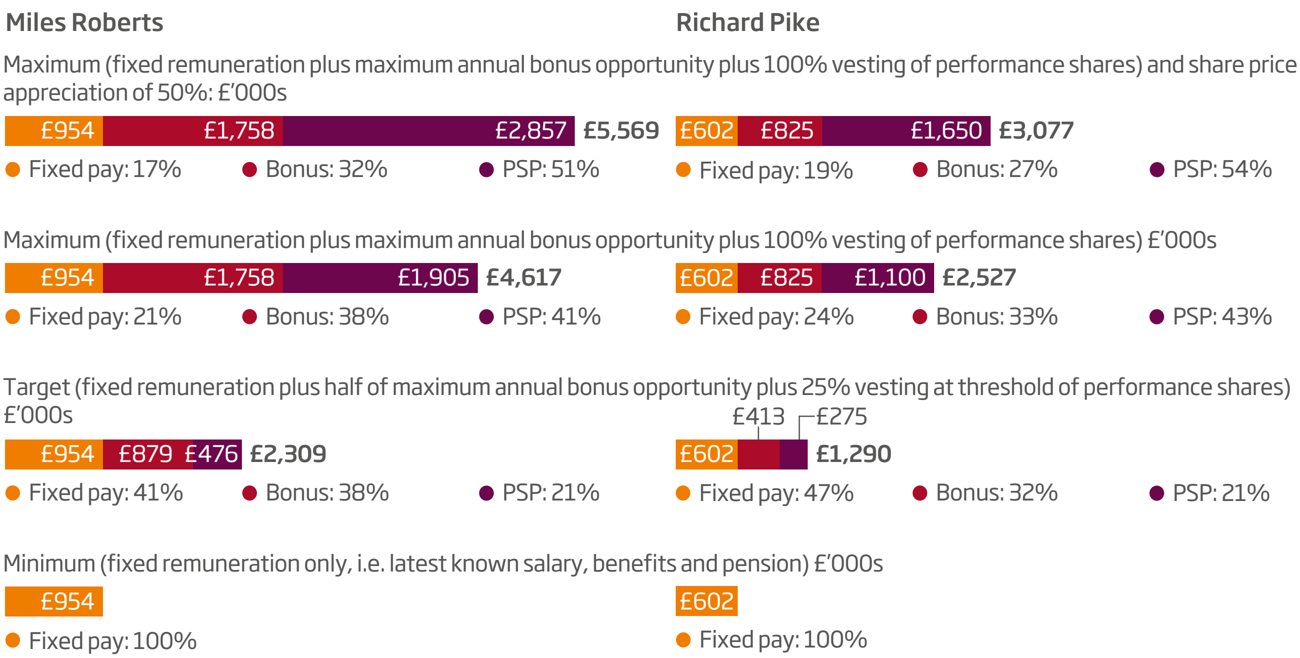
The Committee can use its discretion to reduce or waive the post-employment shareholding requirement in the event of ill health or death. The post-employment shareholding requirement would normally fall away on a change of control, although the Committee reserves the right to continue its application where there is a merger involving a share-for-share exchange.

In addition, the Committee can amend the Remuneration policy with regard to minor or administrative matters where it would be, in the opinion of the Committee, disproportionate to seek or await shareholder approval.

Any historic share awards that were granted before the date a revised policy came into force remain eligible to vest or be exercised or sold based on their original award terms and the Remuneration policy that was in force when those awards were granted.

Illustration of the application in 2023/24 of the Remuneration policy

The balance between fixed and variable 'at risk' elements of remuneration changes with performance. Our Remuneration policy results in a significant proportion of remuneration received by Executive Directors being dependent on performance. The total remuneration of Miles Roberts and (on an annualised basis) for Richard Pike (who will join the Board on 30 June 2023) for maximum, target and minimum performance in 2023/24 is presented in the charts below. (The basis of the calculation of the share price appreciation is that the share price embedded in the calculation for the PSP awards in the maximum bar chart is assumed to increase by 50 per cent across the performance period.) These figures are indicative as future share prices and future dividends are not known at present.



ANNUAL REPORT ON REMUNERATION

The tables below show how we have applied the Remuneration policy during 2022/23. They disclose all the elements of remuneration earned by the Directors during the year. Full details of the policy that was voted on in 2020 are included in the 2020 Annual Report and is available on our website. Information about the Remuneration policy to be voted on in 2023 is set out in this report.

Ernst & Young LLP has audited, as required by the applicable regulations, those tables labelled as audited.

Single total figure of remuneration for each Director (audited)

Executive Directors		Salary £'000	Benefits[1] £'000	Retirement benefits[2] £'000	Total fixed remuneration £'000	Annual bonus[3] £'000	Long-term incentives £'000	Total variable remuneration £'000	Total single remuneration figure £'000
Miles Roberts	2021/22	809	22	131	962	1,618	0	1,618	2,580
Group Chief Executive	**2022/23**	**838**	**22**	**100**	**960**	**1,677**	**1,553**[4]	**3,230**	**4,190**
Adrian Marsh	2021/22	508	19	57	584	763	0	763	1,347
Group Finance Director	**2022/23**	**527**	**19**	**46**	**592**	**790**	**759**[4]	**1,549**	**2,141**

1. Taxable benefits in 2021/22 and 2022/23 principally include a car allowance of £20,000 for Miles Roberts and £17,500 for Adrian Marsh. Both Directors also receive income protection, life and health cover.
2. In lieu of membership of the defined contribution scheme Miles Roberts and Adrian Marsh each receive an annual retirement benefit allowance which was reduced with effect from 30 December 2022 to align with that of the workforce in the UK. The annual retirement benefit allowances are not pensionable and are not considered to be salary for the purpose of calculating any bonus payment or long-term incentive.
3. The annual bonus, when paid, is paid 50% in cash and 50% in deferred shares as described in the policy table on page 99.
4. The value of long-term incentives for 2022/23 represents the estimated value of the 2020/21 award, using the average share price of the last three months of the 2022/23 financial year of 328p (the performance period for this award being the three years ending 30 April 2023).

	Fees £'000		**Total[3] 2022/23 £'000**	Total[3] 2021/22 £'000
	2022/23	2021/22		
Non-Executive Directors				
Geoff Drabble	**330**	330	**330**	330
Celia Baxter	**79**	77	**79**	77
Alan Johnson[1]	**59**	–	**59**	–
Alina Kessel	**64**	62	**64**	62
David Robbie	**89**	78	**89**	78
Louise Smalley	**64**	62	**64**	62
Rupert Soames[2]	**22**	70	**22**	70
Total	**707**	679	**707**	679

1. Alan Johnson joined the Board on 1 June 2022.
2. Rupert Soames stepped down from the role of Senior Independent Director with effect from 28 February 2022 and from the Board with effect from the conclusion of the 2022 AGM.
3. Non-Executive Directors received no taxable benefits, annual bonus, long-term incentives or retirement benefit payments during 2021/22 or 2022/23.

Eric Olsen joined the Board on 15 May 2023.

FIXED PAY

Base salary (audited)

Salaries for Executive Directors (audited)

	1 August 2021 (£)	1 August 2022 (£)	1 August 2023 (£)	Earned in 2022/23 (£)
Miles Roberts	814,000	846,600	890,000	**838,450**
Adrian Marsh	511,500	532,000	n/a[1]	**526,875**

1. Adrian Marsh will retire from the Company's Board on 30 June 2023.

When reviewing salaries the Committee takes account of a number of factors, with particular focus on the general level of salary increases awarded to employees throughout the Group. Where relevant, the Committee also considers external market data on salary and total remuneration. When initially considering the Executive Directors' salary increase for 2023, the Committee also looked at the data for the peer group of FTSE 51-150 companies (excluding Financial Services companies). It chose that comparator group as one that (in line with the Remuneration policy) reflected a similar size and complexity of business and of geographical spread as well as the domicile of the Executive Directors. The Committee applies judgement when considering such data.

In April 2023 the usual review of executive remuneration was held and it was agreed that a pay increase of 5.13% would be implemented on 1 August 2023 for Miles Roberts, an increase that took into account the average increase of 5.72% for the UK workforce as a whole.

Fees for Non-Executive Directors and the Chair (audited)

In addition to a base fee of £64,500, the Chair of the Audit Committee and the Chair of the Remuneration Committee each receive a fee of £15,000 per annum and the Senior Independent Director receives a fee of £10,000 per annum. The fee for the Chair with effect from 3 January 2021 was set taking into account market rates for comparable positions and is fixed for three years. It was agreed that an increase of 5% would be implemented on 1 August 2023 in respect of the base fee for Non-Executive Directors increasing to £67,750, with the fee for the Chair of the Remuneration Committee and the fee for the Chair of the Audit Committee increasing to £18,000 per annum and that for the Senior Independent Director increasing to £15,000 per annum. This decision took into account market rates for comparable positions and the average increase for the UK workforce as a whole of 5.72%.

	Base fee effective from			
	1 August 2021 (£)	1 August 2022 (£)	1 August 2023 (£)	Earned in 2022/23 (£)
Geoff Drabble[1]	330,000	330,000	330,000	**330,000**
Celia Baxter	62,000	64,500	67,750	**78,875**
Alan Johnson[2]	–	64,500	67,750	**58,708**
Alina Kessel	62,000	64,500	67,750	**63,875**
David Robbie	62,000	64,500	67,750	**88,875**
Louise Smalley	62,000	64,500	67,750	**63,875**
Rupert Soames[3]	62,000	64,500	–	**21,867**

1. Geoff Drabble joined the Board with effect from 1 September 2020 and became Chair with effect from 3 January 2021. His total fee as Non-Executive Chair is £330,000 per annum (fixed for three years).
2. Alan Johnson joined the Board on 1 June 2022.
3. Rupert Soames stepped down from the role of Senior Independent Director with effect from 28 February 2022 and from the Board with effect from the conclusion of the 2022 AGM.

Eric Olsen joined the Board on 15 May 2023.

VARIABLE PAY

The Committee believes it is important that a significant portion of the Executive Directors' package is performance-related and that the performance conditions support the delivery of the Group's strategy and its long-term sustainable success. The Remuneration policy encourages long-term performance by setting challenging targets linked to sustainable growth for the variable pay, which consists of the annual bonus and the longer-term PSP. The Remuneration Committee has discretion to adjust retrospectively the targets, for example after a substantial restructuring, and would normally discuss this with its larger shareholders. Alternatively adjustments to published outturns may be appropriate for significant events or changes in the asset base that were not envisaged when the targets were originally set, to ensure that the performance conditions achieve their original purpose. Full disclosure of this would be given in the Remuneration Report. The Remuneration Committee has the discretion to override formulaic outcomes in order to ensure that outcomes reflect true underlying business performance. When considering that discretion in relation to the annual bonus for 2022/23 the Committee took, and in relation to the annual bonus for 2023/24 the Committee will take, into account various ESG matters (as described on page 108).

Performance measures

An explanation of the performance measures for the annual bonus (assessed on a constant currency basis) and PSP (assessed on an actual currency basis without adjustments for exchange rate movements) is set out below. The strategic rationale for the choice of these performance measures is to focus on the key financial measures both over the longer performance period for the PSP of three years and the shorter performance period for the annual bonus of one year.

Adjusted earnings per share (EPS) applicable to the PSP

Adjusted EPS is disclosed in the Annual Report and is the portion of the Group's adjusted after tax profit allocated to each outstanding share. Adjusted EPS is an indicator of the underlying performance of the Group.

Adjusted return on average capital employed (ROACE) applicable to the PSP

ROACE is disclosed in the Annual Report. It is defined as earnings before interest, tax, amortisation and adjusting items as a percentage of average capital employed, including goodwill. This is a measure of the efficiency and profitability of the assets and investments.

Total shareholder return (TSR) applicable to the PSP

TSR is the increase (or decrease) in the value of a notional investment in a share in the Company and each of the companies in the Industrial Goods and Services Supersector within the FTSE 350 Index over the three-year PSP performance period, taking account of share price movement and the value of dividends (which are deemed to be re-invested) over that period. This is a measure that takes into account the experience of shareholders over the applicable period.

Adjusted earnings before tax and amortisation (EBTA) applicable to annual bonus

EBTA is adjusted earnings before taxation, amortisation and income from associates. This measure gives a snapshot of the performance of the Group in the short term of a single financial year.

Free cash flow applicable to annual bonus

Free cash flow is the net movement on debt before cash outflow for adjusting items, dividends paid, acquisition and disposal of subsidiary businesses (including borrowings acquired), and proceeds from issue of share capital, adjusted for the effects of changes in factoring balances. This measure focuses on liquidity, a key area in an uncertain economic environment.

Annual bonus

Bonus in 2022/23

The Executive Directors' targets for the 2022/23 bonus were based on the financial targets set out below, with annual bonus payments determined by reference to performance over the financial year ended 30 April 2023. Achievement is calculated on a straight-line basis between threshold and target and between target and maximum. Adjusted EBTA and free cash flow have equal weighting as annual bonus performance measures.

Targets and outcomes (audited)

Financial measure	Threshold 0% of maximum	Target 50% of maximum	Maximum	Achieved
Adjusted EBTA	£602m	£632m	£662m	£769m
Free cash flow	£65m	£105m	£145m	£346m

ESG underpin

ESG underpin element	Assessment of performance in 2022/23
Development of initial plans to achieve longer-term science-based targets for carbon reduction in the business	The programme of work for our sites to achieve the longer-term science-based targets for carbon reduction has been planned and those plans have been shared with each site for further fine-tuning. For more information see page 27.
Continuing maintenance of high health and safety standards	Group-wide lost time accident performance is 6% better than 2021/22. Group-wide H&S engagement index has increased in each of the last six years, further evolving our safety culture and contributing to the reduction in the total number of accidents (with and without lost time) that is 8% better than 2021/22. For more information see pages 16 and 21.
Continued work with our communities	The Group has completed the planned community programme activity in all 164 targeted sites.

Outcomes (audited)

	Miles Roberts	Adrian Marsh
Adjusted EBTA (as a proportion of the maximum opportunity)	50/50	50/50
Free cash flow (as a proportion of the maximum opportunity)	50/50	50/50
Total (as a proportion of the maximum opportunity)	100/100	100/100
Maximum bonus opportunity as a % of salary	200%	150%
Value of bonus paid in cash	£838,450	£395,156
Value of bonus deferred into shares	£838,450	£395,156
Overall award level	£1,676,900	£790,312

Performance is assessed on a constant currency basis and therefore the actual published results are restated for bonus purposes using budgeted exchange rates.

Bonus awards are measured against the achievement of the Group's objectives. Maximum bonus opportunity for 2022/23 for Miles Roberts was 200% of salary and for Adrian Marsh was 150% of salary and was between 50% and 100% for the other most senior executives.

When deciding the level of variable pay, including the annual bonus, the Committee considered the experience of the Group's stakeholders during the 2022/23 financial year (as summarised on page 93). The Committee concluded that the outcome of the annual bonus in respect of 2022/23 appropriately reflected the Company's performance in 2022/23 and was commensurate with the broader stakeholder experience in that period; and that appropriate progress and actions have continued to be made to realise our ESG agenda. It was therefore not felt necessary to apply any discretion to amend the outcome of the overall award level.

Implementation for 2023/24

The annual bonus for 2023/24 will remain in line with the Remuneration policy and with a maximum opportunity of 200% of salary for the Group Chief Executive and 150% for the Group Finance Director.

For 2023/24 the bonus will be based on EBTA and free cash flow, each with equal weighting. In the event of an unbudgeted acquisition or disposal in the year, the Committee will assess how the financial performance of the acquired or disposed of company should be treated.

In the opinion of the Committee, the annual bonus targets for 2023/24 are commercially sensitive and accordingly are not disclosed prospectively. These will be disclosed next year in the Directors' remuneration report, so that achievement against those targets will be visible, in retrospect.

When considering the application of discretion to override the formulaic outcome for the 2023/24 annual bonus, the Committee will take into account the following factors:

- Roll out of an updated Now & Next Sustainability Strategy, which includes our approach to the delivery of science-based targets, to take account of updated actual performance and current customer/regulatory requirements
- Continuing maintenance of high health and safety standards
- Continued work with our communities.

The Committee will report on its assessment of the Group's performance in those areas in the Annual Report 2024 (following a similar format to its assessment for 2022/23 above).

Having an ESG underpin in this way acknowledges the importance of ESG which is integral to the DS Smith strategy, and in particular our strategic goal to lead the way in sustainability.

Performance Share Plan (PSP)

Overview of the Performance Share Plan

The PSP operates as a long-term incentive plan for senior managers in the Group, with awards vesting after three years, and held for a further two years by the Executive Directors.

The awards have three performance measures: adjusted EPS, adjusted ROACE and relative TSR. These have equal weighting.

The Committee's policy is that no adjustments for exchange rate movements are made to EPS and ROACE over the three-year performance period as these are of a long-term nature and fluctuations are more likely to average out over the period.

The relative TSR vesting scale is median to upper quartile performance, with no vesting below median performance. 25% of the award vests for achieving threshold performance, increasing on a straight-line basis to full vesting for maximum performance.

The TSR comparator group for the 2020/21, 2021/22 and 2022/23 awards is the FTSE 350 Industrial Goods and Services Supersector.

2020/21 awards vesting in 2023/24

The PSP award made on 14 July 2020 has EPS, ROACE and TSR performance conditions, each with an equal weighting and measured at the end of the three-year performance period ending on 30 April 2023. The EPS, ROACE and TSR performance targets and actual performance against targets are set out in the table below. The Committee is mindful of the potential for windfall gains when an award vests and having considered the wider context of the grant and vesting of this award, the Committee believes that the PSP outcome is appropriate and is a fair reflection of business performance over the period.

As no bonus was paid in the summer of 2020 there were no DSBP awards made then and therefore there are no DSBP awards vesting in summer of 2023.

EPS, ROACE and TSR performance targets for 2020/21 awards (audited)

	Weighting	Threshold (25% vests)	Maximum (100% vests)	Outcome	Outcome (% of measure)
Adjusted EPS	One third	34.2p	36.5p	43.0p	100%
Adjusted ROACE	One third	11.0%	12.5%	14.3%	100%
Relative TSR[1]	One third	Median	Upper quartile	Below median	0%

1. Measured against the FTSE 350 Industrial Goods and Services Supersector.

25% of the PSP award vests for achieving threshold performance, increasing on a straight-line basis to full vesting for maximum performance.

Resulting vesting levels for 2020/21 awards (vesting in 2023/24) (audited)

Executive Director	Award	Number of shares at grant	Number of shares to vest[1]	Number of shares to lapse	Dividend equivalents	Total number of shares	Estimated value[2] (£'000)
Miles Roberts	PSP	647,123	431,415	215,708	41,976	473,391	1,553
Adrian Marsh	PSP	316,286	210,857	105,429	20,516	231,373	759

1. These shares are subject to a two-year holding period from the vesting date.
2. The estimated value of the shares vesting on the third anniversary of the grant made on 14 July 2020 and the dividend equivalents is based on the average share price during the three months to 30 April 2023 (328p).

Breakdown of the estimated value of 2020/21 awards (vesting in 2023/24) (audited)

	PSP original award value[1] (£'000)	PSP award appreciation[2] (£'000)	Dividend equivalents[3] (£'000)	Total value (£'000)
Miles Roberts	1,173	242	138	1,553
Adrian Marsh	574	118	67	759

1. Calculated as the number of shares from the original award vesting multiplied by the grant price (based on the average share price for the three trading days preceding the award) of 272p.
2. Calculated as the number of shares vesting multiplied by the difference between 272p (see footnote above) and the average share price during the three months to 30 April 2023 of 328p.
3. Calculated as the number of dividend equivalent shares vesting multiplied by the average share price during the three months to 30 April 2023 of 328p.

PSP and DSBP awards granted in 2022 vesting in 2025/26 (audited)

The PSP awards made in 2022 in respect of 2022/23 were in line with the applicable Remuneration policy and, as reported in last year's Remuneration Report, were:

- 225% of salary for the Group Chief Executive and 200% of salary for the Group Finance Director
- Any shares that vest under the PSP awards granted in 2022/23 must be retained for a further two years before they can be sold (a total of five years from original grant) and they are also subject to a post-employment holding condition, meaning that any applicable shares that vest will be held in a nominee arrangement, if the required shareholding level in the nominee arrangement has not been met. For any PSP awards which vest following departure that have been granted good leaver treatment, the Committee will reduce the two year post-vesting holding period so that it does not extend beyond the second anniversary of departure, provided that the three year period after grant has been completed
- The PSP awards were granted as nil-cost options and are subject to three performance measures: adjusted EPS, adjusted ROACE and relative TSR, with equal weighting on each element.

The DSBP awards made in 2022 relate to the deferral into shares of half of the bonus paid in 2022 in relation to the bonus award included in the single total figure of remuneration for 2021/22. They were granted as nil-cost options and are not subject to performance conditions, but are subject to continued employment.

Executive Director	Award	Number of options granted under award on 27 June 2022	Face value of award at time of grant (£)
Miles Roberts	PSP	638,153	1,831,499
	DSBP	281,881	808,998
Adrian Marsh	PSP	356,445	1,022,997
	DSBP	132,850	381,280

These PSP and DSBP awards were made on 27 June 2022. The face value in the above table is calculated using 287p which was the average price of a DS Smith share for the three trading days preceding the grant of the award and the price used in the calculation of the number of options awarded. 25% of the PSP award vests for achieving threshold performance, increasing on a straight-line basis to full vesting for maximum performance. The applicable performance period for these PSP awards ends on 30 April 2025.

The targets for the 2022/23 PSP award are set out below:

% vesting as a proportion	Adjusted EPS One third	Adjusted ROACE One third	Relative TSR One third[1]
100%	42.0p	13.8%	Upper quartile
Between 25% and 100%	36.0 - 42.0p	12.0 - 13.8%	Between median and upper quartile
25%	36.0p	12.0%	Median

1. The comparator group for measurement of relative TSR is the FTSE 350 Industrial Goods and Services Supersector, as it was in 2020/21 and 2021/22.

Awards vest on a straight-line basis between threshold and maximum performance. The performance measurement period for the adjusted EPS and adjusted ROACE targets is the 2024/25 financial year and for the relative TSR target is the three years to 30 April 2025.

PSP awards to be granted in 2023 vesting in 2026/27

The PSP awards to be made in 2023 in respect of 2023/24 will be in line with the applicable Remuneration policy, with grants being made of up to 225% of salary for the Group Chief Executive and 200% of salary for the Group Finance Director. As a matter of best practice, before finalising the PSP award levels, the Committee considered the movements in the share price since the 2022 PSP grant and will monitor performance against the targets to consider whether discretion should be applied to the formulaic outturn when determining the vesting outturn.

The performance measures and their weighting for the award will remain the same as in 2022/23. The targets for the 2023/24 PSP award will be:

% vesting as a proportion	Adjusted EPS One third	Adjusted ROACE One third	Relative TSR One third[1]
100%	42.0p	13.8%	Upper quartile
Between 25% and 100%	36.0 - 42.0p	12.0 - 13.8%	Between median and upper quartile
25%	36.0p	12.0%	Median

1. The comparator group for measurement of relative TSR will be the FTSE 350 Industrial Goods and Services Supersector, as it was in 2020/21, 2021/22 and 2022/23.

Awards vest on a straight-line basis between threshold and maximum performance. The performance measurement period for the adjusted EPS and adjusted ROACE targets is the 2025/26 financial year and for the relative TSR target is the three years to 30 April 2026.

The Committee's aim, as always, has been to set robust targets with a strong degree of stretch in the applicable economic context. In setting the target ranges the Committee took into account a number of factors which included our medium term growth targets, the volatility of paper pricing, the challenging economic environment with inflationary pressures, rising interest and tax rates, and our investment programme. Our desire continues to be to set targets which balance stretch with the ability to at least achieve the threshold level so that awards remain motivating and meaningful to all participants.

DSBP awards in 2023

As set out on page 108, half of the value of the bonus to be paid in 2023 in respect of the performance over the financial year ended 30 April 2023, will be deferred into shares, which will not vest until 2026.

Outstanding PSP and DSBP share awards during 2022/23 and as at 30 April 2023 (audited)

The table below sets out details of Executive Directors' outstanding share awards, both under the PSP and the DSBP, during the year under review. Unvested awards will vest in future years subject to performance and/or continued service. Vested awards will expire if not exercised before the relevant expiry date.

	Award date	Awards held at 30 April 2022	Granted	Dividend equivalents	Exercised/ vested[1]	Lapsed/ forfeited	Grant price for award (p)[2]	Market price on date of exercise (p)	**Awards held at 30 April 2023**	Vesting date (if any performance conditions applicable are met)	Expiry date
Miles Roberts											
PSP	15 Jul 19	481,039	–	–	–	481,039	357.00	–	**0**	15 Jul 22	15 Jul 29
PSP	14 Jul 20	647,123	–	–	–	–	272.00	–	**647,123**	14 Jul 23	14 Jul 30
PSP	8 Jul 21	411,635	–	–	–	–	434.00	–	**411,635**	8 Jul 24	8 Jul 31
PSP	27 Jun 22	–	638,153	–	–	–	287.00	-	**638,153**	27 Jun 25	27 Jun 32
DSBP	15 Jul 19	157,055	–	11,889	168,944	–	357.00	–	**168,944**	15 Jul 22	15 Jul 29
DSBP	8 Jul 21	177,529	–	–	–	–	434.00	–	**177,529**	8 Jul 24	8 Jul 31
DSBP	27 Jun 22	–	281,881	–	–	–	287.00	–	**281,881**	27 Jun 25	27 Jun 32
									2,325,265		
Adrian Marsh											
PSP	15 Jul 19	235,098	–	–	–	235,098	357.00	–	**0**	15 Jul 22	15 Jul 29
PSP	14 Jul 20	316,286	–	–	–	–	272.00	–	**316,286**	14 Jul 23	14 Jul 30
PSP	8 Jul 21	229,953	–	–	–	–	434.00	–	**229,953**	8 Jul 24	8 Jul 31
PSP	27 Jun 22	–	356,445	–	–	–	287.00		**356,445**	27 Jun 25	27 Jun 32
DSBP	15 Jul 19	74,015	–	5,602	79,617	–	357.00	263.50	**0**	15 Jul 22	15 Jul 29
DSBP	8 Jul 21	83,672	–	–	–	–	434.00	–	**83,672**	8 Jul 24	8 Jul 31
DSBP	27 Jun 22	–	132,850	–	–	–	287.00	–	**132,850**	27 Jun 25	27 Jun 32
					–				**1,119,206**		

1. Miles Roberts as at 30 April 2023 continued to hold awards granted on 15 July 2019 which had vested but remained unexercised. Adrian Marsh as at 30 April 2023 did not hold any vested, unexercised awards.
2. The figure in this column is the average price of a DS Smith share for the three trading days preceding the award and is the price used in the calculation of the number of options originally awarded.

The target ranges for the 2020/21 PSP awards are set out on page 109. The target ranges for the 2022/23 awards are set out on page 110. The relative TSR target for the 2021/22 award is the same as it was for the 2020/21 award. For the 2021/22 awards the target ranges for EPS and ROACE are set out in the audited table below.

PSP plan	EPS range	ROACE range
2021/22	35.2 - 40.0p	11.2 - 13.1%

It is currently intended that any ordinary shares required to fulfil entitlements under the DSBP and the award granted to Richard Pike in connection with his recruitment (the full details of which are set out on pages 116 and 117) will be satisfied solely with existing shares acquired by Computershare Trustees (Jersey) Limited in its capacity as trustee of the employee benefit trust (the Trust), which buys shares to do so. The Trust may also be used to fulfil certain entitlements under the PSP and the employee sharesave plans or those may be fulfilled by newly-issued shares.

Sharesave – employee share plans (audited)

Executive Directors are eligible to participate in the Sharesave (SAYE) on the same terms as all other UK-based employees of the Company and participating subsidiaries of the Group. Options are granted under the SAYE, which, in the UK, is an HMRC tax-advantaged plan. Participants contract to save up to the equivalent of £250 per month over a period of three years (two years in the US). The current maximum permitted monthly saving of the equivalent of £250 is set by the Company. Under the applicable plan rules (and the Remuneration policy) the monthly maximum could be increased in the future to up to the equivalent of £500 per month. The option price is discounted by up to 20% (15% in the US) of the average closing mid-market price of the Company's shares on the three dealing days prior to invitation (20-day average to the day before grant in France and the higher of the mid-market average price on the day before invitation and the mid-market average on the day before grant in the US). In common with most plans of this type, there are no performance conditions applicable to options granted under the SAYE.

Name of Director	Options held at 30 April 2022	Options granted during the year	Options exercised during the year	Options lapsed during the year	Market price on date of exercise (p)	**Options held at 30 April 2023**	Exercise price (p)	Date from which exercisable	Expiry date
Miles Roberts	2,769	–	–	–	–	**2,769**	325.00	1 Apr 24	30 Sep 24
Adrian Marsh	2,769	–	–	–	–	**2,769**	325.00	1 Apr 24	30 Sep 24

Share ownership guidelines

Executive Directors are expected to build a significant shareholding in the Company within five years from the date of their appointment as an Executive Director. Executive Directors' shareholdings (including those of their connected persons) are summarised in the following audited table:

Name of Director	Total shareholding as at 30 April 2022	**Total shareholding as at 30 April 2023**	Unvested only subject to continued employment[1]	Vested awards (not exercised)[2]	Shareholding required (% salary)	Shareholding at 30 April 2023 (% salary)[3]	Requirement met
Executive Directors							
Miles Roberts	2,063,831	**2,063,831**	494,385	89,540	225%	970%	Yes
Adrian Marsh	291,021	**301,021**	237,384	0	200%	314%	Yes

1. Includes the awards of deferred bonus shares granted in 2021 and 2022 and the 2020/21 PSP award, to the extent that it is due to vest on 14 July 2023, which is not subject to any further performance conditions. A reduction to the gross award levels of 47% has been applied for the expected level of tax and social security deductions that will ultimately be due on these shares.
2. The DSBP award granted on 15 July 2019 has now vested but has not been exercised by Miles Roberts. A reduction to the gross award levels of 47% has been applied for the expected level of tax and social security deductions that will ultimately be due on these shares.
3. Based on the salary as at 30 April 2023 and a share price of 310p (being the closing price on 28 April 2023, the last trading day of the financial year) multiplied by the current year shareholding and interests in shares which count towards the shareholding requirement.

The PSP awards granted in 2021 and 2022 are unvested and remain subject to performance conditions so are not included in the above table as they do not count towards the shareholding requirement. Nil-cost options which have vested but have yet to be exercised are considered to count towards the shareholding requirement, other than any such shares that correspond to the estimated tax and national insurance contributions. As at 30 April 2023 Miles Roberts did, and Adrian Marsh did not, hold any such vested but unexercised awards.

Failure to meet the minimum shareholding requirement is taken into account when determining eligibility for share-based incentive awards for Executive Directors. There have been no changes to the shareholdings set out above between the financial year-end and the date of this report.

Awards which vest on 14 July 2023 (and subsequent years) will be held in a nominee arrangement, if the required shareholding in the nominee arrangement has not been met, because they are subject to a post-employment holding condition (in addition to the two-year post-vesting holding condition that applies to vested PSP awards). On cessation of employment, Adrian Marsh will be required to retain for a period of two years in that nominee arrangement a shareholding, in respect of awards granted from 2020 onwards only, equal to the lower of 200% of his base salary or his actual shareholding in that arrangement on cessation of employment.

Non-Executive Directors are expected to build up a holding in shares equivalent to 50% of their annual fees within two years of their date of appointment. Non-Executive Directors' shareholdings (including those of their connected persons) are summarised in the following audited table:

Name of Director	Total shareholding as at 30 April 2022	**Total shareholding as at 30 April 2023**	Shareholding required (% fee)	Shareholding at 30 April 2023 (% fee)[1]	Requirement met
Non-Executive Directors					
Geoff Drabble	60,000	**77,445**	50%	73%	Yes
Celia Baxter	10,993	**15,113**	50%	59%	Yes
Alan Johnson[2]	–	**12,596**	50%	61%	Yes[2]
Alina Kessel	12,000	**19,000**	50%	91%	Yes
David Robbie	20,000	**30,000**	50%	104%	Yes
Louise Smalley	18,600	**18,600**	50%	89%	Yes

1. Based on the fee as at 30 April 2023 and a share price of 310p (being the closing price on 28 April 2023, the last trading day of the financial year) multiplied by the current year shareholding and interests in shares which count towards the shareholding requirement.
2. Alan Johnson joined the Board on 1 June 2022. He has not yet been on the Board for two years.

Eric Olsen joined the Board on 15 May 2023.

External appointments

The Board supports Executive Directors taking up appointments outside the Company to broaden their knowledge and experience. Each Executive Director is permitted to accept one non-executive appointment (or in exceptional circumstances two appointments) from which they may retain any fee. Any external appointment must not conflict with a Director's duties and commitments to DS Smith.

Miles Roberts was appointed a non-executive director of Land Securities Group PLC with effect from 19 September 2022 and retained fees of £43,526 for the year ended 30 April 2023. Adrian Marsh retained fees of £69,142 for the year ended 30 April 2023 (£67,450 for the year ended 30 April 2022) in respect of his appointment as a non-executive director of John Wood Group PLC.

Directors' contracts and notice periods

		Date of contract/date of initial appointment to the Board	Expiry date of current term for Non-Executive Directors
Geoff Drabble	Chair	1 September 2020	31 August 2026
Miles Roberts	Group Chief Executive	4 May 2010	not applicable
Adrian Marsh	Group Finance Director	24 September 2013	not applicable
Celia Baxter	Chair of Remuneration Committee	9 October 2019	8 October 2025
Alan Johnson		1 June 2022	30 May 2025
Alina Kessel		1 May 2020	30 April 2026
Eric Olsen		15 May 2023	14 May 2026
David Robbie	Chair of Audit Committee and Senior Independent Director	11 April 2019	10 April 2025
Louise Smalley		23 June 2014	31 March 2024

Miles Roberts and Adrian Marsh each have a notice period of 12 months exercisable by either the Company or the individual. As previously announced, Adrian Marsh will retire from the Company's Board on 30 June 2023. Non-Executive Directors have letters of appointment for an initial term of three years whereupon they are normally renewed. The current terms of the Non-Executive Directors are set out in the table above. The notice period is one month exercisable by either the Company or the Non-Executive Director. Non-Executive Directors are not eligible for payments on termination. In line with the UK Corporate Governance Code, all Directors (including Non-Executive Directors) are subject to annual re-election by shareholders at the AGM. Their letters of appointment detail the time commitment expected of each Non-Executive Director. Both these and the Executive Directors' service contracts are available for inspection at the registered office during normal business hours and at each AGM.

Payments to past Directors or for loss of office (audited)

No payments were made to past Executive Directors during the year ended 30 April 2023 (2021/22: Nil). No payments were made in respect of loss of office during the year ended 30 April 2023 (2021/22: Nil).

Relative importance of spend on pay

The table below shows the expenditure and percentage change in overall spend on employee remuneration and dividends.

	2022/23 £m	2021/22 £m	Percentage change
Overall expenditure on employee pay[1]	**1,500**	1,381	9%
Dividend paid during the year	**289**	166	74%

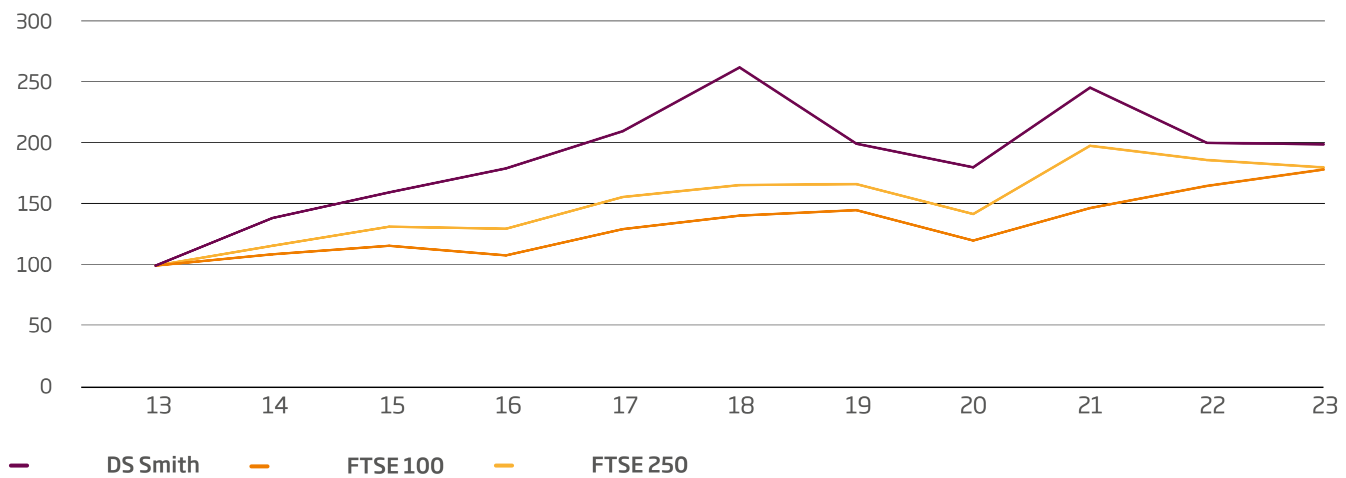
1. Total remuneration reflects overall employee costs and includes some exchange rate fluctuation. See consolidated financial statements note 6 for further information.

Review of past performance – total shareholder return graph

The graph below illustrates the Company's TSR performance since 1 May 2013 (the period required by the applicable regulations), relative to the FTSE 100 Index as well as the FTSE 250 Index. In December 2017 the Company joined the FTSE 100 Index from the FTSE 250 Index. Therefore, both indices are considered appropriate comparator indices for the Company. As at 30 April 2023 DS Smith ranked 90 by market capitalisation. This graph looks at the value, over the ten years to 30 April 2023, of an initial investment of £100 in DS Smith shares compared with that of £100 invested in both the FTSE 100 and FTSE 250 Index. The other points plotted are the values at intervening financial year ends.

Total shareholder return

+99.7%



Remuneration of the Group Chief Executive

The table below shows the total remuneration figure for the Group Chief Executive for each of the last ten financial years. The total remuneration figure includes the annual bonus and long-term incentive awards which vested, based on performance in those years. The annual bonus and long-term incentive awards percentages show the payout for each year as a percentage of the maximum available for the financial year.

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	**2022/23**
Total remuneration (£'000)	3,696	5,527	4,447	4,861	4,220	3,065	1,422	2,525	2,580	**4,190**
Annual bonus payout	85%	88%	79%	45%	88%	74%	0%	98%	100%	**100%**
Long-term incentive vesting	98%	92%	94%	100%	93%	52%	35%	0%	0%	**66.67%**

Group Chief Executive pay ratio disclosures (audited)

		25th percentile	Median	75th percentile
	Method	Total pay ratio	Total pay ratio	Total pay ratio
2018/19	B	100:1	91:1	72:1
2019/20	B	52:1	44:1	35:1
2020/21	B	90:1	71:1	60:1
2021/22	B	81:1	60:1	56:1
2022/23	**B**	**132:1**	**104:1**	**101:1**

The table above sets out how the single total figure of remuneration (STFR) for the Group Chief Executive compares to the STFR of the UK employees at the 25th percentile, median and 75th percentile. All STFRs for the 2022/23 financial year have been based on full-time equivalent values and annualised where necessary. The table below sets out the split between total remuneration (fixed and variable pay and benefits) and the salary component of that total for UK employees used in the above total pay ratio calculations. DS Smith has chosen to use methodology B (as defined in the applicable regulations) to calculate the figures in the tables above and below, because, in 2022/23 as was the case in prior years, there were multiple bonus plans in place across the UK which are not payable in some cases in advance of the Directors' remuneration report being approved by the Board, meaning it is not practically possible to collate the bonus amounts relating to performance during 2022/23 for every UK employee in advance of this remuneration report being approved.

Remuneration used to calculate the Group Chief Executive pay ratio disclosures

	25th percentile pay ratio		Median pay ratio		75th percentile pay ratio	
	Total remuneration (£)	Base salary (£)	Total remuneration (£)	Base salary (£)	Total remuneration (£)	Base salary (£)
2018/19	30,744	26,608	33,804	32,051	42,277	31,622
2019/20	27,244	26,647	32,342	31,479	40,349	36,202
2020/21	28,042	25,729	35,384	33,566	42,142	39,756
2021/22	31,877	28,282	42,645	37,647	46,215	42,210
2022/23	**31,850**	**30,632**	**40,288**	**38,748**	**41,564**	**39,217**

As DS Smith uses methodology B, the 2022 UK gender pay gap data has been used to identify the relevant comparator employee falling at the relevant percentile and to calculate the annual total remuneration relating to 2022/23 for the three identified employees on the same basis as the Group Chief Executive's annual total remuneration for the same period in the single figure table. We are confident that the three employee STFR figures (which include applicable bonus) used in the pay ratio reporting are as representative of the respective percentiles as would have been the case if the 2022/23 STFR had been calculated for all UK employees. (The data reference date was 25 April 2023.)

As a result of the large proportion of variable pay in the Group Chief Executive's total reward, the ratio can be subject to a high degree of volatility from one year to the next. That is the case this year, when, unlike last year, there has been a vesting of the PSP award, which has resulted in an increase in the ratio.

We will continue to report on trends in these figures, which are expected to fluctuate as variable pay outcomes fluctuate for the Group Chief Executive. The Company does believe that the median pay ratio for 2022/23 is consistent with the pay, reward and progression policies for UK employees taken as a whole.

Annual percentage change in remuneration of Executive and Non-Executive Directors and employees

The table below shows the percentage change in three aspects of remuneration (salary or fee, benefits and bonus) for the Group Chief Executive, the Group Finance Director and the Non-Executive Directors who were Directors at 30 April 2023 compared to full-time equivalent employees of the Company. (The format of the table is prescribed by regulation. Benefits and bonus are not applicable to Non-Executive Directors. The increase in fees for certain Non-Executive Directors relates to their change of role in the applicable period, as noted below.) The section headed '% change on prior year for 2022/23' sets out the change from financial year 2021/22 to financial year 2022/23. The normal date for any implementation of a pay review is 1 August, not the start of the financial year. (Other explanatory notes concerning the figures for the prior years were set out in the Annual Reports for 2021 and 2022.)

	Miles Roberts	Adrian Marsh	Geoff Drabble	Celia Baxter	Alan Johnson[1]	Alina Kessel	David Robbie[2]	Louise Smalley	Company employees
% change on prior year for 2022/23									
Salary/Fee	**3.6**	**3.6**	**0**	**2.9**	**n/a**	**3.7**	**13.5**	**3.7**	**4.9**
Benefits	**(1.2)**	**0.2**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**5.0**
Bonus	**3.6**	**3.5**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**9.8**
% change on prior year for 2021/22									
Salary/Fee	2.9	2.9	0	1.5	n/a	1.9	3.7	1.9	4.1
Benefits	2.8	1.2	n/a	n/a	n/a	n/a	n/a	n/a	11.2
Bonus	5.0	5.1	n/a	n/a	n/a	n/a	n/a	n/a	8.3
% change on prior year for 2020/21									
Salary/Fee	1.1	1.1	n/a	0	n/a	n/a	8.1	0.6	2.0
Benefits	(1.2)	(2.3)	n/a	n/a	n/a	n/a	n/a	n/a	1.3
Bonus	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

1. Alan Johnson joined the Board on 1 June 2022 so in 2022/23 he has no prior year to compare 2022/23 with.
2. David Robbie became Senior Independent Director on 28 February 2022 (part way through the prior year of 2021/22).

Eric Olsen joined the Board on 15 May 2023.

Remuneration of Richard Pike

Richard Pike will replace Adrian Marsh as the Company's Group Finance Director and as an Executive Director with effect from 30 June 2023. Set out on page 95 are details of Richard's remuneration as Group Finance Director, which is in line with the applicable Remuneration policy.

To compensate Richard for share-based incentive awards that he forfeited on leaving his former employer, Richard was granted on 27 April 2023 two conditional awards in respect of the Company's shares. The principal terms of these awards are summarised below. These awards were granted in the context of Richard's recruitment and under Listing Rule 9.4.2, given that it was not practicable under the Company's existing share plans to grant these awards in addition to an executive director's normal 'business as usual' awards and the commercial necessity to agree the terms of buying out these awards as part of Richard's onboarding.

The first of these awards (which represents the element of Richard's 2021 long-term incentive award from his former employer that Richard forfeited) is over 85,675 shares and will have a normal vesting date of 14 June 2024. The number of shares over which this award has been granted has been calculated to reflect the extent to which the performance conditions applicable to the original award would have been, in the opinion of the former employer's independent remuneration committee, achieved. The second of the awards (which represents the 2022 long-term incentive award which lapsed in connection with Richard joining the Company) is over 194,191 shares, has a normal vesting date of 27 June 2025 and will be subject to the same performance conditions as the awards granted to the Company's Executive Directors in June 2022.

To align Richard with the rest of the senior management team, the terms of the awards have been designed to replicate, so far as practicable, the terms of the Company's current PSP which was last approved by shareholders in September 2017. The two awards therefore both contain provisions equivalent to the existing PSP rules, including in relation to (i) the treatment of awards if Richard were to leave the Group or if there was a takeover of the Company; (ii) the application of malus and clawback to awards; (iii) the fact that the awards will not be pensionable; and (iv) the Listing Rule requirement to obtain prior shareholder approval for amendments to the arrangements. Both awards are also subject to a two-year post-vesting holding period in line with both best practice expectations for UK-listed companies and the Remuneration policy that will apply to Richard Pike when he becomes an Executive Director and after vesting will be held in a nominee arrangement, if the required shareholding in the nominee arrangement has not been met, because they are subject to a post-employment holding condition.

Voting on the remuneration policy at the 2020 AGM and on the remuneration report at the 2022 AGM

At the AGM held in 2022, votes cast by proxy and at the meeting in respect of the Directors' remuneration report were 1,006,312,888 (94.22%) voting in favour and 61,690,968 voting against (5.78%) with 196,214 votes withheld, being votes that are not recognised as a vote in law.

At the AGM held in 2020, votes cast by proxy and at the meeting in respect of the remuneration policy were 916,656,836 (93.13%) voting in favour and 67,569,543 voting against (6.87%) with 24,228,039 votes withheld, being votes that are not recognised as a vote in law.

Remuneration Committee governance

The Board is ultimately accountable for executive remuneration and delegates this responsibility to the Remuneration Committee. The Committee's principal function is to support the Group's strategy by ensuring that its delivery is underpinned by the Company's overall Remuneration policy, as described earlier in this report. It also determines the specific remuneration package, including service contracts and retirement benefit arrangements, for each Executive Director and our most senior executives, as well as the fees paid to the Chair. The Remuneration Committee's Terms of Reference can be found at www.dssmith.com/investors/corporate-governance/committees/.

KEY RESPONSIBILITIES OF THE REMUNERATION COMMITTEE

- Designing the Remuneration policy
- Implementing the Remuneration policy
- Ensuring the competitiveness of reward, within an appropriate governance framework
- Designing the incentive plans
- Setting incentive targets and determining award levels
- Overseeing all share awards across the Group.

Each of these responsibilities impacts the other. The Committee is very conscious of the importance of the wider context in which it operates in discharging these responsibilities.

Members	Since
Celia Baxter (Chair since October 2019)	2019
Geoff Drabble	2020
Alan Johnson – since 1 June 2022	2022
Alina Kessel	2020
David Robbie	2019
Louise Smalley	2014

Rupert Soames retired from the Board and its Committees on 6 September 2022. Eric Olsen joined the Board and its Committees on 15 May 2023.

Details of individual Directors' attendance can be found on page 76. The Group General Counsel and Company Secretary acts as Secretary to the Committee.

All members of the Committee are independent Non-Executive Directors. This is fundamental to ensuring Executive Directors' and senior executives' remuneration is set by people who are independent and have no personal financial interest, other than as shareholders, in the matters discussed. There are no potential conflicts of interest arising from cross-directorships and there is no day to day involvement in running the business. The Committee consults with the Group Chief Executive, who may attend meetings of the Committee, although he is not involved in deciding his own remuneration. The Committee is assisted by the Group Head of Reward, the Deputy Company Secretary, the Group General Counsel and Company Secretary and the Group Human Resources Director. No-one is allowed to participate in any matter directly concerning the details of their own remuneration or conditions of service.

As described earlier in the report, the Company has discussed with the EWC Executive matters relating to Executive Directors' remuneration. When considering matters relating to the remuneration of the Executive Directors, the Committee takes into account the overall approach to reward for, and the pay and employment conditions of, other employees in the Group.

To differentiate our employee value proposition and reinforce our strong DS Smith culture, the Group has developed the DS Smith reward principles (set out on page 97) which are endorsed by the Committee and were last reviewed by the Committee in 2023. Current policies and future decision making are matched against these to drive continuous improvement in this area.

TOPICS CONSIDERED AS PART OF REGULAR ANNUAL DECISION-MAKING CYCLE OF REMUNERATION COMMITTEE

- How the business has performed against financial targets and ESG expectations
- Forecasts for the year to come
- Feedback from both the employee survey and pulse surveys on how employees feel about the quality of the Group's leadership. This includes whether the leadership team continues to demonstrate living our values, how we measure employee performance and whether employees believe we have the right approach to reward
- Review of guidance from the government and investor bodies
- Holistic view of market practices
- Assessing whether our remuneration framework is appropriately aligned with our culture and continues to motivate our leaders to achieve the Group's strategic objectives and does not inadvertently motivate inappropriate behaviour giving rise to ESG or other risks
- Consideration of remuneration and related policies across the Group
- Discussion of the relevant aspects of this year's Board effectiveness review.

During the financial year of 2022/23 the Committee was advised by Korn Ferry in relation to various aspects of the remuneration of Executive Directors for which they were paid £43,376, partly on a fixed fee basis and partly on a time and materials basis. Korn Ferry in the financial year 2022/23 has also provided non-executive and executive search and talent assessment services to the Group. The teams providing that are separate from the Remuneration Committee advisers and there was no conflict of interest. The Committee is satisfied that the advice it receives from its advisers is objective and independent. Korn Ferry is a member of the Remuneration Consultants Group and adheres to the Code of Conduct for Remuneration Consultants (which can be found on their website at remunerationconsultantsgroup.com).

This report has been prepared in accordance with applicable legislation and regulatory requirements, including those of the Large and Medium-Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (Regulations). The Regulations require the Auditor to report to shareholders on the audited information within this report and to state whether, in their opinion, the relevant sections have been prepared in accordance with the Companies Act 2006. The Auditor's opinion is set out in the Independent Auditor's report and we have clearly marked the audited sections of this annual report on remuneration.

On behalf of the Board

Celia Baxter
Chair of Remuneration Committee

22 June 2023

ADDITIONAL INFORMATION

Acquisitions and disposals

Acquisitions and disposals in the year ended 30 April 2023 are described in note 30 to the consolidated financial statements.

Events after the reporting date

There are no subsequent events after the reporting date which require disclosure.

Share capital

Details of the issued share capital and the rights and restrictions attached to the shares, together with details of movements in the Company's issued share capital during the year, are shown in note 24 to the consolidated financial statements. Pursuant to the Company's employee share option schemes 1,527,919 ordinary shares of 10 pence each were issued during the year. Between 1 May and 22 June 2023 inclusive, 1,487 shares were issued pursuant to the Company's employee share option schemes. The Company has not utilised its authority to make market purchases of 137,632,140 shares granted to it at the 2022 annual general meeting (AGM) but, in line with market practice, will be seeking to renew such authority at this year's AGM.

The trustee of the employee benefit trust, which is used to purchase shares on behalf of the Company as described in note 24 to the consolidated financial statements, has the power to vote or not vote, at its absolute discretion, in respect of any shares in the Company held unallocated in that trust. However, in accordance with good practice, the trustee adopts a policy of not voting in respect of such shares. The trustee has a dividend waiver in place in respect of shares which are the beneficial property of the trust.

Dividends

An interim dividend for 2022/23 of 6.0 pence per ordinary share was paid on 31 January 2023 and the Directors recommend a final dividend of 12.0 pence per ordinary share, which together with the interim dividend, increases the total dividend for the year to 18.0 pence per ordinary share (2021/22: 15.0 pence). Subject to approval of shareholders at the AGM to be held on 5 September 2023, the final dividend will be paid on 3 October 2023 to shareholders on the register at the close of business on 8 September 2023.

Political donations

No political donations were made during the year ended 30 April 2023 (2021/22: nil). DS Smith has a policy of not making donations to political organisations or independent election candidates or incurring political expenditure, as defined in the Political Parties, Elections and Referendums Act 2000, anywhere in the world.

Directors' and officers' liability insurance

The Company has purchased and maintains appropriate insurance cover in respect of Directors' and officers' liabilities. The Company has also entered into qualifying third-party indemnity arrangements for the benefit of all its Directors and qualifying third-party indemnity arrangements have been entered into by a subsidiary of the Company for the benefit of certain directors of companies within the Group, all in a form and scope which comply with the requirements of the Companies Act 2006. These indemnities were in force throughout the year and up to the date of this Annual Report.

Additional employee disclosures

In our Strategic Report on pages 1 to 69 we set out some of the ways in which we realise the potential of our people, including how we engage with our workforce. As part of creating a modern, diverse and inclusive culture all companies within the Group strive to operate fairly at all times and this includes not permitting discrimination against any employee, applicant for employment or contingent worker on the basis of race, religion or belief, gender, disability, age, sexual orientation, gender reassignment, marital status or any other characteristic protected by local law (and complying with the Group's Equal Opportunities and Anti-Discrimination policy). This also includes giving full and fair consideration to suitable applications for employment from disabled persons, making reasonable adjustments in the hiring process to ensure fairness and equity in the selection process. For existing employees who develop a disability we will make all reasonable adjustments to support their continued employment, in their same job or, if this is not practicable, making every effort to find suitable alternative employment and to provide relevant training and career development opportunity.

Through the Group's engagement survey, via our European Works Council which brings together employee representatives from the different European countries where we operate, as well as through site and team meetings and briefing newsletters, the Group provides employees with various opportunities to obtain information on matters of concern to them, to improve their awareness of the financial and economic factors that affect the performance of the Group and to provide their feedback.

Substantial shareholdings

Information provided to the Company pursuant to the Financial Conduct Authority's Disclosure Guidance and Transparency Rules (DTRs) is published on a Regulatory Information Service and on the Company's website. The following information has been received, in accordance with DTR 5, from holders of notifiable interests in the Company's issued share capital.

	As at 30 April 2023	As at 22 June 2023	Nature of holding
Aviva plc and its subsidiaries	6.79%	6.79%	Direct & indirect
BlackRock, Inc.	5.05%	5.05%	Indirect
abrdn plc	Below 5%	Below 5%	Indirect
Ameriprise Financial, Inc. and its group	4.981%	4.981%	Direct & indirect
Black Creek Investment Management Inc.	4.034428%	4.034428%	Direct & indirect
Sarasin & Partners LLP	3.01%	3.01%	Indirect
Norges Bank	2.991380%	2.991380%	Direct
Merpas (UK) Limited	2.985%	2.985%	Direct & indirect

Auditor

Each of the persons who is a Director at the date of the approval of this Annual Report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's Auditor is unaware; and
- the Director has taken all the steps he/she ought to have taken as a Director in order to make him/herself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

A resolution to reappoint Ernst & Young LLP as Auditor will be proposed at the forthcoming AGM.

Listing Rule 9.8.4 and other required disclosures

To the extent that there is information applicable to be disclosed under Listing Rule (LR) 9.8.4, such information is set out on the pages listed in the table below:

Subject matter	Page(s)
Details required by LR 9.4.3 of award granted in context of LR 9.4.2	116 and 117

Certain information is included in our Strategic Report (pages 1 to 69) or Financial Statements that would otherwise be required to be disclosed in this section of the report. This is as follows:

Subject matter	Page(s)
Likely future developments in the business	4 to 7
Research and development	12 and 13
Use of financial instruments	40 and 41
Greenhouse gas emissions	63

As is customary, our principal financing facilities incorporate market standard change of control clauses.

Companies within the Group have branches in Norway, Poland and Slovakia.

The information that fulfils the requirements of the corporate governance statement for the purposes of DTR 7 can be found on pages 70 to 91, and that governance report also forms part of the Directors' report.

The Strategic Report on pages 1 to 69 and the governance report and Directors' Remuneration Report on pages 70 to 120 together represent the management report for the purpose of compliance with DTR 4.1.8R.

The Directors' report was approved by the Board of Directors on 22 June 2023 and is signed on its behalf by:

Iain Simm
Group General Counsel and Company Secretary

22 June 2023

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the Group and Company Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Company Financial Statements for each financial year. Under that law they have elected to prepare the Group Financial Statements in accordance with UK-adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006, and the parent Company Financial Statements in accordance with UK Accounting Standards, including FRS 101 Reduced Disclosure Framework. Company law requires the Directors to prepare Group and parent Company Financial Statements for each financial year. Under that law the Directors have elected to prepare the Group Financial Statements in accordance with UK-adopted international accounting standards (IFRSs) and have elected to prepare the parent Company Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101).

Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of their profit or loss for that period. In preparing each of the Group and Company Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group Financial Statements, state whether they have been prepared in accordance with UK-adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- for the Company Financial Statements, state whether the applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Company Financial Statements;
- assess the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its Financial Statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, a Directors' Report, a Directors' Remuneration Report and a corporate governance statement that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the Directors in respect of the Annual Report and the Financial Statements

We confirm that to the best of our knowledge:

- the Financial Statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation as a whole; and
- the Strategic Report and the Directors' Report, including content contained by reference, includes a fair review of the development and performance of the business and the position and performance of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The Board confirms that the Annual Report and the Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on 22 June 2023 and is signed on its behalf by:

Miles Roberts
Group Chief Executive

22 June 2023

Adrian Marsh
Group Finance Director

22 June 2023

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DS SMITH PLC

Opinion

In our opinion:

- DS Smith Plc's group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 30 April 2023 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of DS Smith Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 April 2023 which comprise:

Group	Parent Company
Consolidated statement of financial position as at 30 April 2023	Statement of financial position as at 30 April 2023
Consolidated income statement for the year then ended	Statement of changes in equity for the year then ended
Consolidated statement of comprehensive income for the year then ended	Related notes 1 to 17 to the financial statements including a summary of significant accounting policies
Consolidated statement of changes in equity for the year then ended	
Consolidated statement of cash flows for the year then ended	
Related notes 1 to 34 to the consolidated financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (FRC) Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting the audit.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group and parent company's ability to continue to adopt the going concern basis of accounting included:

- The audit engagement partner and senior team members directed and supervised the audit procedures on going concern, in particular, assessing management's going concern model, assumptions therein and the result of their base and downside scenarios.
- In conjunction with our walkthrough of the group's financial close process, we confirmed our understanding of management's forecasting and going concern assessment process including obtaining the director's going concern assessment, cash flow forecast and covenant calculations for the going concern period which covers a period up to 31 October 2024;
- We understood the operation of management's model, checked the clerical accuracy of management's modelling, and recalculated management's forecasts of its compliance with borrowing covenants throughout the assessment period under management's scenarios;
- Performing an independent analysis of events and factors that we would expect to be considered by management in its going concern analysis, to determine if there were any events or factors not included. We checked that climate change considerations were factored into future cash flows;
- Auditing the key factors and assumptions, which include sales volumes, sales price, capital expenditure and energy costs, adopted in the cash flow model used for the going concern assessment, including considering whether management had exercised any bias in selecting their assumptions, by comparing against past performance and available market data;
- Verifying the terms, maturity, interest rates, and any restrictions or covenants of the borrowings held by the group at the date of approving of the financial statements against the original contracts. In addition, we have obtained independent third party confirmations for the borrowings held by the group. We also considered repayments required of these facilities during the going concern period assessed as well as in the period shortly thereafter;
- Checking the consistency of the factors and assumptions adopted in the going concern assessment with other areas of our audit, including the group's asset impairment assessment;
- Challenged the adequacy of the going concern assessment period to 31 October 2024, taking into consideration whether any events or conditions after the period would indicate a longer review period would be more appropriate;
- We performed independent sensitivity analyses and reverse stress testing of EBITDA and related cash flows in order to identify what events or conditions could lead to the group exhausting all liquidity or breaching the financial covenants during the going concern assessment period. We considered the likelihood of those events or conditions arising and the possible mitigating actions that management could take in such a scenario. This included a review of the group's operating and non-operating cash outflows and evaluating the group's ability to control these outflows as mitigating actions if required; and
- Considering whether management's disclosures in the Annual Report and Accounts were appropriate.

Our key observations

The results from both management's evaluation and our independent reverse stress testing indicate that the group would need to be exposed to downside events, significantly greater than the financial effect of the disruption caused in recent years (e.g. due to COVID-19 and high-cost inflation following Russia's invasion of Ukraine), throughout the going concern period in order to breach its covenants or exhaust its available liquidity.

The group has borrowing facilities available to it during the going concern period. The undrawn committed facilities available as at 30 April 2023 amounted to £1.65bn which includes the group's £0.7bn Eurobond facility maturing in July 2024 and £0.3bn Syndicated revolving facility maturing in November 2024 the latter of which is after the end of the going concern assessment period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern for a period to 31 October 2024.

In relation to the group and parent company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

Overview of our audit approach

Audit scope	• We performed an audit of the complete financial information of 11 components, and audit procedures on specific balances for a further 8 components. • The components where we performed full scope procedures contributed 76% of the group's Profit Before Tax, 66% of the group's Revenue and 74% of the group's Total Assets. The 7 specific scope components contributed 15% of the group's Profit Before Tax, 13% of the group's Revenue and 12% of the group's Total Assets. For 1 specified procedures component, this contributed 3% of the group's Profit Before Tax, 4% of the group's Revenue and 1% of the group's Total Assets
Key audit matters	We identified the following key audit matters that, in our professional judgement, had the greatest effect on our overall audit strategy, the allocation of resources in the audit and in directing the audit team's efforts: • Valuation of uncertain tax positions • Carrying value of goodwill of the North America CGU
Materiality	Overall group materiality of £33.5m which represents 5% of the group's Profit Before Tax.

An overview of the scope of the parent company and group audits

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each component within the group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the group and effectiveness of group-wide controls, changes in the business environment and other factors, such as recent Internal Audit results, when assessing the level of work to be performed at each component.

In assessing the risk of material misstatement to the group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, within the four geographic segments, three in Europe (Northern Europe, Eastern Europe and Southern Europe) and another in North America, we selected 19 components (2022 predecessor auditor: 17) covering entities within the UK, France, Germany, Spain, Portugal, Italy, North America, Belgium, Denmark, Hungary, Netherlands, Poland and Sweden, which represent the principal business units within the group.

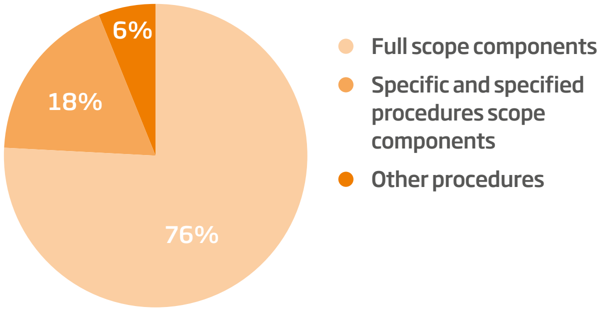
Of the 19 components selected, we performed an audit of the complete financial information of 11 components ("full scope components") which were selected based on their size or risk characteristics. For 7 components ("specific scope components), we performed audit procedures on specific accounts within those business units that we considered had the potential for the greatest impact on the financial statements either because of the size of these accounts or their risk profile. For the remaining 1 component, we performed specified procedures over revenue and inventory.

For the current year, 11 full scope components contributed 76% of the group's Profit Before Tax, 66% of the group's Revenue and 74% of the group's Total Assets. The 7 specific scope components contributed 15% of the group's Profit Before Tax, 13% of the group's Revenue and 12% of the group's Total Assets. For the specified procedures component, this contributed 3% of the group's Profit Before Tax, 4% of the group's Revenue and 1% of the group's Total Assets. The audit scope of these specific and specified procedures scope components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the group.

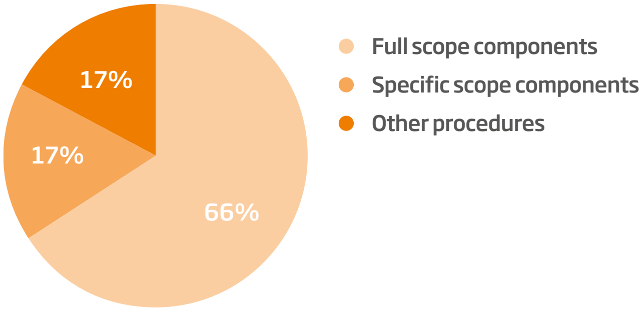
Of the remaining components that together represent 6% of the group's Profit Before Tax, none are individually greater than 2% of the group's Profit Before Tax. For these components, we performed other procedures, including analytical reviews, testing of cash balances, testing of consolidation journals and enquiry of management about unusual transactions in these components to respond to any potential risks of material misstatement to the group financial statements.

The charts below illustrate the coverage obtained from the work performed by our audit teams.

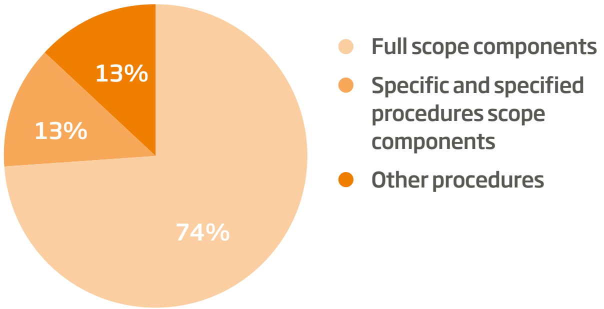
Profit before tax



Revenue



Total assets



Involvement with component teams

In establishing our overall approach to the group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction. Of the 11 full scope components, audit procedures were performed on 1 of these directly by the primary audit team, who also performed central testing for a number of significant matters, such as the audit of uncertain tax positions, derivatives, pensions, impairment and factoring contracts amongst other areas. For the 7 specific scope components, where the work was performed by component auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the group as a whole.

The group audit team followed a programme of planned visits that were designed to ensure that Senior Executive members of the audit team visited the primary operating locations where the group audit scope is focused. During the current year's audit cycle, visits were undertaken by the primary audit team to the component teams in France, UK, Spain, North America and Italy where all of the full scope components are located, with the exception of Germany (Packaging) for which we performed detailed discussions with the component team combined with the remote review of their working papers in video conference. These visits involved discussing the audit approach with the component team and any issues arising from their work, and meetings with local management and visits to operational sites. The group audit team interacted regularly with the component teams using video conference calls where appropriate during various stages of the audit, reviewed relevant working papers and were responsible for the scope and direction of the audit process. This, together with the additional procedures performed at group level, gave us appropriate evidence for our opinion on the group financial statements.

Climate change

Stakeholders are increasingly interested in how climate change will impact DS Smith Plc's group. The group has determined that the most significant future impacts from climate change on its operations will be from (i) increased spend on carbon taxes, (ii) increased cost of raw materials or threat to supply, (iii) increased severity of extreme weather events and (iv) increased likelihood of water stress. These are explained on pages 52-63 in the required Task Force for Climate related Financial Disclosures ("TCFD") and on pages 45-49 in the principal risks and uncertainties. They have also explained their climate commitments on pages 25 to 29. All of these disclosures form part of the "Other information," rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on "Other information".

In planning and performing our audit we assessed the potential impacts of climate change on the group's business and any consequential material impact on its financial statements.

The group has explained in its basis of preparation note 1 how they have reflected the impact of climate change in their financial statements including how this aligns with their commitment to the aspirations as set out in their TCFD and its defined sustainability targets as outlined in the Strategic report. The basis of preparation also explains management consideration of the impact of climate change in respect of (a) estimates of future cash flows used in the impairment assessment of goodwill and going concern, (b) assessment of residual values and estimated useful economic lives of property, plant and equipment, (c) adequacy of provisions for liabilities. Whilst management disclosed that the group's sustainability strategy did not have a material impact, management is aware that this will evolve in future periods and will regularly assess these risks against the judgements and estimates made in preparation of the group's financial statements.

Our audit effort in considering the impact of climate change on the financial statements was focused on evaluating management's assessment of the impact of climate risk, physical and transition, their climate commitments, the effects of material climate risks disclosed on pages 52-63 and the significant judgements and estimates disclosed in note 1 and whether these have been appropriately reflected in the future cash flows used to assess the carrying value of goodwill, economic life of property, plant and equipment, and adequacy of provisions following the requirements of UK adopted international accounting standards. As part of this evaluation, we performed our own risk assessment, supported by our climate change internal specialists to determine the risks of material misstatement in the financial statements from climate change which needed to be considered in our audit. Our audit testing included challenges to management with regards to cost assumptions for climate adaptation solutions particularly around capital expenditures and cost of carbon emission certificates, impacting future profit and forecasted cash flow. We corroborated our analysis with market available information for any change in climate related regulations and discussions with our component teams. In determining the valuations and the timing of future cashflows, we acknowledged that there is a degree of uncertainty involved and all climate related risks or future outcomes are not yet known.

We also challenged the Directors' considerations of climate change risks in their assessment of going concern and associated disclosures. Where considerations of climate change were relevant to our assessment of going concern, these are described above.

Based on our work we have not identified the impact of climate change on the financial statements to be a key audit matter or to impact a key audit matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk – Valuation of Uncertain Tax Positions	Refer to Accounting policies (page 137); and Note 7 to the Consolidated Financial Statements (page 149). For the year ended 30 April 2023 the group recognised a total tax risk provision (including interest) of £114m (2022: £118m). The group is subject to income tax in numerous jurisdictions and is routinely under audit by tax authorities in the ordinary course of business. Management applies judgement in assessing uncertain tax positions in each jurisdiction, which requires interpretation of local tax laws and specific facts and circumstances. Specifically, each tax provision involves the evaluation of unique and evolving facts and circumstances. Given the magnitude of the amounts subject to this judgement, there is a risk that tax provisions may be misstated.

Risk – Valuation of Uncertain Tax Positions (continued)	
Our response to the risk	Our approach focused on the following procedures: • We obtained an understanding of management's key controls over their tax provision in supporting the prevention, detection and correction of material errors in the financial statements. • The group audit team evaluated the tax positions taken by management in each significant jurisdiction in the context of local tax law, correspondence with tax authorities and the status of any tax audits. Our work utilised support from local country tax specialists in jurisdictions where the group has more significant tax exposures. • We assessed the group's transfer pricing judgements, considering the way in which the group's businesses operate and the correspondence and agreements reached with tax authorities, including correspondence on tax audits and reviewing tax returns. • We evaluated the methodology adopted by management to calculate uncertain tax provisions and whether this is compliant with IFRIC 23. • In evaluating management's accounting, we developed our own range of acceptable provision levels for the group's tax exposures, based on the evidence we obtained. • The group audit team evaluated the completeness of uncertain tax positions by understanding the group's process for determining the completeness of identified tax risks and challenging whether risks provided for in one jurisdiction were applicable in other jurisdictions. • We evaluated the adequacy of the related disclosures provided in the group financial statements.
Key observations communicated to the Audit Committee	Management's provision falls within our independently determined range and as a result we are satisfied that the estimates and judgements made by management in the valuation and accounting of uncertain tax provisions are reasonable and in accordance with IAS 12 and IFRIC 23.

Risk – Carrying value of goodwill of the North America CGU	Refer to Accounting policies (page 137); and Note 10 to the Consolidated Financial Statements (page 153). As at 30 April 2023, the total carrying value of goodwill was £2,268m (2022: £2,193m) of which £633m (2022: £628m) relates to the North America Paper and Packaging ('NAPP") CGU. As a result of the annual impairment test of goodwill, management concluded that the recoverable amount of goodwill and non-current assets was in excess of the carrying value. Auditing management's goodwill impairment test involved complex and subjective auditor judgment due to the nature of the projections and assumptions used in determining the recoverable amount of goodwill. The estimate of recoverable amount of the goodwill and non-current assets of each cash generating unit ("CGU") is determined using a net present value calculation based upon the forecast future cash flows of each CGU. In our audit of impairment, we identified a specific significant audit risk in relation to management's assessment for the North America CGU given recent trading results for this CGU. The recoverable amount of this CGU was sensitive to significant assumptions such as sales volume and price assumptions underlying the cash flow forecasts, long term growth rate, and discount rate. Specifically, the group's long term growth rate assumptions could be affected adversely by changes in projections about future market or economic conditions. This sensitivity is more pronounced in a newer CGU with a limited track record in meeting forecasts. The risk is that the carrying values for NAPP will not be supported by the future cash flows the assets generate, resulting in an impairment charge that has not been recognised by management.

Risk – Carrying value of goodwill of the North America CGU (continued)	
Our response to the risk	Our approach focused on the following procedures: • We obtained an understanding of management's key controls designed to identify and respond to the risk related to the impairment of goodwill. • We assessed the appropriateness of the group's CGUs identified by management. • We reviewed the valuation methodology for consistency with the requirements of IAS 36 and tested the integrity of models in determining the recoverable amount for the CGUs. • We tested the forecast cash flows by comparing the key assumptions, such as price, volume and capital expenditures, used within the impairment models to approved budgets and business plans. Additionally, we have also corroborated management's price and volume assumptions to external market data. • We involved valuation specialists to assist us in challenging the reasonableness of management's valuation assumptions, such as discount rates and long-term growth rates ("LTGR") as well as the discounted cash flows methodology used by management. • We performed sensitivity analysis to assess the potential impact of a range of reasonably possible outcomes, including looking for contraindicators. • We evaluated the adequacy of the financial statement disclosures. All of the work was performed by members of the group audit team.
Key observations communicated to the Audit Committee	Based on our audit procedures, considering the LTGR and NAPP's recent trading results, we consider that management's assessment that no impairment is required against the goodwill is appropriate. However, we concluded that there were reasonably possible changes in certain key assumptions which could result in impairment in the NAPP CGU which required disclosure. We are satisfied that the disclosures in the Annual Report and financial statements on the sensitivity of the forecasts, including NAPP, are appropriate and reflect the reasonably possible change in assumption.

The classification and presentation of adjusting items was a Key Audit Matter in 2022 for the predecessor auditor due to it being a key determinant in assessing the quality of the group's earnings and also presenting the opportunity for management bias in the presentation of results. Management judgement is required in determining the accounting policy for identifying if an item is adjusting based on the size, nature and incidence of the item. We do not consider this area a Key Audit Matter in our 2023 audit as the total adjusting items value for the year is £15 million (2022: £37 million) limiting the potential of error to below materiality levels.

As part of the audit, we also address the following two risks:

The risk of inappropriate revenue recognition and the risk of management override of internal controls, which are both presumed significant risks by ISAs (UK), including evaluating whether there is evidence of bias by the Directors that may represent a risk of material misstatement due to fraud. We determined that the risk of inappropriate revenue recognition and the risk of management override of controls do not represent separate key audit matters, on the basis that the auditing of revenue and management override of controls did not have the greatest effect on our overall audit strategy, the allocation of resources in the audit or in directing the efforts of the engagement team.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the group to be £33.5 million, which is 5% of Profit Before Tax (2022 predecessor auditor materiality was £23 million, 6% of Profit Before Tax). Our preferred approach to setting materiality is to use Profit Before Tax as it is a key performance measure for the users of the financial statements.

We determined materiality for the Parent Company to be £35.2 million, which is 1% of equity which we consider to be an appropriate basis for materiality for a holding company, as the users of the financial statements focus on a capital-based measure. The materiality applied in our testing is capped at 75% of group performance materiality at £25 million (2022 predecessor auditor capped the materiality of the parent company at £11.5 million, 50% of group materiality).

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, this being an initial audit and together with our assessment of the group's overall control environment, our judgment was that performance materiality was 50% of our planning materiality, namely £16.7 million (2022 £16.1 million).

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £3.3m to £7.5m.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £1.6m (2022 £1m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the Annual Report set out on pages 1 to 121, including the Strategic Report and Governance sections (including the Directors' Report; Chair's introduction to Governance; Division of Responsibilities; Board Leadership and Company Purpose; Nomination Committee Report; Audit, risk and internal control; Audit Committee Report; Remuneration Committee Report, and Additional information), other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the Annual Report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Corporate Governance Statement

We have reviewed the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the group and Company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 51;
- Directors' explanation as to its assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on pages 50-51;
- Director's statement on whether it has a reasonable expectation that the group will be able to continue in operation and meets its liabilities set out on page 51;
- Directors' statement on fair, balanced and understandable set out on page 121;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 42-49;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on pages 84-85; and
- The section describing the work of the audit committee set out on pages 86-91.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 121, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined below, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant and directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (UK adopted international accounting standards), the Companies Act 2006, the UK Corporate Governance Code, the Listing Rules of the UK Listing Authority and the relevant tax compliance regulations in the jurisdictions in which the group operates. In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements, mainly relating to health and safety, employee matters and environmental legislation.
- We understood how DS Smith plc is complying with those frameworks by making enquiries of management, Internal Audit, those responsible for legal and compliance procedures and the Company Secretary. We corroborated our enquiries through our review of Board minutes and papers provided to the Audit Committee and attendance at meetings of the Audit Committee, as well as consideration of the results of our audit procedures across the group to either corroborate or provide contrary evidence which was then followed up. We tested management's entity level controls to understand the company culture of honest and ethical behaviour, including the emphasis on fraud prevention.
- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur, by meeting with management from various parts of the business to understand what areas were susceptible to fraud. We also considered performance targets and their propensity to influence management to manage earnings.
- We considered the programmes and controls that the group has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls. Where risk was considered as higher, we performed audit procedures to address each identified fraud risk.
- With the assistance of our forensic specialists and considering our understanding of the group, we designed our audit procedures to identify non-compliance with such laws and regulations that could have a material impact on the financial statements. Our procedures involved: enquiries of group management, those charged with governance, head of legal and external legal advisors, and internal audit; review of internal and external reports; challenging the assumptions and judgements made by management in respect of significant accounting estimates; incorporating data analytics across our audit approach, testing of manual journal entries recorded to revenue and group-level adjustments and any other large or unusual transactions to gain reasonable assurance that the financial statements were free from fraud and error. Where observations are raised about management's process or controls surrounding compliance with laws and regulations by us or others, we consider the potential effect of those observations. Furthermore, we performed procedures to conclude on the compliance of disclosures made in the annual report and accounts with all applicable requirements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- Following the recommendation from the Audit Committee, we were appointed by the company on 26 September 2022 to audit the financial statements for the year ending 30 April 2023 and subsequent financial periods.

  The period of total uninterrupted engagement including previous renewals and reappointments is one year, commencing with the current year ending 30 April 2023.
- The audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Kevin Harkin (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor

London

22 June 2023

CONSOLIDATED INCOME STATEMENT

Year ended 30 April 2023

Continuing operations	Note	Before adjusting items 2023 £m	Adjusting items 2023 (note 4) £m	After adjusting items 2023 £m	Before adjusting items 2022 £m	Adjusting items 2022 (note 4) £m	After adjusting items 2022 £m
Revenue	2	**8,221**	**–**	**8,221**	7,241	–	7,241
Operating costs	3,4	**(7,360)**	**–**	**(7,360)**	(6,625)	(37)	(6,662)
Operating profit before amortisation, acquisitions and divestments	2	**861**	**–**	**861**	616	(37)	579
Amortisation of intangible assets; acquisitions and divestments	10, 4	**(113)**	**(15)**	**(128)**	(138)	2	(136)
Operating profit	4	**748**	**(15)**	**733**	478	(35)	443
Finance income	5	**2**	**–**	**2**	1	–	1
Finance costs	5, 4	**(75)**	**–**	**(75)**	(68)	(2)	(70)
Employment benefit net finance expense	25	**(1)**	**–**	**(1)**	(3)	–	(3)
Net financing costs		**(74)**	**–**	**(74)**	(70)	(2)	(72)
Profit after financing costs		**674**	**(15)**	**659**	408	(37)	371
Share of profit of equity accounted investments, net of tax	13	**2**	**–**	**2**	7	–	7
Profit before income tax		**676**	**(15)**	**661**	415	(37)	378
Income tax (expense)/credit	7, 4	**(172)**	**3**	**(169)**	(100)	2	(98)
Profit for the year from continuing operations		**504**	**(12)**	**492**	315	(35)	280
Discontinued operations							
Profit for the year from discontinued operations, net of tax	30(b)	**–**	**11**	**11**	–	–	–
Profit for the year		**504**	**(1)**	**503**	315	(35)	280

Profit for the year attributable to:							
Owners of the parent		**503**	**(1)**	**502**	315	(35)	280
Non-controlling interests		**1**	**–**	**1**	–	–	–

Earnings per share	Note			2023			2022
Earnings per share from continuing and discontinued operations							
Basic	8			**36.6p**			20.4p
Diluted	8			**36.3p**			20.3p
Earnings per share from continuing operations							
Basic	8			**35.8p**			20.4p
Diluted	8			**35.5p**			20.3p
Adjusted earnings per share from continuing operations							
Basic	8, 32		**43.0p**			30.7p	
Diluted	8		**42.7p**			30.5p	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 30 April 2023

	Note	2023 £m	2022 £m
Profit for the year		**503**	280
Items which will not be reclassified subsequently to profit or loss			
Actuarial gain on employee benefits	25	**11**	68
Income tax on items which will not be reclassified subsequently to profit or loss	7	**(2)**	(14)
Items which may be reclassified subsequently to profit or loss			
Foreign currency translation differences		**194**	(40)
Reclassification to income statement on asset write-down		**(3)**	–
Reclassification from translation reserve to income statement arising on divestment		**–**	(3)
Cash flow hedges fair value changes		**(72)**	1,069
Reclassification from cash flow hedge reserve to income statement	21(c)	**(573)**	(357)
Movement in net investment hedge		**(74)**	28
Income tax on items which may be reclassified subsequently to profit or loss	7	**149**	(162)
Other comprehensive (expense)/income for the year, net of tax		**(370)**	589
Total comprehensive income for the year		**133**	869
Total comprehensive income attributable to:			
Owners of the parent		**132**	869
Non-controlling interests		**1**	–

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 April 2023

	Note	2023 £m	2022 £m
Assets			
Non-current assets			
Intangible assets	10	**2,927**	2,906
Biological assets		**11**	10
Property, plant and equipment	11	**3,529**	3,128
Right-of-use assets	12	**224**	199
Equity accounted investments	13	**17**	17
Other investments	14	**17**	16
Employee benefits	25	**24**	–
Deferred tax assets	22	**11**	7
Other receivables	16	**1**	–
Derivative financial instruments	21	**165**	495
Total non-current assets		**6,926**	6,778
Current assets			
Inventories	15	**619**	703
Biological assets		**6**	7
Income tax receivable		**24**	34
Trade and other receivables	16	**1,256**	1,229
Cash and cash equivalents	19	**472**	819
Derivative financial instruments	21	**154**	316
Total current assets		**2,531**	3,108
Total assets		**9,457**	9,886
Liabilities			
Non-current liabilities			
Borrowings	20	**(1,742)**	(1,391)
Employee benefits	25	**(79)**	(86)
Other payables	17	**(34)**	(37)
Provisions	23	**(11)**	(7)
Lease liabilities	12	**(154)**	(140)
Deferred tax liabilities	22	**(262)**	(396)
Derivative financial instruments	21	**(49)**	(28)
Total non-current liabilities		**(2,331)**	(2,085)
Current liabilities			
Bank overdrafts	19	**(104)**	(73)
Borrowings	20	**(74)**	(681)
Trade and other payables	17	**(2,253)**	(2,503)
Income tax liabilities		**(165)**	(143)
Provisions	23	**(54)**	(48)
Lease liabilities	12	**(70)**	(63)
Derivative financial instruments	21	**(319)**	(56)
Total current liabilities		**(3,039)**	(3,567)
Total liabilities		**(5,370)**	(5,652)
Net assets		**4,087**	4,234
Equity			
Issued capital	24	**138**	137
Share premium		**2,251**	2,248
Reserves	24	**1,695**	1,847
Total equity attributable to owners of the parent		**4,084**	4,232
Non-controlling interests		**3**	2
Total equity		**4,087**	4,234

Approved by the Board of Directors of DS Smith Plc on 22 June 2023 and signed on its behalf by:

M W Roberts
Director

A R T Marsh
Director

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 30 April 2023

	Note	Share capital £m	Share premium £m	Hedging reserve £m	Translation reserve £m	Own shares £m	Retained earnings[1] £m	Total equity attributable to owners of the parent £m	Non-controlling interests £m	Total equity £m
At 1 May 2021		**137**	**2,241**	**53**	**(84)**	**(3)**	**1,189**	**3,533**	**2**	**3,535**
Profit for the year		–	–	–	–	–	280	280	–	280
Actuarial gain on employee benefits	25	–	–	–	–	–	68	68	–	68
Foreign currency translation differences		–	–	–	(40)	–	–	(40)	–	(40)
Reclassification from translation reserve to income statement arising on divestment		–	–	–	(3)	–	–	(3)	–	(3)
Cash flow hedges fair value changes		–	–	1,069	–	–	–	1,069	–	1,069
Reclassification from cash flow hedge reserve to income statement	21(c)	–	–	(357)	–	–	–	(357)	–	(357)
Movement in net investment hedge		–	–	–	28	–	–	28	–	28
Income tax on other comprehensive income		–	–	(163)	1	–	(14)	(176)	–	(176)
Total comprehensive income/(expense)		**–**	**–**	**549**	**(14)**	**–**	**334**	**869**	**–**	**869**
Issue of share capital		–	7	–	–	–	–	7	–	7
Employee share trust		–	–	–	–	(6)	(15)	(21)	–	(21)
Share-based payment expense (net of tax)		–	–	–	–	–	10	10	–	10
Dividends paid	9	–	–	–	–	–	(166)	(166)	–	(166)
Reclassification		–	–	7	(7)	–	–	–	–	–
Other changes in equity in the year		**–**	**7**	**7**	**(7)**	**(6)**	**(171)**	**(170)**	**–**	**(170)**
At 30 April 2022		**137**	**2,248**	**609**	**(105)**	**(9)**	**1,352**	**4,232**	**2**	**4,234**
Profit for the year		–	–	–	–	–	502	502	1	503
Actuarial gain on employee benefits	25	–	–	–	–	–	11	11	–	11
Reclassification to income statement on asset write-down		–	–	–	–	–	(3)	(3)	–	(3)
Foreign currency translation differences		–	–	–	194	–	–	194	–	194
Cash flow hedges fair value changes		–	–	(72)	–	–	–	(72)	–	(72)
Reclassification from cash flow hedge reserve to income statement	21(c)	–	–	(573)	–	–	–	(573)	–	(573)
Movement in net investment hedge		–	–	–	(74)	–	–	(74)	–	(74)
Income tax on other comprehensive income		–	–	149	–	–	(2)	147	–	147
Total comprehensive income/(expense)		**–**	**–**	**(496)**	**120**	**–**	**508**	**132**	**1**	**133**
Issue of share capital		1	3	–	–	–	–	4	–	4
Employee share trust		–	–	–	–	(5)	(3)	(8)	–	(8)
Share-based payment expense (net of tax)		–	–	–	–	–	13	13	–	13
Dividends paid	9	–	–	–	–	–	(289)	(289)	–	(289)
Other changes in equity in the year		**1**	**3**	**–**	**–**	**(5)**	**(279)**	**(280)**	**–**	**(280)**
At 30 April 2023		**138**	**2,251**	**113**	**15**	**(14)**	**1,581**	**4,084**	**3**	**4,087**

1. Retained earnings include a reserve related to merger relief (note 24).

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 30 April 2023

Continuing operations	Note	2023 £m	2022 £m
Operating activities			
Cash generated from operations	27	**1,078**	1,079
Interest received		**2**	1
Interest paid		**(78)**	(63)
Tax paid		**(136)**	(96)
Cash flows from operating activities		**866**	921
Investing activities			
Acquisition of subsidiary businesses, net of cash and cash equivalents	30	**-**	(23)
Divestment of subsidiary businesses, net of cash and cash equivalents	30	**-**	35
Capital expenditure		**(545)**	(431)
Proceeds from sale of property, plant and equipment and intangible assets		**19**	16
Cash outflows from restricted cash and other deposits		**(2)**	(2)
Other investing activities		**2**	2
Cash flows used in investing activities		**(526)**	(403)
Financing activities			
Proceeds from issue of share capital		**4**	7
Repayment of borrowings		**(679)**	(529)
Proceeds from borrowings		**332**	334
Proceeds from/(payments) in respect of derivative financial instruments		**14**	(35)
Repayment of principal on lease liabilities		**(106)**	(73)
Dividends paid to Group shareholders	9	**(289)**	(166)
Other financing activites		**(4)**	(21)
Cash flows used in financing activities		**(728)**	(483)
(Decrease)/increase in cash and cash equivalents from continuing operations		**(388)**	35
Dscontinued operation			
Cash flows used in discontinued operation	30(b)	**-**	-
(Decrease)/increase in cash and cash equivalents		**(388)**	35
Net cash and cash equivalents at beginning of the year		**746**	719
Exchange gain/ (losses) on cash and cash equivalents		**10**	(8)
Net cash and cash equivalents at end of the year	19	**368**	746

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Significant accounting policies

(a) Basis of preparation

(i) Consolidated financial statements

These financial statements are the consolidated financial statements for the Group consisting of DS Smith Plc, a company registered in England and Wales, and all its subsidiaries. The consolidated financial statements have been prepared and approved by the Directors in accordance with the recognition, measurement and presentation requirements of UK- adopted International Accounting Standards, the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements are prepared on the historical cost basis with the exception of biological assets, other investments, assets and liabilities of certain financial instruments and employee benefit plans that are stated at their fair value and share-based payments that are stated at their grant date fair value.

The consolidated financial statements have been prepared on a going concern basis as set out on within the going concern section on page 51 of the Directors' report. The Directors consider that adequate resources exist for the Company to continue in operational existence for the period to 31 October 2024.

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that affect whether and how policies are applied, and the reported amounts of assets and liabilities, income and expenses. Estimates with a significant risk of material adjustment and the critical accounting judgement are discussed in accounting policies 1(z) and 1(aa).

(ii) Climate change

The Group has considered the impact of climate change in preparing these consolidated financial statements, including the effect upon the application of its accounting policies, judgements, estimates and assumptions. In making its assessments of the impact the Group considered the risks identified through its Risk Management processes, the Task Force on Climate-related Financial Disclosures ('TCFD') on page 52 to 63 and its defined sustainability targets, as outlined in the Strategic Report.

These considerations, which are core to the Group's strategy, did not have a material impact on any accounting estimates and judgements including the following areas:

- The estimates of future cash flows used in the impairment assessment of goodwill (refer to note 10) and going concern;
- The assessment of residual values and estimated useful economic lives of property, plant and equipment (refer to note 11); and
- The adequacy of provisions for liabilities (refer to note 23).

The impact of climate change will evolve in future periods and the Group will continue to assess this.

(iii) Discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset or disposal group, excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale is expected to be completed within one year from the date of the classification.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the income statement. Cash flows generated from discontinued operations are presented as a single item in the statement of cash flows.

All other notes to the financial statements include amounts for continuing operations.

(iv) New accounting standards adopted

The following amended standards and interpretations were adopted by the Group during the year ending 30 April 2023. These amended standards and interpretations have not had a significant impact on the consolidated Financial Statements.

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Reference to the Conceptual Framework (Amendments to IFRS 3);
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37); and
- Annual Improvements to IFRS Standards 2018-2020.

The accounting policies set out above have been applied consistently in all periods presented in these consolidated financial statements. The accounting policies have been applied consistently by all Group entities.

(v) Changes to accounting standards not yet adopted

The standards not yet adopted are currently not expected to have a material impact on the consolidated financial statements of the Group.

1. Significant accounting policies continued

(b) Basis of consolidation

(i) Subsidiaries

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Control is achieved when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

(ii) Interests in equity accounted investments

The Group's interests in equity accounted investments comprise interests in associates and joint ventures. An associate is an entity over which the Group has significant influence, but not control or joint control, over the financial and operating policy decisions of the investment. A joint venture is an entity in which the Group has joint control, whereby the Group has rights to the net assets of the entity, rather than rights to its assets and obligations for its liabilities.

Interests in associates and joint ventures are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investments, until the date on which significant influence or joint control ceases.

(iii) Non-controlling interests

Non-controlling interests are shown as a component of equity in the consolidated statement of financial position net of the value of options over interests held by non-controlling interests in the Group's subsidiaries.

(iv) Business combinations

The acquisition method is used to account for the acquisition of subsidiaries. Identifiable net assets acquired (including intangibles) in a business combination are measured initially at their fair values at the acquisition date.

Where the measurement of the fair value of identifiable net assets acquired is incomplete at the end of the reporting period in which the combination occurs, the Group will report provisional fair values. Final fair values are determined within a year of the acquisition date and applied retrospectively.

The excess of the consideration transferred and the amount of any non-controlling interest over the fair value of the identifiable assets (including intangibles), liabilities and contingent liabilities acquired is recorded as goodwill.

The consideration transferred is measured as the fair value of the assets given, equity instruments issued (if any), and liabilities assumed or incurred at the date of acquisition.

Acquisition related costs are expensed as incurred.

The results of the subsidiaries acquired are included in the consolidated financial statements from the acquisition date.

(c) Revenue

The Group is in the business of providing sustainable packaging solutions, sustainable paper products, recycling and waste management services. The Group has concluded that it is the principal in its revenue arrangements.

Revenue comprises the fair value of the sale of goods and services, net of value added tax and other sales taxes, rebates and discounts and after eliminating sales within the Group. Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services and the fulfilment of the related performance obligations. Generally this occurs when the goods are loaded into the collection vehicle if the buyer is collecting them, or when the goods are unloaded at the delivery address if the Group is responsible for delivery.

The transaction price is the contractual price with the customer adjusted for rebates and discounts. Rebates and discounts are estimated using historical data and experiences with the customers. Revenue is recognised to the extent that it is highly probable that a significant reversal will not occur. Returns from customers are negligible. No element of financing is deemed present as typical sales contracts with customers are usually shorter than 12 months.

A receivable is recognised when the goods are delivered or services provided at a point in time that consideration is unconditional because only the passage of time is required before the payment is due.

Revenue by function is not provided in the Group's disclosures as the year-on-year variability in the degree of integration would be misrepresentative of the level of activity.

(d) Supplier rebates

The Group receives income from its suppliers, mainly in the form of volume based rebates and early settlement discounts. These are recognised as a reduction in operating costs in the year to which they relate. At the period end, where appropriate, the Group estimates supplier income due from annual agreements for volume rebates.

(e) Government grants

Government grants are recognised in the statement of financial position initially as deferred income when there is reasonable assurance that they will be received and that the Group will comply with the conditions attached to them. Grants that compensate the Group for expenses incurred are offset against the expenses in the same periods in which the expenses are incurred. Grants relating to assets are released to the income statement over the expected useful life of the asset to which they relate on a basis consistent with the depreciation policy. Depreciation is provided on the full cost of the assets before deducting grants.

1. Significant accounting policies continued

(f) Dividends

Dividends attributable to the equity holders of the Company paid during the year are recognised directly in equity.

(g) Foreign currency translation

The consolidated financial statements are presented in sterling, which is the Group's presentational currency. Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the foreign exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation of monetary assets and liabilities are recognised in the consolidated income statement. Non-monetary assets and liabilities that are measured at historical cost in a foreign currency are translated using the exchange rates at the dates of the transactions.

The assets and liabilities of all the Group entities that have a functional currency other than sterling are translated at the closing exchange rate at the reporting date. Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the date of the transactions).

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, borrowings, and other financial instruments designated as hedges of such investments, are recognised in the translation reserve. On the disposal of foreign currency entities, the cumulative exchange difference recorded in the translation reserve is taken to the consolidated income statement as part of the gain or loss on disposal.

(h) Intangible assets

(i) Goodwill

The recognition of business combinations requires the excess of the purchase price of acquisitions over the net book value of identifiable assets acquired to be allocated to the assets and liabilities of the acquired entity. The Group makes judgements and estimates in relation to the fair value allocation of the purchase price.

Goodwill is stated at cost less accumulated impairment losses. The useful life of goodwill is considered to be indefinite. Goodwill is allocated to the cash generating units (CGUs), that are expected to benefit from the synergies of the combination and is tested annually for impairment, or more frequently if an impairment is indicated.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss recognised in the consolidated income statement.

(ii) Intellectual property

Intellectual property is stated at cost less accumulated amortisation and impairment.

(iii) Computer software

Computer software that is integral to a related item of hardware is included within property, plant and equipment. All other computer software is treated as an intangible asset.

(iv) Customer related

Customer relationships, acquired as part of a business combination, are capitalised separately from goodwill and are carried at cost less accumulated amortisation and impairment.

(v) Other intangible assets

Other intangible assets that are acquired by the Group are carried at cost less accumulated amortisation and impairment.

(vi) Amortisation

Amortisation of intangible assets (excluding goodwill) is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets, unless such lives are indefinite. Intangible assets (other than goodwill) are amortised from the date they are available for use.

The estimated useful lives are as follows:

Intellectual property	Up to 20 years
Computer software	3–5 years
Customer relationships	5–15 years

(i) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each item of property, plant and equipment, and major components that are accounted for separately (or in the case of leased assets, the lease period, if shorter). Land is not depreciated.

The estimated useful lives are as follows:

Freehold and long leasehold properties	10–50 years
Plant and equipment – motor vehicles	3–5 years
Plant and equipment – other, fixtures and fittings (including IT hardware)	2–30 years

The estimated residual lives are reviewed at each reporting date. The impact of climate factors on useful lives is considered on an asset by asset basis and takes into consideration the climate change targets made by the Group. Capital expenditure will be required for ongoing projects in order to meet our climate change targets and this has not resulted in any significant changes to the estimated useful life of assets in the current year.

Gains or losses arising on the sale of surplus property assets are recorded through operating profit before adjusting items.

1. Significant accounting policies continued

(j) Other investments

Other investments primarily consist of investments in unquoted equity securities and restricted cash. Equity securities are measured at fair value. On initial recognition, the Group makes an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at fair value through other comprehensive income (FVTOCI). Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

Investment in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment revaluation reserve. The cumulative gain or loss is not reclassified to profit or loss on divestment of the equity investments; instead, it is transferred to retained earnings. The Group has designated all investments in equity that are not held for trading as at FVTOCI.

Restricted cash is carried at amortised cost.

(k) Impairment

The carrying amounts of the Group's assets, including tangible and intangible non-current assets, are reviewed at each reporting date to determine whether there are any indicators of impairment. If any such indicators exist, the asset's recoverable amount is estimated. Goodwill is tested for impairment annually at the same time, regardless of the presence of an impairment indicator. An impairment loss is recognised whenever the carrying amount of an asset, collection of assets or its CGU exceeds its recoverable amount. Impairment losses are recognised in the consolidated income statement.

(i) Cash generating units

For the purposes of property, plant and equipment and other intangibles impairment testing, each operating segment, split by process (e.g. Packaging, Paper, Recycling), is a separate individual CGU. Goodwill impairment testing is carried out based on regional groupings of CGUs as set out in note 10, as this is the lowest level at which goodwill is monitored for internal management purposes.

(ii) Calculation of recoverable amount

The recoverable amount of the Group's assets is calculated as the value-in-use of the CGU to which the assets are attributed or the net selling price, if greater. Value-in-use is calculated by discounting the cash flows expected to be generated by the CGUs being tested for evidence of impairment. This is done using a pre-tax discount rate that reflects the current assessment of the time value of money, and the country-specific risks for which the cash flows have not been adjusted including our assessment of the impact of climate. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the CGU to which the asset belongs.

(iii) Reversals of impairment

Impairment losses in respect of goodwill are not reversed. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(l) Derivative financial instruments

The Group uses derivative financial instruments, primarily currency and commodity swaps, to manage currency and commodity risks associated with the Group's underlying business activities and the financing of these activities. The Group has a policy not to, and does not, undertake any speculative activity in these instruments.

Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The Group has elected to continue to apply the hedge accounting requirements of IAS 39, as allowed under IFRS 9.

Derivative financial instruments are accounted for as hedges when designated as hedges at the inception of the contract and when the financial instruments provide an effective hedge of the underlying risk.

For the purpose of hedge accounting, hedges are classified as:

- cash flow hedges when hedging exposure to variability in cash flows that is attributable to a particular risk associated with either a statement of financial position item or a highly probable forecast transaction; or
- hedges of the net investment in a foreign entity.

The treatment of gains and losses arising from revaluing derivatives designated as hedging instruments depends on the nature of the hedging relationship as follows:

Cash flow hedges: the effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in the income statement. Amounts taken to equity are transferred to the income statement in the same period during which the hedged transaction affects profit or loss, such as when a forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the hedging instrument expires or is sold, terminated or exercised without replacement or roll-over, the hedged transaction ceases to be highly probable, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs and are transferred to the income statement or to the initial carrying amount of a non-financial asset or liability as above. If a forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to the income statement.

1. Significant accounting policies continued

(l) Derivative financial instruments continued

Hedges of net investment in a foreign entity: these represent the effective portion of the gain or loss on the hedging instrument that is recognised directly in equity, while the ineffective portion is recognised in the income statement. Amounts taken to equity are transferred to the income statement when the foreign entity is sold.

Any gains or losses arising from changes in the fair value of all other derivatives are taken to the income statement. These may arise from derivatives for which hedge accounting is not applied because they are not effective as hedging instruments.

The net present value of the expected future payments under options over interests held by non-controlling interests in the Group's subsidiaries is shown as a financial liability. At the end of each period, the valuation of the liability is reassessed with any changes recognised in profit or loss for the period.

(m) Treasury shares

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity.

(n) Trade and other receivables

Trade and other receivables are recognised initially at fair value less expected credit loss allowance and subsequently held at amortised cost. The Group utilises the simplified approach to provide for losses on receivables under IFRS 9.

(o) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of inventories is based on a weighted average cost and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

(p) Biological assets

Biological assets consist of standing timber, measured at fair value less cost to sell. Any change in fair value resulting from both net growth and change in the market value of standing timber is presented in the income statement. The revenue from the sale of standing timber is presented within revenue.

(q) Cash and cash equivalents and restricted cash

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows. Cash and cash equivalents are stated at amortised cost.

Cash subject to contractual restrictions on use by the Group is excluded from cash and cash equivalents in the consolidated financial statements and is presented within other investments in the consolidated statement of financial position. Restricted cash is stated at amortised cost.

(r) Borrowings

Borrowings are recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost unless designated in a fair value hedge relationship, with borrowing costs being accounted for on an accruals basis in the income statement using the effective interest method.

At the reporting date, interest payable is recorded separately from the associated borrowings, within trade and other payables.

(s) Employee benefits

(i) Defined contribution schemes

Contributions to defined contribution pension schemes are recognised as an employee benefit expense within personnel expenses in the income statement, as incurred.

(ii) Defined benefit schemes

The Group's net obligation in respect of defined benefit pension schemes is calculated separately for each scheme by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to its present value amount and recognised in the income statement within personnel expenses; a corresponding liability for all future benefits is established on the statement of financial position and the fair value of any scheme assets is deducted.

The discount rate is the yield at the reporting date on AA credit rated bonds that have maturity dates approximating to the duration of the schemes' obligations. The calculation is performed by a qualified actuary using the projected unit method. Actuarial gains and losses are recognised immediately in the statement of other comprehensive income.

(iii) Share-based payment transactions

The Group operates equity-settled share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised within personnel expenses, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The fair value of the options granted is measured using a stochastic model, taking into account the terms and conditions upon which the options were granted. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions.

At each reporting date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity.

1. Significant accounting policies continued

(t) Provisions

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, a reliable estimate can be made of the amount of the obligation and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are discounted to present value where the effect is material.

(u) Trade and other payables

Trade and other payables are initially measured at fair value, net of directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method.

(v) Leases

The Group recognises a right-of-use asset and a lease liability at the lease commencement date.

The right-of-use asset is initially measured at cost, being the initial amount of the lease liability adjusted for any lease payments made at or before commencement date, plus any initial direct costs incurred and an estimate of end of lease dismantling or restoration costs, less any incentives received and related provisions.

Lease liabilities are recorded at the present value of lease payments, which include:

- Fixed lease payments;
- Variable payments that depend on an index or rate, initially measured using the commencement date index or rate;
- Any amounts expected to be payable under residual value guarantees; and
- The exercise price of purchase options, if it is reasonably certain they will be exercised.

The interest rate implicit in the lease is used to discount lease payments, or, if that rate cannot be determined, the Group's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are depreciated on a straight-line basis over the lease term, or the useful life if shorter.

Interest is recognised on the lease liability, resulting in a higher finance cost in the earlier years of the lease term.

Lease payments relating to low value assets or to short-term leases are recognised as an expense on a straight-line basis over the lease term. Short-term leases are those with 12 or less months duration.

(w) Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted in each jurisdiction at the reporting date, and any adjustment to tax payable in respect of previous years.

The Group is subject to corporate taxes in a number of different jurisdictions and judgement is required in determining the appropriate provision for transactions where the ultimate tax determination is uncertain. In such circumstances, the Group recognises liabilities for anticipated taxes based on the best information available and where the anticipated liability is both probable and can be estimated. Any interest and penalties accrued are included in income taxes in both the consolidated income statement and the consolidated statement of financial position. Where the final outcome of such matters differs from the amount recorded, any differences may impact the income tax and deferred tax provisions in the period in which the final determination is made.

Deferred tax is provided for using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The tax effect of certain temporary differences is not recognised, principally with respect to goodwill; temporary differences arising on the initial recognition of assets or liabilities (other than those arising in a business combination or in a manner that initially impacts accounting or taxable profit); and temporary differences relating to investment in subsidiaries and equity accounted investees to the extent that they will probably not reverse in the foreseeable future and the Group is able to control the reversal of such temporary differences. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(x) Adjusting items

Items of income or expenditure that are significant by their nature, size or incidence, and for which separate presentation would assist in the understanding of the trading and financial results of the Group, are classified and disclosed as adjusting items.

Such items include business disposals, restructuring and acquisition related and integration costs, and impairments.

1. Significant accounting policies continued

(y) Non-GAAP performance measures

In the reporting of financial information, the Group has adopted certain non-GAAP measures of historical or future financial performance, position or cash flows other than those defined or specified under International Financial Reporting Standards (IFRSs).

Non-GAAP measures are either not defined by IFRS or are adjusted IFRS figures, and therefore may not be directly comparable with other companies' reported non-GAAP measures, including those in the Group's industry.

Non-GAAP measures should be considered in addition to, and are not intended to be a substitute for, or superior to, IFRS measures.

Details of the Group's non-GAAP performance measures, including reasons for their use and reconciliations to IFRS figures are included as appropriate in note 32.

(z) Key sources of estimation uncertainty

The application of the Group's accounting policies requires management to make estimates and assumptions. These estimates and assumptions affect the reported assets and liabilities and financial results of the Group. Actual outcomes could differ from the estimates and assumptions used.

The Group's key sources of estimation uncertainty are as detailed below:

(i) Taxation

The Group's tax payable on profits is determined based on tax laws and regulations that apply in each of the numerous jurisdictions in which the Group operates. The Group is required to exercise judgement in estimating income tax provisions, along with the recognition of deferred tax assets/liabilities. While the Group aims to ensure that estimates recorded are accurate, the actual amounts could be different from those expected. See note 7 for additional information.

(ii) Goodwill impairment

Goodwill is tested annually for impairment or more frequently if an impairment is indicated. Impairment tests are conducted by component by value in use of CGUs to their respective carrying amounts (including allocated goodwill). It is possible that if key assumptions were changed adversely, impairment would need to be recognised. See note 10 for additional information.

(iii) Employee benefits

IAS 19 *Employee Benefits* requires the Group to make assumptions including, but not limited to, rates of inflation, discount rates and life expectancies. The use of different assumptions, in any of the above calculations, could have a material effect on the accounting values of the relevant statement of financial position assets and liabilities which could also result in a change to the cost of such liabilities as recognised in profit or loss over time. These assumptions are subject to periodic review. See note 25 for additional information.

(aa) Critical accounting judgement

(i) Adjusting items

The Group is required to exercise judgement in applying the adjusting items accounting policy to items of income and expenditure, taking account of their origination, as well as considering similar items in prior years to ensure consistency and appropriate presentation. See note 4 for additional information.

(ab) IFRS standards and interpretations endorsed but not yet effective

The International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC) have issued new standards and interpretations with an effective date after the date of these financial statements.

International Financial Reporting Standards (IFRS/IAS)	Effective date – financial year ending
Amendments to IAS 1 and IFRS Practice Statement 2 (Disclosure of Accounting Policies)	30 April 2024
Amendments to IAS 12 (Deferred tax related to Assets and Liabilities arising from a single transaction)	30 April 2024
Amendments to IAS 8 (Definition of accounting estimates)	30 April 2024
IFRS 17 Insurance Contracts	30 April 2024
Amendment to IFRS 16 - Lease Liability in a Sale and Leaseback	30 April 2024
Amendments to IAS 7 and IFRS 7 Supplier Finance Arrangements	30 April 2025

The Group does not anticipate that the adoption of the standards and interpretations that are effective for the year ending 30 April 2024 and beyond will have a material effect on its financial statements.

(ac) IFRS standards that have been issued but are not yet endorsed are as follows:

- *Amendments to IAS 1 (Classification of liabilities as current or non-current); and*
- *Amendments to IFRS 4 (Extension of the Temporary Exemption from applying IFRS 9).*

The Group does not anticipate that the adoption of these accounting standards will have a material effect on its financial statements.

2. Segment reporting

Operating segments

IFRS 8 *Operating Segments* requires operating segments to be identified on the same basis as is used internally for the review of performance and allocation of resources by the Group Chief Executive (who is the Chief Operating Decision Maker as defined by IFRS 8).

The Group's continuing operations are organised into segments which cover geographical regions with integrated packaging and paper businesses. These comprise the Group's reportable segments and their results are regularly reviewed by the Group Chief Executive. The measure of profitability reported to the Group Chief Executive for the purposes of resource allocation and assessment of performance is adjusted operating profit, which is a non-GAAP performance measure, about which further information is provided in note 32.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Central administration costs are allocated to the individual segments on a consistent basis year-on-year. All assets and liabilities have been analysed by segment, except for items of a financing nature, taxation balances, employee benefit liabilities and current and non-current asset investments. Debt and associated interest are managed at a Group level and therefore have not been allocated across the segments.

Year ended 30 April 2023	Note	Northern Europe £m	Southern Europe £m	Eastern Europe £m	North America £m	Total continuing operations £m
External revenue		**3,132**	**3,150**	**1,275**	**664**	**8,221**
Adjusted EBITDA[1]		**324**	**621**	**125**	**103**	**1,173**
Depreciation		**(112)**	**(120)**	**(49)**	**(31)**	**(312)**
Adjusted operating profit[1]		**212**	**501**	**76**	**72**	**861**
Unallocated items:						
Amortisation	10					**(113)**
Adjusting items in operating profit	4					**(15)**
Total operating profit (continuing operations)						**733**
Unallocated items:						
Net financing costs						**(74)**
Share of profit of equity accounted investments, net of tax						**2**
Profit before income tax						**661**
Income tax expense						**(169)**
Profit for the year (continuing operations)						**492**
Analysis of total assets and total liabilities						
Segment assets		**2,246**	**3,762**	**1,247**	**1,318**	**8,573**
Unallocated items:						
Equity accounted investments and other investments						**34**
Derivative financial instruments						**319**
Cash and cash equivalents						**472**
Tax						**35**
Employee benefits						**24**
Total assets						**9,457**
Segment liabilities		**(1,249)**	**(910)**	**(282)**	**(119)**	**(2,560)**
Unallocated items:						
Borrowings, overdrafts and interest payable						**(1,936)**
Derivative financial instruments						**(368)**
Tax						**(427)**
Employee benefits						**(79)**
Total liabilities						**(5,370)**
Capital expenditure		**134**	**266**	**109**	**36**	**545**

1. Adjusted to exclude amortisation and adjusting items as presented in the income statement.

2. Segment reporting continued

Year ended 30 April 2022	Note	Northern Europe £m	Southern Europe £m	Eastern Europe £m	North America £m	Total continuing operations £m
External revenue		2,790	2,736	1,118	597	7,241
Adjusted EBITDA[1]		250	432	116	108	906
Depreciation		(111)	(108)	(43)	(28)	(290)
Adjusted operating profit[1]		139	324	73	80	616
Unallocated items:						
Amortisation	10					(138)
Adjusting items in operating profit	4					(35)
Total operating profit (continuing operations)						443
Unallocated items:						
Net financing costs						(72)
Share of profit of equity accounted investments, net of tax						7
Profit before income tax						378
Income tax expense						(98)
Profit for the year (continuing operations)						280
Analysis of total assets and total liabilities						
Segment assets		2,127	3,597	1,128	1,330	8,182
Unallocated items:						
Equity accounted investments and other investments						33
Derivative financial instruments						811
Cash and cash equivalents						819
Tax						41
Total assets						9,886
Segment liabilities		(1,330)	(1,044)	(272)	(129)	(2,775)
Unallocated items:						
Borrowings, overdrafts and interest payable						(2,168)
Derivative financial instruments						(84)
Tax						(539)
Employee benefits						(86)
Total liabilities						(5,652)
Capital expenditure		102	200	101	28	431

1. Adjusted to exclude amortisation and adjusting items as presented in the income statement.

2. Segment reporting continued

Geographical areas

In presenting information by geographical area, external revenue is based on the geographical location of customers. Non-current assets are based on the geographical location of assets and exclude investments, deferred tax assets, derivative financial instruments and intangible assets (which are monitored at the operating segment level, not at a country level).

	External revenue		Non-current assets		Capital expenditure	
Continuing operations	**2023 £m**	2022 £m	**2023 £m**	2022 £m	**2023 £m**	2022 £m
UK	**1,300**	1,113	**508**	460	**67**	42
France	**1,203**	1,067	**491**	430	**79**	52
Iberia	**970**	841	**673**	613	**81**	73
Germany	**763**	708	**420**	390	**38**	36
Italy	**972**	822	**426**	333	**106**	75
USA	**671**	606	**390**	379	**36**	28
Rest of the World	**2,342**	2,084	**857**	732	**138**	125
	8,221	7,241	**3,765**	3,337	**545**	431

3. Operating profit

Continuing operations	**2023 £m**	2022 £m
Operating costs		
Cost of sales	**4,255**	3,914
Other production costs	**1,328**	1,211
Distribution	**561**	530
Administrative expenses	**1,216**	1,007
	7,360	6,662

Details of adjusting items included in operating profit are set out in note 4.

Operating profit is stated after charging/(crediting) the following:

Continuing operations	**2023 £m**	2022 £m
Depreciation of owned assets	**241**	220
Depreciation of right-of-use assets	**71**	70
Amortisation of intangible assets	**113**	138
Loss/(profit) on sale of non-current assets	**7**	(1)
Research and development	**8**	8
Impairment of property,plant and equipment	**24**	-

3. Operating profit continued

Auditor's remuneration	2023 UK £m	2023 Overseas £m	2023 Total £m	2022 UK £m	2022 Overseas £m	2022 Total £m
Fees payable for audit of the Company's annual financial statements	**1.0**	**–**	**1.0**	0.5	–	0.5
Fees payable for audit of the Company's subsidiaries, pursuant to legislation	**1.2**	**3.3**	**4.5**	1.1	2.9	4.0
Total audit fees	**2.2**	**3.3**	**5.5**	1.6	2.9	4.5
Fees payable to the Company's Auditor and their associates for other services:						
Corporate finance services	**–**	**–**	**–**	0.1	–	0.1
Audit related assurance services	**0.2**	**0.1**	**0.3**	0.3	0.1	0.4
Total non-audit fees	**0.2**	**0.1**	**0.3**	0.4	0.1	0.5
Total Auditor's remuneration	**2.4**	**3.4**	**5.8**	2.0	3.0	5.0

Non-audit fees in 2022/23 primarily related to audit-related fees for the review of the interim results and 2021/22 primarily include reporting and accounting services in respect of the Euro medium-term note ("EMTN") issues in the year and audit-related fees for the review of the interim results.

A description of the work of the Audit Committee is set out in the governance section and includes an explanation of how the external Auditor's objectivity and independence are safeguarded when non-audit services are provided by the external Auditor.

4. Adjusting items

Items are presented as adjusting in the financial statements where they are significant items of financial performance that the Directors consider should be separately disclosed to assist in the understanding of the trading and financial results of the Group. Such items include business disposals, restructuring and acquisition related and integration costs, and impairments.

Continuing operations	2023 £m	2022 £m
Acquisition related costs	**(15)**	(1)
Gain on acquisitions and divestments	**–**	3
Net (loss)/gain on acquisitions and divestments	**(15)**	2
Other restructuring costs	**–**	(8)
Impairment of associate	**–**	(29)
Total pre-tax adjusting items (recognised in operating profit)	**(15)**	(35)
Finance costs adjusting items	**–**	(2)
Current tax credit on adjusting items	**3**	2
Total post-tax adjusting items	**(12)**	(35)

4. Adjusting items continued

2022/23

On 01 September 2022 the put option for the final 10% stake in Interstate Resources crystallised. This has resulted in additional costs in relation to performance conditions which have been met by the business and the costs of hedging the pending payment of the US dollar liability.

The current tax credit on adjusting items of £3m for the year ended 30 April 2023 is the tax effect at the local applicable tax rate of adjusting items that are subject to tax. This excludes non-tax-deductible deal related advisory fees in relation to acquisitions and divestments.

Adjusting items from discontinued operations comprise the gain on the settlement of certain costs and obligations arising from the disposal of the Plastics division.

2021/22

On 12 October 2021 the Group sold the De Hoop paper mill in the Netherlands. Cash consideration, net of cash and cash equivalents and transaction costs, was £35m and the net assets divested were £28m, resulting in a net gain of £7m. In addition, there were £4m of other site disposal costs.

Other restructuring costs of £8m primarily comprise a reorganisation and restructuring project across the Packaging business, focusing predominantly on reduction of indirect costs.

Finance costs in adjusting items related to the unwind of the discount on the redemption liability related to the purchase of Interstate Resources.

The impairment of associate of £29m relates to the Group's investment in the associate RKTK in Ukraine. The invasion of Ukraine by Russia has resulted in significant damage to the assets of the Group's associate and has fundamentally compromised the ability to realise the interest held. Accordingly, an impairment of the entire interest has been recognised, together with amounts in connection with the trading activities conducted with the associate.

The current tax credit on adjusting items of £2m for the year ended 30 April 2022 is the tax effect at the local applicable tax rate of adjusting items that are subject to tax. This excludes non-tax-deductible deal related advisory fees in relation to acquisitions and divestments. It also excludes the non-tax-deductible impairment of associates and the non-taxable gain from the sale of the paper mill in the Netherlands.

5. Finance income and costs

Continuing operations	2023 £m	2022 £m
Interest income from financial assets	**(2)**	(1)
Finance income	**(2)**	(1)
Interest on borrowings and overdrafts	**49**	47
Interest on lease liabilities	**11**	11
Other	**15**	10
Finance costs before adjusting items	**75**	68
Finance costs adjusting items (note 4)	**–**	2
Finance costs	**75**	70

6. Staff costs

Continuing operations	2023 £m	2022 £m
Wages and salaries	**1,194**	1,101
Social security costs	**233**	214
Contributions to defined contribution pension plans	**56**	51
Service costs for defined benefit schemes (note 25)	**6**	5
Share-based payment expense (note 26)	**15**	10
Staff costs	**1,504**	1,381

Average number of employees	2023 Number	2022 Number
Northern Europe	**10,874**	10,905
Southern Europe	**9,010**	8,889
Eastern Europe	**7,922**	7,677
North America	**1,755**	1,787
Rest of the World	**607**	598
Average number of employees	**30,168**	29,856

7. Income tax expense

	2023 £m	2022 £m
Current tax expense		
Current year	**(206)**	(128)
Adjustment in respect of prior years	**32**	4
	(174)	(124)
Deferred tax credit/(charge)		
Origination and reversal of temporary differences	**14**	(2)
Change in tax rates	**(4)**	12
Recognition of previously unrecognised deferred tax assets	**1**	5
Adjustment in respect of prior years	**(9)**	9
	2	24
Total income tax expense before adjusting items	**(172)**	(100)
Current tax credit on adjusting items (note 4)	**3**	2
Total income tax expense in the income statement from continuing operations	**(169)**	(98)
Total income tax expense in the income statement from discontinued operations (note 30(b))	**–**	–
Total income tax expense in the income statement – total Group	**(169)**	(98)

The tax credit on amortisation was £25m (2021/22: £31m).

7. Income tax expense continued

The reconciliation of the actual tax charge to the domestic corporation tax rate is as follows:

	2023 £m	2022 £m
Profit before income tax on continuing operations	**661**	378
Profit before income tax on discontinued operations (note 30(b))	**11**	–
Share of profit of equity accounted investments, net of tax	**(2)**	(7)
Profit before tax and share of profit of equity accounted investments, net of tax	**670**	371
Income tax at the UK corporation tax rate of 19.5% (2021/22: 19%)	**(131)**	(71)
Effect of additional taxes and tax rates in overseas jurisdictions	**(47)**	(40)
Impact of tax credits	**23**	5
Non-deductible expenses	**(34)**	(20)
Non-taxable income	**2**	2
Recognition of previously unrecognised deferred tax assets	**1**	5
Deferred tax not recognised	**(2)**	(4)
Adjustment in respect of prior years[1]	**23**	13
Effect of change in corporation tax rates	**(4)**	12
Income tax expense – total Group	**(169)**	(98)

1. Included within the adjustment in respect of prior years in 2021/22 is £5m which relates to adjusting items in the prior year.

The Group's effective tax rate, excluding amortisation, adjusting items and share of result from equity accounted investments, was 25% (2021/22: 24%).

The Finance Act 2021 included a 6% increase in the main UK corporation tax rate to 25% from 1 April 2023, which was substantially enacted on 10 June 2021.

Uncertain tax positions

The Group operates in a complex multinational tax environment and is subject to uncertain tax positions and changes in legislation in the jurisdictions in which it operates. The Group's uncertain tax positions principally include pricing of cross-border transactions and a limited number of specific transaction related tax risks.

The assessment of uncertain tax positions is based on management's expectation of the likely outcome of settlements with tax authorities or litigation. The quantification of the risks at any one point in time, especially with respect to transfer pricing, requires a degree of judgement and estimation by management.

Within the consolidated balance sheet at 30 April 2023 for continuing operations are current tax liabilities of £165m (30 April 2022: £143m) which include a provision of £104m (30 April 2022: £118m) relating to uncertain tax positions. There are also deferred tax liabilities of £262m (30 April 2022: £396m) which include a provision of £10m (30 April 2022: £nil) relating to uncertain tax positions. It is possible that amounts paid will be different from the amounts provided and the Group estimates the range of reasonably possible outcomes relating to uncertain tax positions to be from £54m to £185m.

The Group filed an application with the General Court of the European Court of Justice for the EU Commission's decision in respect of State Aid to be annulled. The application was stayed behind the lead cases HMRC and ITV. On 8th June 2022, the General Court released its judgement which dismissed the applications to annul the European Commission Decision concerning the Controlled Foreign Company Financing Exemption. This decision does not change the position recorded in these financial statements. We will continue to monitor any developments following the decision of both HMRC and ITV to appeal the decision.

An appeal against the charging notice received from HMRC following detailed analysis conducted supporting the Group's position was also filed. The appeal is not expected to conclude in the next 12 months.

There are tax audits being conducted by the tax authorities in a number of countries. Whilst there is inherent uncertainty regarding the timing of the resolution of these tax audits and the final tax liabilities to be assessed, the Group expects liabilities of approximately £12m to reverse in the next 12 months.

Included within the current tax liabilities is an amount of £12m (30 April 2022: £15m) relating to interest and penalties on uncertain tax positions.

7. Income tax expense continued

Tax on other comprehensive income and equity

	Gross 2023 £m	Tax credit/ (charge) 2023 £m	Net 2023 £m	Gross 2022 £m	Tax credit/ (charge) 2022 £m	Net 2022 £m
Actuarial gain on employee benefits	**11**	**(2)**	**9**	68	(14)	54
Foreign currency translation differences	**194**	**-**	**194**	(40)	–	(40)
Reclassification to income statement on asset write down	**(3)**	**-**	**(3)**	–	–	–
Reclassification from translation reserve to income statement arising on divestment	**-**	**-**	**-**	(3)	–	(3)
Movements in cash flow hedges	**(645)**	**149**	**(496)**	712	(163)	549
Movement in net investment hedge	**(74)**	**-**	**(74)**	28	1	29
Other comprehensive (expense)/ income for the year	**(517)**	**147**	**(370)**	765	(176)	589
Issue of share capital	**4**	**-**	**4**	7	–	7
Employee share trust	**(8)**	**-**	**(8)**	(21)	–	(21)
Share-based payment expense	**15**	**(2)**	**13**	10	–	10
Dividends paid to Group shareholders	**(289)**	**-**	**(289)**	(166)	–	(166)
Other comprehensive (expense)/income and changes in equity	**(795)**	**145**	**(650)**	595	(176)	419

The realisation of underlying reserves is conducted in such a way to ensure there is no material tax consequence.

8. Earnings per share

Basic earnings per share from continuing operations

	2023	2022
Profit from continuing operations attributable to ordinary shareholders	**£492m**	£280m
Weighted average number of ordinary shares	**1,376m**	1,374m
Basic earnings per share	**35.8p**	20.4p

Diluted earnings per share from continuing operations

	2023	2022
Profit from continuing operations attributable to ordinary shareholders	**£492m**	£280m
Weighted average number of ordinary shares	**1,376m**	1,374m
Potentially dilutive shares issuable under share-based payment arrangements	**10m**	8m
Weighted average number of ordinary shares (diluted)	**1,386m**	1,382m
Diluted earnings per share	**35.5p**	20.3p

The number of shares excludes the weighted average number of the Company's own shares held as treasury shares during the year of 2m (2021/22: 1m).

	2023		2022	
	Basic pence per share	Diluted pence per share	Basic pence per share	Diluted pence per share
Earnings per share from continuing operations	**35.8p**	**35.5p**	20.4p	20.3p
Earnings per share from discontinued operations (note 30(b))	**0.8p**	**0.8p**	–	–
Earnings per share from continuing and discontinued operations	**36.6p**	**36.3p**	20.4p	20.3p

8. Earnings per share continued

Adjusted earnings per share from continuing operations

Adjusted earnings per share is a key performance measure for management long-term remuneration and is widely used by the Group's shareholders. Adjusted earnings is calculated by adding back the post-tax effects of both amortisation and adjusting items.

Further detail about the use of non-GAAP performance measures, including details of why amortisation is excluded, is given in note 32.

A reconciliation of basic to adjusted earnings per share is as follows:

	2023			2022		
	£m	**Basic pence per share**	**Diluted pence per share**	£m	Basic pence per share	Diluted pence per share
Basic earnings	**492**	**35.8p**	**35.5p**	280	20.4p	20.3p
Add back:						
Amortisation of intangible assets	**113**	**8.1p**	**8.1p**	138	10.0p	9.9p
Tax credit on amortisation	**(25)**	**(1.8p)**	**(1.8p)**	(31)	(2.3p)	(2.3p)
Adjusting items, before tax	**15**	**1.1p**	**1.1p**	37	2.7p	2.7p
Tax on adjusting items and adjusting tax items	**(3)**	**(0.2p)**	**(0.2p)**	(2)	(0.1p)	(0.1p)
Adjusted earnings	**592**	**43.0p**	**42.7p**	422	30.7p	30.5p

9. Dividends proposed and paid

	2023		2022	
	Pence per share	**£m**	Pence per share	£m
2021/22 interim dividend – paid	**–**	**–**	4.8p	66
2021/22 final dividend – paid	**–**	**–**	10.2p	140
2022/23 interim dividend – declared and paid	**6.0p**	**83**	–	–
2022/23 final dividend – proposed	**12.0p**	**165**	–	–

	2023 £m	2022 £m
Paid during the year	**289**	166

The 2021/22 interim dividend of 4.8p per share, the final 2021/22 dividend of 10.2p per share and the 2022/23 interim dividend of 6.0p were paid during the year.

10. Intangible assets

	Goodwill £m	Software £m	Intellectual property £m	Customer related £m	Carbon credits £m	Other £m	Total £m
Cost							
At 1 May 2022	2,210	182	21	1,301	14	41	3,769
Additions	–	3	1	–	2	24	30
Disposals	–	(4)	–	–	–	(1)	(5)
Reclassification	–	4	(1)	–	–	(4)	(1)
Currency translation	75	4	2	53	1	–	135
At 30 April 2023	**2,285**	**189**	**23**	**1,354**	**17**	**60**	**3,928**
Amortisation and impairment							
At 1 May 2022	(17)	(106)	(12)	(703)	–	(25)	(863)
Amortisation	–	(20)	(3)	(80)	–	(10)	(113)
Disposals	–	4	–	–	–	1	5
Reclassification	–	–	1	–	–	3	4
Currency translation	–	(4)	(2)	(15)	–	(13)	(34)
At 30 April 2023	**(17)**	**(126)**	**(16)**	**(798)**	–	**(44)**	**(1,001)**
Carrying amount							
At 1 May 2022	2,193	76	9	598	14	16	2,906
At 30 April 2023	**2,268**	**63**	**7**	**556**	**17**	**16**	**2,927**

	Goodwill £m	Software £m	Intellectual property £m	Customer related £m	Carbon credits £m	Other £m	Total £m
Cost							
At 1 May 2021	2,199	180	19	1,310	–	31	3,739
Divestments	–	(5)	–	–	–	–	(5)
Additions	–	3	2	–	14	13	32
Disposals	–	(4)	–	–	–	(10)	(14)
Reclassification	–	1	1	–	–	17	19
Transfers	–	10	–	–	–	(10)	–
Currency translation	11	(3)	(1)	(9)	–	–	(2)
At 30 April 2022	2,210	182	21	1,301	14	41	3,769
Amortisation and impairment							
At 1 May 2021	(17)	(102)	(12)	(599)	–	(14)	(744)
Divestments	–	5	–	–	–	–	5
Amortisation	–	(16)	(1)	(110)	–	(11)	(138)
Disposals	–	4	–	–	–	–	4
Reclassification	–	1	–	–	–	–	1
Currency translation	–	2	1	6	–	–	9
At 30 April 2022	(17)	(106)	(12)	(703)	–	(25)	(863)
Carrying amount							
At 1 May 2021	2,182	78	7	711	–	17	2,995
At 30 April 2022	2,193	76	9	598	14	16	2,906

Included within customer related intangibles at 30 April 2023 are amounts purchased as part of the acquisitions of Europac (carrying amount £347m, remaining amortisation period 11 years) and Interstate Resources (carrying amount £120m, remaining amortisation period four years).

10. Intangible assets continued

Goodwill

The CGUs identified below represent the lowest level at which goodwill is monitored for impairment indicators and internal management purposes, and are not larger than the operating segments determined in accordance with IFRS 8 *Operating Segments*. The carrying values of goodwill are split between the CGU groups as follows:

	2023 £m	2022 £m
Northern Europe	**405**	394
Southern Europe	**1,068**	1,017
Eastern Europe	**162**	154
North America	**633**	628
Total goodwill	**2,268**	2,193

Goodwill impairment tests – key assumptions and methodology

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill may be impaired. The recoverable amounts of the CGUs are determined from value-in-use calculations.

Impairment tests were conducted over the segmental structures, with no indicators of impairment noted in the year ended 30 April 2023, as the recoverable amount of the groups of CGUs, based upon value-in-use calculations, exceeded the carrying amounts.

The calculations of value-in-use are inherently judgemental and require management to make a series of estimates and assumptions. It is possible that if key assumptions were changed adversely, impairment would need to be recognised. The key assumptions in the value-in-use calculations are:

- the cash flow forecasts have been derived from the most recent budget presented to the Board for the year ending 30 April 2024. The cash flows utilised are based upon forecast sales volumes and product mix, anticipated movements in paper prices and input costs and known changes and expectations of current market conditions, taking into account the cyclical nature of the business;
- the sales volume and price assumptions underlying the cash flow forecasts are the Directors' estimates of likely future changes based upon historic performance and the current economic outlooks for the economies in which the Group operates. These are viewed as the key operating assumptions as they determine the Directors' approach to margin and cost maintenance;
- the cash flow forecasts for capital expenditure are based upon past experience and include the replacement capital expenditure required to generate the terminal cash flows;
- cash flows beyond the year ended 30 April 2024 reflect the long-term growth rate specific to each of the CGUs . Where a CGU consists of multiple countries, country-specific rates are incorporated into a weighted average rate for that region. The rates applied are based upon external sources such as the International Monetary Fund's World Economic Outlook Database;
- the pre-tax adjusted discount rate is derived from the basis of the Group's weighted average cost of capital ('WACC') of 9.5% (2021/22: 9.5%), plus a blended country risk premium for each CGU. The discount rate is a function of the cost of debt and equity. The cost of equity is largely based upon the risk-free rate for 10-year Government Bond yields for the European countries in which the Group operates (70% weighting), 30-year UK gilts (17% weighting) and 30-year US treasury yields (13% weighting), adjusted for the relevant country market risk premium, ranging from 5.9% to 17.2%, which reflects the increased risk of investing in country specific equities and the relative volatilities of the equity of the Group compared to the market. This Group rate has been adjusted for the risks inherent in the countries in which the CGUs operate that are not reflected in the cash flow projections; and
- The Group assesses climate change impacts when preparing its summary of key risks as part of its risk management processes. These risks inform the Budget for the year ended 30 April 2024 which is the basis of the Impairment modelling. The impact of climate change, both in terms of opportunities and risks is identified in the Group's TCFD disclosure within this Annual Report.

10. Intangible assets continued

Key assumptions by CGU	Northern Europe	Southern Europe	Eastern Europe	North America
Long-term growth rate at 30 April 2023	**1.4%**	**1.3%**	**2.8%**	**1.8%**
Long-term growth rate at 30 April 2022	1.5%	1.5%	3.2%	2.3%
Discount rate at 30 April 2023	**10.5%**	**12.4%**	**12.8%**	**10.1%**
Discount rate at 30 April 2022	10.1%	11.7%	12.3%	10.0%

Goodwill impairment tests – sensitivities

The value-in-use is based upon anticipated discounted future cash flows. At 30 April 2023, the impairment tests concluded that there was headroom across all CGUs. Whilst the Directors believe the assumptions used are realistic, it is possible that a reduction in the headroom would occur if any of the above key assumptions were adversely changed. Factors which could cause an impairment are:

- significant and prolonged underperformance relative to the forecast; and
- deteriorations in the economies in which the Group operates.

To support their assertions, the Directors have conducted sensitivity analyses to determine the impact that would result from the above situations. Key sensitivities tested included reduction or delays in future growth and increased discount rates. In these cases, if future estimates of economic improvements were delayed, or if the estimated discount rates applied to the cash flows were increased by 0.5%, there would still be adequate headroom to support the carrying value of the assets. Based on this analysis, with the exception of North America, the Directors believe that a reasonably possible change in any of the key assumptions detailed above would not cause the carrying value of CGUs to exceed their recoverable amounts, although the headroom would decrease. Sensitivities have also been conducted to determine the change required to the CGUs EBITDA and discount rates, to reduce the recoverable amounts down to the carrying value of the assets. EBITDA growth is based on a number of elements over the long term, including price and volume growth in the first year as well as assumptions regarding inflation. For Northern Europe, it would require a reduction in EBITDA of 17% or a discount rate of 15.1%; Southern Europe a reduction in EBITDA of 9% or a discount rate of 13.9% and Eastern Europe a reduction in EBITDA of 12% or a discount rate of 15.1%. For North America, where an increase in EBITDA is forecast, a reduction in EBITDA of 14% or a discount rate of 11.7% would be required. Therefore, at 30 April 2023, no impairment charge is required against the carrying value of goodwill.

11. Property, plant and equipment

	Land and buildings £m	Plant and equipment £m	Fixtures and fittings £m	Under construction £m	Total £m
Cost					
At 1 May 2022	1,043	3,260	93	297	4,693
Additions	31	103	3	400	537
Disposals	(16)	(119)	(4)	–	(139)
Reclassification	32	6	2	(5)	35
Transfers	20	181	7	(208)	–
Currency translation	63	203	9	14	289
At 30 April 2023	**1,173**	**3,634**	**110**	**498**	**5,415**
Depreciation and impairment					
At 1 May 2022	(218)	(1,304)	(43)	–	(1,565)
Depreciation charge	(30)	(201)	(10)	–	(241)
Impairment	(4)	(20)	–	–	(24)
Disposals	11	89	4	–	104
Reclassification	–	5	–	–	5
Currency translation	(30)	(129)	(6)	–	(165)
At 30 April 2023	**(271)**	**(1,560)**	**(55)**	**-**	**(1,886)**
Carrying amount					
At 1 May 2022	825	1,956	50	297	3,128
At 30 April 2023	**902**	**2,074**	**55**	**498**	**3,529**

11. Property, plant and equipment continued

	Land and buildings £m	Plant and equipment £m	Fixtures and fittings £m	Under construction £m	Total £m
Cost					
At 1 May 2021	1,066	3,337	95	201	4,699
Divestments	(19)	(138)	(3)	–	(160)
Additions	23	69	2	300	394
Disposals	(10)	(100)	(4)	–	(114)
Reclassification	1	12	–	(9)	4
Transfers	18	163	9	(190)	–
Currency translation	(36)	(83)	(6)	(5)	(130)
At 30 April 2022	1,043	3,260	93	297	4,693
Depreciation and impairment					
At 1 May 2021	(222)	(1,383)	(44)	–	(1,649)
Divestments	16	105	2	–	123
Depreciation charge	(35)	(176)	(9)	–	(220)
Disposals	6	94	3	–	103
Currency translation	17	56	5	–	78
At 30 April 2022	(218)	(1,304)	(43)	–	(1,565)
Carrying amount					
At 1 May 2021	844	1,954	51	201	3,050
At 30 April 2022	825	1,956	50	297	3,128

Assets under construction mainly relate to production machines in Italy and site improvements under construction.

All items of property, plant and equipment have been tested for indicators of impairment in relation to climate change considerations and no indicators were identified. Impairment recognised during the year related to assets in the UK, Germany and Bulgaria.

Reclasssification in land and buildings amounting to £32m related to a lease in Germany which was terminated early (refer to note 12) and the related asset was purchased.

12. Right-of-use assets and lease liabilities

Right-of-use assets

	Land and buildings £m	Plant and equipment £m	Fixtures and fittings £m	Total £m
Cost				
At 1 May 2022	186	189	1	376
Additions	75	61	–	136
Disposals	(37)	(43)	(1)	(81)
Reclassification	(32)	1	–	(31)
Currency translation	5	7	–	12
At 30 April 2023	**197**	**215**	**–**	**412**
Depreciation and impairment				
At 1 May 2022	(72)	(105)	–	(177)
Depreciation charge	(32)	(39)	–	(71)
Disposals	24	42	–	66
Currency translation	(2)	(4)	–	(6)
At 30 April 2023	**(82)**	**(106)**	**–**	**(188)**
Carrying amount				
At 1 May 2022	114	84	1	199
At 30 April 2023	**115**	**109**	**–**	**224**

	Land and buildings £m	Plant and equipment £m	Fixtures and fittings £m	Total £m
Cost				
At 1 May 2021	177	187	1	365
Divestments	–	(1)	–	(1)
Additions	17	34	–	51
Disposals	(9)	(22)	–	(31)
Reclassification	–	(4)	–	(4)
Currency translation	1	(5)	–	(4)
At 30 April 2022	186	189	1	376
Depreciation and impairment				
At 1 May 2021	(52)	(87)	–	(139)
Depreciation charge	(30)	(40)	–	(70)
Disposals	9	19	–	28
Reclassification	–	1	–	1
Currency translation	1	2	–	3
At 30 April 2022	(72)	(105)	–	(177)
Carrying amount				
At 1 May 2021	125	100	1	226
At 30 April 2022	114	84	1	199

During the year, a lease in Germany was terminated early and the asset purchased. This has been reclassified to land and buildings in property, plant and equipment (note 11).

12. Right-of-use assets and lease liabilities continued

Lease liabilities

The carrying amounts of lease liabilities and the movements during the year are as follows:

	2023 £m	2022 £m
At beginning of the year	**203**	230
Divestments	**-**	(1)
Additions	**136**	51
Accretion of interest	**11**	11
Payments	**(117)**	(84)
Early termination	**(15)**	(3)
Currency translation	**6**	(1)
At end of the year	**224**	203
Current	**70**	63
Non-current	**154**	140
	224	203

The maturity analysis of lease liabilities is presented in note 20.

13. Equity accounted investments

	2023 £m	2022 £m
At beginning of the year	**17**	38
Dividends	**(2)**	(1)
Share of profit of equity accounted investments, net of tax	**2**	7
Currency translation	**-**	2
Impairment of associate (note 4)	**-**	(29)
At end of the year	**17**	17

Principal equity accounted investments

	Nature of business	Principal country of operation	**Ownership interest 2023**	Ownership interest 2022
PrJSC 'Rubezhnoye Cardboard and Package Mill'	Paper and packaging	Ukraine	**49.6%**	49.6%
Philcorr LLC	Packaging	USA	**40.0%**	40.0%
Philcorr Vineland LLC	Packaging	USA	**40.0%**	40.0%
Cartonajes Santander, S.L.	Packaging	Spain	**39.6%**	39.6%
Cartonajes Cantabria S.L.	Packaging	Spain	**39.6%**	39.6%
Euskocarton, S.L.	Packaging	Spain	**39.6%**	39.6%
Industria Cartonera Asturiana S.L.	Packaging	Spain	**39.6%**	39.6%

The Group's investment in the associate RKTK in Ukraine was fully impaired in 2021/22. The invasion of Ukraine by Russia resulted in significant damage to the assets of the Group's associate and fundamentally compromised the ability to realise the interest held. Accordingly, an impairment of the entire interest was recognised, together with amounts in connection with the trading activities conducted with the associate.

All the above associates are accounted for using the equity method because the Group has the ability to exercise significant influence over the investments due to the Group's equity holdings and board representation.

13. Equity accounted investments continued

Summary of financial information of associates

The financial information below is for the Group's associates on a 100% basis for the year ended 30 April.

	2023 £m	2022 £m
Current assets	**14**	15
Non-current assets	**13**	13
Current liabilities	**(5)**	(10)
Non-current liabilities	**(5)**	(6)
Revenue	**98**	77
Profit after tax	**4**	12
Other comprehensive income	**1**	–
Total comprehensive income	**5**	12

14. Other investments

	2023 £m	2022 £m
Other investments	**10**	13
Restricted cash	**7**	3
	17	16

15. Inventories

	2023 £m	2022 £m
Raw materials and consumables	**374**	419
Work in progress	**26**	27
Finished goods	**219**	257
	619	703

Inventory provisions at 30 April 2023 were £60m (30 April 2022: £51m).

Inventories of £3,344m were recognised as an expense during the year ended 30 April 2023 (2021/ 22: £3,102m) and included within cost of sales.

16. Trade and other receivables

	2023		2022	
	Non-current £m	Current £m	Non-current £m	Current £m
Trade receivables	**–**	**1,060**	–	1,023
Loss allowance	**–**	**(31)**	–	(30)
Prepayments and accrued income	**1**	**77**	–	82
Other deposits	**–**	**30**	–	30
Other receivables	**–**	**120**	–	124
	1	**1,256**	–	1,229

Other receivables comprise various items including indirect tax receivable, employee advances and interest receivable.

The Group has sold without recourse certain trade receivables and on realisation the receivable is de-recognised and proceeds are presented within operating cash flows. Other deposits relate to these arrangements. Sold trade receivables under these arrangements at 30 April 2023 amounted to £360m (30 April 2022: £381m).

16. Trade and other receivables continued

	Total £m	Current (not past due) £m	Of which past due: 1 month or less £m	1-3 months £m	3-6 months £m	6-12 months £m	More than 12 months £m
At 30 April 2023							
Gross trade receivables	**1,060**	**971**	**53**	**7**	**3**	**2**	**24**
Weighted average loss rate	**2.9%**	**0.4%**	**3.8%**	**28.6%**	**33%**	**-**	**92%**
Loss allowance	**(31)**	**(4)**	**(2)**	**(2)**	**(1)**	**-**	**(22)**
At 30 April 2022							
Gross trade receivables	1,023	967	16	11	3	3	23
Weighted average loss rate	2.9%	0.4%	6.3%	9.1%	33%	33%	96%
Loss allowance	(30)	(4)	(1)	(1)	(1)	(1)	(22)

Movement in loss allowance

	2023 £m	2022 £m
At beginning of the year	**(30)**	(31)
Amounts written off	**2**	–
Net remeasurement of loss allowance	**(2)**	–
Currency translation	**(1)**	1
At end of the year	**(31)**	(30)

Concentrations of credit risk with respect to trade receivables are limited due to the Group's customer base being large and diverse. The majority of customers are credit insured and the Group has a history of low levels of losses in respect of trade receivables.

The loss allowance represents the Group's expected credit losses on trade receivables as defined under IFRS 9 *Financial Instruments*. The expected credit losses are estimated using a provision matrix by grouping trade receivables based on shared credit risk characteristics and the days past due. Expected loss rates are calculated by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The accounting impact of credit insurance is not considered integral to the consideration of the carrying value of the trade receivables.

17. Trade and other payables

	2023 Non-current £m	2023 Current £m	2022 Non-current £m	2022 Current £m
Trade payables	**-**	**1,572**	–	1,922
Interest payable	**-**	**16**	–	23
Other non-trade payables and accrued expenses	**34**	**665**	37	558
	34	**2,253**	37	2,503

In accordance with government initiatives to allow suppliers to receive payments earlier than contractual payment terms, the Group has set up supply chain finance programmes through third parties, all of which are established and well capitalised financial institutions. The objectives for the scheme are to support smaller suppliers, if they choose, on an invoice by invoice basis, an earlier payment from the financial institution whilst the group continue to pay the financial institution to the suppliers contractual terms giving them earlier access to funding, and to manage the Group's working capital. These schemes allow suppliers to receive, if they choose, on an invoice by invoice basis, an earlier payment whilst the Group continues to pay to the suppliers' contractual terms. Suppliers are at liberty to use them or not and these arrangements have no cost to the Group and have no effect on trade payable balances or operating cash flows. The Group does not participate in any rebates, does not receive any fees from the providers nor does it provide any discounts or incentives for the suppliers to utilise these facilities. Additionally, they are not used to create payment terms which are abnormal, atypical or extend statutory payment terms in the countries the Group operates in and no adjustments are made by Standard & Poor's in their assessment of Group adjusted net debt.

17. Trade and other payables continued

The Group assesses the supply chain finance programmes to ascertain whether liabilities to suppliers who have chosen to access an earlier payment under the scheme continue to meet the definition of trade payables, or should be reclassified as borrowings. The Group has concluded that the Group's liability to the supplier remains unchanged for all such programmes and, as such, these balances remain in trade payables and the cash flows associated with these programmes remain within operating cash flows.

Within non-trade payables and accrued expenses is the redemption liability of £103m at 30 April 2023 (30 April 2022: £99m) arising on the acquisition of Interstate Resources and relating to a put option held by the seller, as detailed further in note 30(a).

The liability for the final stake at 30 April 2023 is recorded at the final put option value at crystallisation during the financial year in line with the floor of the original purchase price.

18. Net debt

The components of net debt and movement during the year is as follows:

	Note	At 30 April 2022 £m	Continuing operations cash flow £m	Foreign exchange, fair value and non-cash movements £m	**At 30 April 2023 £m**
Cash and cash equivalents		819	(358)	11	**472**
Overdrafts		(73)	(30)	(1)	**(104)**
Net cash and cash equivalents	19	746	(388)	10	**368**
Other investments – restricted cash	14	3	3	–	**6**
Other deposits		30	(1)	1	**30**
Borrowings – after one year		(1,391)	(297)	(54)	**(1,742)**
Borrowings – within one year		(681)	644	(37)	**(74)**
Lease liabilities	12	(203)	106	(127)	**(224)**
Derivative financial instruments					
Assets		12	(14)	2	**–**
Liabilities		–	–	–	**–**
		(2,230)	441	(215)	**(2,004)**
Net debt – reported basis		(1,484)	53	(205)	**(1,636)**
IFRS 16 lease liabilities		201			**220**
Net debt excluding IFRS 16 liabilities		(1,283)			**(1,416)**

Net debt is a non-GAAP measure not defined by IFRS. While the Group has included lease liabilities after transition to IFRS 16 *Leases* within total lease liabilities (in addition to arrangements previously classified as finance leases under IAS 17), IFRS 16 liabilities are currently excluded from the definition of net debt as set out in the Group's banking covenant requirements.

Further detail on the use of non-GAAP measures and a reconciliation showing the calculation of adjusted net debt, as defined in the Group's banking covenants, is included in note 32.

Derivative financial instruments above relate to forward foreign exchange contracts and cross-currency swaps used to hedge the Group's borrowings and the net assets of foreign operations. The difference between the amounts shown above and the total derivative financial instrument assets and liabilities in the consolidated statement of financial position relates to derivative financial instruments that hedge forecast foreign currency transactions and the Group's purchases of energy.

Non-cash movements relate to amortisation of fees incurred on debt issuance and new leases.

Other deposits are included, as these short-term receivables have the characteristics of net debt.

19. Cash and cash equivalents

	2023 £m	2022 £m
Bank balances	**466**	469
Short-term deposits	**6**	350
Cash and cash equivalents (consolidated statement of financial position)	**472**	819
Bank overdrafts	**(104)**	(73)
Net cash and cash equivalents (consolidated statement of cash flows)	**368**	746

20. Borrowings

	2023 Current £m	2023 Non-current £m	2023 Total £m	2022 Current £m	2022 Non-current £m	2022 Total £m
Bank and other loans[1]	**(42)**	**(299)**	**(341)**	(4)	(2)	(6)
Commercial paper	**(24)**	**-**	**(24)**	(37)	–	(37)
Medium-term notes and other fixed-term debt						
$268m USD private placement 4.65% weighted average coupon August 2021-2022[2]	**-**	**-**	**-**	(213)	–	(213)
€500m medium-term note 2.25% coupon September 2022	**-**	**-**	**-**	(420)	–	(420)
€750m medium-term note 1.38% coupon July 2024	**-**	**(660)**	**(660)**	–	(625)	(625)
€18.8m term loan 1.4% coupon September 2025	**(8)**	**(9)**	**(17)**	(7)	(16)	(23)
€600m medium-term note 0.85% coupon September 2026	**-**	**(525)**	**(525)**	–	(499)	(499)
£250m medium-term note 2.88% coupon July 2029	**-**	**(249)**	**(249)**	–	(249)	(249)
	(74)	**(1,742)**	**(1,816)**	(681)	(1,391)	(2,072)

1. Drawings under bank loans and revolving credit facility.
2. Swapped to fixed rate £103m and fixed rate €120m using cross-currency swaps.

Borrowings are unsecured and measured at amortised cost. There have been no breaches of covenants during the year ended 30 April 2023 in relation to the above borrowings.

Of the total borrowing facilities available to the Group, the undrawn committed facilities available at 30 April were as follows:

	2023 £m	2022 £m
Expiring between one and two years	**800**	–
Expiring between two and five years	**855**	1,450
	1,655	1,450

The £1,655m of undrawn facilities consist of the revolving credit facilities and a £500m term loan facility.

The repayment profile of the Group's borrowings, after taking into account the effect of cross-currency swaps and forward foreign exchange contracts, is as follows:

2023	1 year or less £m	1-2 years £m	2-5 years £m	More than 5 years £m	Total £m
Borrowings					
Fixed rate	**(74)**	**(672)**	**(523)**	**(249)**	**(1,518)**
Floating rate	**-**	**-**	**(298)**	**-**	**(298)**
Total borrowings	**(74)**	**(672)**	**(821)**	**(249)**	**(1,816)**

2022	1 year or less £m	1-2 years £m	2-5 years £m	More than 5 years £m	Total £m
Borrowings					
Fixed rate	(680)	(7)	(1,136)	(248)	(2,071)
Floating rate	(1)	–	–	–	(1)
Total borrowings	(681)	(7)	(1,136)	(248)	(2,072)

20. Borrowings continued

The Group's borrowings, after taking into account the effect of cross-currency swaps and forward foreign exchange contracts are denominated in the following currencies:

2023	Sterling £m	Euro £m	US dollar £m	Other £m	Total £m
Borrowings					
Fixed rate	**(98)**	**(1,187)**	**(232)**	**(1)**	**(1,518)**
Floating rate	**(210)**	**(88)**	**–**	**–**	**(298)**
	(308)	**(1,275)**	**(232)**	**(1)**	**(1,816)**
Net cash and cash equivalents (including bank overdrafts)					
Floating rate	**(23)**	**240**	**13**	**138**	**368**
Net borrowings at 30 April 2023	**(331)**	**(1,035)**	**(219)**	**137**	**(1,448)**

2022	Sterling £m	Euro £m	US dollar £m	Other £m	Total £m
Borrowings					
Fixed rate	(200)	(1,643)	(227)	(1)	(2,071)
Floating rate	–	(1)	–	–	(1)
	(200)	(1,644)	(227)	(1)	(2,072)
Net cash and cash equivalents (including bank overdrafts)					
Floating rate	90	474	56	126	746
Net borrowings at 30 April 2022	(110)	(1,170)	(171)	125	(1,326)

At 30 April 2023, 70% of the Group's borrowings, after taking into account the effect of cross-currency swaps and forward foreign exchange contracts, were denominated in euros in order to hedge the underlying assets of the Group's European operations (30 April 2022: 79%). Interest rates on floating rate borrowings are based on EURIBOR, or where applicable, local currency base rates. The Group's sterling denominated floating rate borrowings are based on SONIA.

Maturity of lease liabilities

	1 year or less £m	1-2 years £m	2-5 years £m	More than 5 years £m	Total £m
At 30 April 2022	(63)	(46)	(61)	(33)	(203)
At 30 April 2023	**(70)**	**(51)**	**(73)**	**(30)**	**(224)**

Denomination of lease liabilities

	Sterling £m	Euro £m	US dollar £m	Other £m	Total £m
At 30 April 2022	(42)	(101)	(38)	(22)	(203)
At 30 April 2023	**(55)**	**(109)**	**(34)**	**(26)**	**(224)**

20. Borrowings continued

Changes in liabilities arising from financing activities

	At 1 May 2022 £m	Financing cash flows £m	Acquisitions and divestments £m	New leases and early termination £m	Movements in fair value £m	Other £m	At 30 Apr 2023 £m
Bank and other loans, including commercial paper	(43)	(316)	–	–	–	(6)	**(365)**
Medium-term notes and other fixed-term debt	(2,029)	663	–	–	–	(85)	**(1,451)**
Lease liabilities	(203)	106	–	(121)	–	(6)	**(224)**
Derivative financial instruments related to hedging of financial liabilities (note 18)							
Assets	12	(14)	–	–	2	–	**-**
Liabilities	–	–	–	–	–	–	**-**
Total liabilities from financing activities	**(2,263)**	**439**	**-**	**(121)**	**2**	**(97)**	**(2,040)**

	At 1 May 2021 £m	Financing cash flows £m	Acquisitions and divestments £m	New leases and early termination £m	Movements in fair value £m	Other £m	At 30 Apr 2022 £m
Bank and other loans, including commercial paper	(75)	36	–	–	–	(4)	(43)
Medium-term notes and other fixed-term debt	(2,226)	159	–	–	–	38	(2,029)
Lease liabilities	(230)	73	1	(51)	–	4	(203)
Derivative financial instruments related to hedging of financial liabilities (note 18)							
Assets	–	(4)	–	–	16	–	12
Liabilities	(15)	39	–	–	(24)	–	–
Total liabilities from financing activities	(2,546)	303	1	(51)	(8)	38	(2,263)

Other changes include foreign exchange movements and amortisation of capitalised borrowing costs.

Financing cash flows consist of the net amount of proceeds from borrowings, repayment of borrowings, repayment of lease obligations and proceeds from settlement of derivative financial instruments in the consolidated statement of cash flows. Payments in respect of, and proceeds from settlement of derivative financial instruments in the consolidated statement of cash flows relate solely to derivative financial instruments used to hedge the Group's borrowings and net assets of foreign operations. Operating cash flows include settlement of commodity derivatives.

21. Financial instruments

The Group's activities expose the Group to a number of key risks which have the potential to affect its ability to achieve its business objectives. A summary of the Group's key financial risks and the policies and objectives in place to manage these risks is set out in the financial review and principal risk sections of the Strategic Report.

The derivative financial instruments set out in this note have been entered into in line with the Group's risk management objectives. The Group's treasury policy prohibits entering into speculative transactions.

(a) Carrying amounts and fair values of financial assets and liabilities

Set out below is the accounting classification of the carrying amounts and fair values of all of the Group's financial assets and liabilities:

		2023		2022	
	Category	**Carrying amount £m**	**Fair value £m**	Carrying amount £m	Fair value £m
Financial assets					
Cash and cash equivalents	Amortised cost	**472**	**472**	819	819
Restricted cash	Amortised cost	**7**	**7**	3	3
Other investments	Fair value through other comprehensive income	**10**	**10**	13	13
Trade and other receivables	Amortised cost	**1,257**	**1,257**	1,229	1,229
Derivative financial instruments	Fair value – hedging instruments	**319**	**319**	811	811
Total financial assets		**2,065**	**2,065**	2,875	2,875
Financial liabilities					
Trade and other payables	Amortised cost, except as detailed below	**(2,287)**	**(2,287)**	(2,540)	(2,540)
Bank and other loans	Amortised cost	**(341)**	**(341)**	(6)	(6)
Commercial paper	Amortised cost	**(24)**	**(24)**	(37)	(37)
Medium-term notes and other fixed-term debt	Amortised cost	**(1,451)**	**(1,384)**	(2,029)	(2,015)
Lease liabilities	Amortised cost	**(224)**	**(224)**	(203)	(203)
Bank overdrafts	Amortised cost	**(104)**	**(104)**	(73)	(73)
Derivative financial instruments	Fair value – hedging instruments	**(368)**	**(368)**	(84)	(84)
Total financial liabilities		**(4,799)**	**(4,732)**	(4,972)	(4,958)

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. For financial instruments carried at fair value, market prices or rates are used to determine fair value where an active market exists. The Group uses forward prices for valuing forward foreign exchange and commodity contracts and uses valuation models with present value calculations based on market yield curves to value fixed rate borrowings and cross-currency swaps. All derivative financial instruments are shown at fair value in the consolidated statement of financial position.

The Group's medium-term notes and other fixed-term debt are in effective cash flow and net investment hedges. The fair values of financial assets and liabilities which bear floating rates of interest or are short-term in nature are estimated to be equivalent to their carrying amounts.

The Group's financial assets and financial liabilities are categorised within the fair value hierarchy that reflects the significance of the inputs used in making the assessments. The majority of the Group's financial instruments are Level 2 financial instruments in accordance with the fair value hierarchy, meaning although the instruments are not traded in an active market, inputs to fair value are observable for the asset and liability, either directly (i.e. quoted market prices) or indirectly (i.e. derived from prices). The Group's medium-term notes are Level 1 financial instruments, as the notes are listed on the Luxembourg Stock Exchange. The redemption liability arising on the acquisition of Interstate Resources (within trade and other payables) has transferred from Level 3 to Level 2 due to the crystallisation of the put option and the final payment being agreed. Other investments are Level 3 financial instruments. The fair value of other investments is derived from fair value calculations based on their cash flows, and details of the valuation of the redemption liability are provided in note 17.

21. Financial instruments continued

(b) Derivative financial instruments

The Group enters into foreign exchange and commodity hedge derivative financial instruments to manage the risks associated with the Group's underlying business activities and the financing of these activities. Derivatives are carried at their fair value in the statement of financial position.

The assets and liabilities of the Group at 30 April in respect of derivative financial instruments are as follows:

	Assets		Liabilities		Net	
	2023 £m	2022 £m	**2023 £m**	2022 £m	**2023 £m**	2022 £m
Derivatives held to:						
Manage the currency exposures on business activities, borrowings and net investments	**–**	12	**–**	–	**–**	12
Derivative financial instruments included in net debt	**–**	12	**–**	–	**–**	12
Derivatives held to hedge future transactions:						
Forward foreign exchange contracts	**1**	1	**(2)**	–	**(1)**	1
Energy and carbon certificate costs	**318**	798	**(366)**	(84)	**(48)**	714
Total derivative financial instruments	**319**	811	**(368)**	(84)	**(49)**	727
Current	**154**	316	**(319)**	(56)	**(165)**	260
Non-current	**165**	495	**(49)**	(28)	**116**	467
	319	811	**(368)**	(84)	**(49)**	727

(c) Cash flow and net investment hedges

(i) Hedge reserves

Set out below is the reconciliation of each component in the hedging reserve:

	Commodity risk £m	Foreign exchange risk £m	Total £m
Balance at 1 May 2021	59	(6)	53
Gain/(loss) on designated cash flow hedges:			
Cross-currency swaps	–	20	20
Commodity contracts	1,049	–	1,049
Loss/(gain) reclassified from equity to the income statement:			
Cross-currency swaps	–	(20)	(20)
Commodity contracts	(337)	–	(337)
Reclassification between reserves	–	7	7
Deferred tax	(162)	(1)	(163)
At 30 April 2022	**609**	**–**	**609**
Gain/(loss) on designated cash flow hedges:			
Cross-currency swaps	–	7	7
Commodity contracts	(78)	–	(78)
Forward foreign exchange contracts	–	(1)	(1)
Loss/(gain) reclassified from equity to the income statement:			
Cross-currency swaps	–	(8)	(8)
Commodity contracts	(565)	–	(565)
Deferred tax	149	–	149
At 30 April 2023	**115**	**(2)**	**113**

21. Financial instruments continued

(c) Cash flow and net investment hedges continued

(i) Hedge reserves continued

The amounts reclassified to the income statement from the cash flow hedging reserve during the year are reflected in the following items in the income statement:

	2023 £m	2022 £m
Operating costs	**(565)**	(337)
Finance costs	**(8)**	(20)
Total pre-tax loss/(gain) reclassified from equity to the income statement during the year	**(573)**	(357)

There was £nil recognised ineffectiveness during the year ended 30 April 2023 (2021/22: £nil) in respect of cross-currency swaps, forward foreign exchange contracts and commodity derivatives.

(ii) Hedges of net investments in foreign operations

The Group utilises foreign currency borrowings, cross-currency swaps and forward foreign exchange contracts as hedges of long-term investments in foreign subsidiaries. The pre-tax loss on the hedges recognised in equity during the year was £74m (2021/22: gain of £28m). This £74m is matched by a similar gain in equity on the retranslation of the hedged foreign subsidiary net assets resulting in a net gain of £nil (2021/22: net gain of £nil) treated as hedge ineffectiveness in the income statement.

(d) Risk identification and risk management

(i) Capital management

The Group defines its managed capital as the sum of equity, as presented in the consolidated statement of financial position, and net debt (note 18).

	2023 £m	2022 £m
Net debt	**1,636**	1,484
Total equity	**4,087**	4,234
Managed capital	**5,723**	5,718

There were no significant events leading to the change in managed capital levels during the year. The changes in the Group's funding were the repayment of the private placement borrowings of $268m in August 2022, the early repayment of a €500m medium-term note in July 2022 and a €12m part-repayment of a term loan according to a quarterly payment schedule.

Managed capital is different from capital employed (defined as property, plant and equipment, right-of-use assets, goodwill and intangible assets, working capital, capital debtors/creditors, provisions, biological assets and assets/liabilities held for sale). Managed capital relates to our sources of funding, whereas adjusted return on average capital employed is our measure of the level of return being generated by the asset base.

The Group funds its operations from the following sources of capital: operating cash flow, borrowings, shareholders' equity and, where appropriate, divestments of non-core businesses. The Group's objective is to achieve a capital structure that results in an appropriate cost of capital whilst providing flexibility in short and medium-term funding so as to accommodate significant investments or acquisitions. The Group also aims to maintain a strong balance sheet and to provide continuity of financing by having borrowings with a range of maturities and from a variety of sources.

The Group's overall treasury objectives are to ensure sufficient funds are available for the Group to carry out its strategy and to manage certain financial risks to which the Group is exposed, as described elsewhere in this note. The Group's treasury strategy is controlled through the Balance Sheet Committee which meets every two months and includes the Group Finance Director, the Group General Counsel and Company Secretary, the Group Financial Controller and the Corporate Finance Director. The Group Treasury function operates in accordance with policies and procedures approved by the Board and is controlled by the Corporate Finance Director. The function arranges funding for the Group, provides a service to operations and implements strategies for financial risk management.

(ii) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument fluctuate because of a change in market prices. The Group is exposed to changes in interest rates, foreign currency exchange rates and commodity prices.

21. Financial instruments continued

(d) Risk identification and risk management continued

Interest rate risk

The Group is exposed to interest rate risk as borrowings are arranged at fixed interest rates, exposing it to fair value risk, and at floating interest rates, exposing it to future cash flow risk. The risk is managed by maintaining a mix of fixed and floating rate borrowings. The Group's exposure to interest rates on financial assets and financial liabilities is detailed in the liquidity risk management section of this note.

Interest rate sensitivity

At 30 April 2023, 84% of the Group's borrowings were at fixed rates of interest (30 April 2022: 100%). The sensitivity analysis below shows the impact on profit of a 100 basis points rise in market interest rates (representing management's assessment of the reasonably possible change in interest rates) in all currencies in which the Group had variable-rate borrowings at 30 April 2023.

To calculate the impact on the income statement for the year, the interest rates on all variable-rate external borrowings and cash deposits have been increased by 100 basis points, and the resulting increase in the net interest charge has been adjusted for the effect of the Group's interest rate derivatives. The impact on equity is equal to the impact on profit.

The results are presented before non-controlling interests and tax.

	2023 £m	2022 £m
Impact on profit of increase in market interest rates of 100 basis points	**2**	–

Foreign exchange risk

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in sterling, was as follows:

	2023		2022	
	EUR £m	**USD £m**	EUR £m	USD £m
Trade receivables	**769**	**65**	782	71
Trade payables	**(1,392)**	**(177)**	(1,614)	(179)
Net borrowings[1]	**(1,035)**	**(219)**	(1,170)	(171)

1. After taking into account the effect of cross-currency swaps and forward foreign exchange contracts.

Foreign exchange risk on investments

The Group is exposed to foreign exchange risk arising from net investments in Group entities, the functional currencies of which differ from the Group's presentational currency, sterling. The Group partly hedges this exposure through borrowings denominated in foreign currencies and through cross-currency swaps and forward foreign exchange contracts.

Gains and losses arising from hedges of net investments are recognised in equity.

Foreign exchange risk on borrowings

The Group is exposed to foreign exchange risk on borrowings denominated in foreign currencies. The Group hedges some of this exposure through cross-currency swaps designated as cash flow hedges.

Foreign exchange risk on transactions

Foreign currency transaction risk arises where a business unit makes product sales or purchases in a currency other than its functional currency. Part of this risk is hedged using forward foreign exchange contracts which are designated as cash flow hedges.

The Group only designates the forward rate of foreign currency forwards in hedge relationships.

For the hedges of highly probable forecast sales and purchases, as the critical terms (i.e. the notional amount, life and underlying terms) of the foreign exchange forward contracts and their corresponding hedged items are the same, the Group performs a qualitative assessment of effectiveness and it is expected that the value of the forward contracts and the value of the corresponding hedged items will systematically change in opposite directions in response to movements in the underlying exchange rates.

The Group's main currency exposures are to the euro and US dollar. The following significant exchange rates applied during the year:

	2023		2022	
	Average	**Closing**	Average	Closing
Euro	**1.152**	**1.136**	1.179	1.192
US dollar	**1.201**	**1.247**	1.359	1.256

21. Financial instruments continued

(d) Risk identification and risk management continued

(ii) Market risk continued

Foreign exchange risk on transactions continued

The following sensitivity analysis shows the impact on the Group's results of a 10% strengthening and weakening in the sterling exchange rate against all other currencies representing management's assessment of the reasonably possible change in foreign exchange rates. The analysis is restricted to financial instruments denominated in a foreign currency and excludes the impact of financial instruments designated as net investment hedges.

Net investment hedges are excluded as the impact of the foreign exchange movements on these are offset by equal and opposite movements in the hedged items.

The results are presented before non-controlling interests and tax.

	2023		2022	
	Impact on profit £m	**Impact on total equity £m**	Impact on profit £m	Impact on total equity £m
10% strengthening of sterling	**-**	**30**	–	62
10% weakening of sterling	**-**	**(37)**	–	(76)

Commodity risk

The Group's main commodity exposures are to changes in gas and electricity prices. The Group also hedges its exposure to fluctuations in the cost of carbon emission certificates. This commodity price risk is managed by a combination of physical supply agreements and derivative instruments. At 30 April 2023, gains of £115m net of tax (2021/22: gains of £609m) are deferred in equity in respect of cash flow hedges in accordance with IAS 39. Any gains or losses deferred in equity will be reclassified to the income statement in the period in which the hedged item also affects the income statement, which will occur within three years.

The following table details the Group's sensitivity to a 10% increase in these prices, which is management's assessment of the reasonably possible change, on average, over any given year. A decrease of 10% in these prices would produce an opposite effect on equity. As all of the Group's commodity financial instruments achieve hedge accounting under IAS 39, there is no impact on profit for either year.

The results are presented before non-controlling interests and tax.

	2023		2022	
	Impact on profit £m	**Impact on total equity £m**	Impact on profit £m	Impact on total equity £m
10% increase in electricity prices	**-**	**8**	–	4
10% increase in gas prices	**-**	**44**	–	103
10% increase in carbon certificate prices	**-**	**7**	–	8

(iii) Credit risk

Credit risk is the risk that a customer or counterparty to a financial instrument will fail to perform or fail to pay amounts due, causing financial loss to the Group. In the current economic environment, the Group has placed increased emphasis on the management of credit risk. The carrying amount of financial assets at 30 April 2023 was £2,065m and is analysed in note 21(a). This represents the maximum credit risk exposure.

Credit risk on financial instruments held with financial institutions is assessed and managed by reference to the long-term credit ratings assigned to that counterparty by Standard & Poor's and Moody's credit rating agencies. Amounts deposited with counterparties are subject to limits based on their credit ratings. There are no significant concentrations of credit risk.

See note 16 for information on credit risk with respect to trade receivables.

21. Financial instruments continued

(d) Risk identification and risk management continued

(iv) Liquidity risk

Liquidity risk is the risk that the Group, although solvent, will have difficulty in meeting its obligations associated with its financial liabilities as they fall due.

The Group manages its liquidity risk by maintaining a sufficient level of undrawn committed borrowing facilities. At 30 April 2023, the Group had £1,655m of undrawn committed borrowing facilities (30 April 2022: £1,450m), which comprises the revolving credit facilities and a £500m term loan facility. The Group mitigates its refinancing risk by raising its debt requirements from a number of different sources with a range of maturities.

The following table is an analysis of the undiscounted contractual maturities of non-derivative financial liabilities.

		Contractual repayments		
At 30 April 2023	**Total £m**	**1 year or less £m**	**1-5 years £m**	**More than 5 years £m**
Non-derivative financial liabilities				
Trade and other payables	**2,287**	**2,253**	**34**	**–**
Bank and other loans	**343**	**42**	**301**	**–**
Commercial paper	**24**	**24**	**–**	**–**
Medium-term notes and other fixed-term debt	**1,455**	**8**	**1,197**	**250**
Lease liabilities	**264**	**72**	**143**	**49**
Bank overdrafts	**104**	**104**	**–**	**–**
Interest payments on borrowings	**88**	**21**	**45**	**22**
Total non-derivative financial liabilities	**4,565**	**2,524**	**1,720**	**321**

		Contractual repayments		
At 30 April 2022	**Total £m**	**1 year or less £m**	**1-5 years £m**	**More than 5 years £m**
Non-derivative financial liabilities				
Trade and other payables	2,540	2,503	37	–
Bank and other loans	6	4	2	–
Commercial paper	37	37	–	–
Medium-term notes and other fixed-term debt	2,039	640	1,149	250
Lease liabilities	241	66	122	53
Bank overdrafts	73	73	–	–
Interest payments on borrowings	121	35	64	22
Total non-derivative financial liabilities	5,057	3,358	1,374	325

Refer to note 29 for a summary of the Group's capital commitments.

21. Financial instruments continued

(d) Risk identification and risk management continued

(iv) Liquidity risk continued

The following table is an analysis of the undiscounted contractual maturities of derivative financial liabilities. Where the payable and receivable legs of these derivatives are denominated in foreign currencies, the contractual payments or receipts have been calculated based on exchange rates prevailing at the respective year ends. The disclosure shows net cash flow amounts for derivatives that are net cash-settled and gross cash inflow and outflow amounts for derivatives that have simultaneous gross cash settlement.

Where applicable, interest and foreign exchange rates prevailing at the reporting date are assumed to remain constant over the future contractual maturities.

	Contractual payments/(receipts)			
At 30 April 2023	**Total £m**	**1 year or less £m**	**1-5 years £m**	**More than 5 years £m**
Derivative financial liabilities				
Energy derivatives	**374**	**322**	**52**	**–**
Forward foreign exchange contracts:				
Payments	**277**	**277**	**–**	**–**
Receipts	**(271)**	**(271)**	**–**	**–**
Total derivative financial liabilities	**380**	**328**	**52**	**–**

	Contractual payments/(receipts)			
At 30 April 2022	**Total £m**	**1 year or less £m**	**1-5 years £m**	**More than 5 years £m**
Derivative financial liabilities				
Energy derivatives	84	56	28	–
Cross-currency swaps and forward foreign exchange contracts:				
Payments	22	22	–	–
Receipts	(22)	(22)	–	–
Total derivative financial liabilities	84	56	28	–

22. Deferred tax assets and liabilities

Analysis of movements in recognised deferred tax assets and liabilities during the year

	Property, plant and equipment and intangible assets		Employee benefits including pensions		Tax losses		Other[1]		Total	
	2023 £m	2022 £m	**2023 £m**	2022 £m	**2023 £m**	2022 £m	**2023 £m**	2022 £m	**2023 £m**	2022 £m
At beginning of the year	**(302)**	(331)	**27**	45	**58**	62	**(172)**	(10)	**(389)**	(234)
Credit/(charge) for the year:										
– continuing	**12**	30	**(5)**	(3)	**(7)**	(4)	**2**	1	**2**	24
– discontinued	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Recognised directly in equity	**–**	–	**(4)**	(14)	**–**	–	**149**	(163)	**145**	(177)
Currency translation	**(6)**	(1)	**1**	(1)	**(1)**	–	**(3)**	–	**(9)**	(2)
At end of the year	**(296)**	(302)	**19**	27	**50**	58	**(24)**	(172)	**(251)**	(389)

1. Includes deferred tax liabilities on derivative financial instruments of £24m (30 April 2022 £174m).

At 30 April 2023, deferred tax assets and liabilities were recognised for all taxable temporary differences:

- except where the deferred tax liability arises on goodwill;
- except on initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss; and at the time of the transaction, does not give rise to equal taxable and deductible temporary differences; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, except where the timing of the reversal of temporary differences can be controlled by the Group and it is probable that temporary differences will not reverse in the foreseeable future.

At 30 April 2023, no deferred tax liability has been recognised in respect of temporary differences relating to unremitted earnings of subsidiaries because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future. The amount of the associated temporary differences at 30 April 2023 was £2,455m (30 April 2022: £2,031m).

As commented in note 7, Finance Act 2021 included a 6% increase in the main UK corporation tax rate to 25% from 1 April 2023, which was substantially enacted on 10 June 2021. Accordingly, the rate applied to UK deferred tax assets and liabilities expected to reverse after 1 April 2023 is 25% (2022: 25%).

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2023 £m	2022 £m
Deferred tax liabilities	**(262)**	(396)
Deferred tax assets	**11**	7
Net deferred tax	**(251)**	(389)

The deferred tax asset in respect of tax losses at 30 April 2023 includes an asset in the UK of £19m (30 April 2022: £24m). The asset has been recognised based on the Group's forecast of net interest income that will arise in the UK from the financing of previous acquisitions. The asset is expected to be fully recovered over the foreseeable future.

Included within deferred tax assets is an asset of £8m recognised in respect of tax losses in Belgium. The business has been making losses for the last 3 years, but an asset has been recognised as a result of the Group forecasting sufficient taxable profits over the foreseeable future against which this asset will be realised.

In addition to the tax losses above, the Group has tax losses at 30 April 2023 of £114m (30 April 2022: £42m) for which no deferred tax assets have been recognised. These losses include £89m which do not expire, £19m which expire between 2027 and 2029 and £6m which expire between 2037 and 2040 under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise these benefits.

The Group also has other temporary differences of £79m on which the Group has not recognised deferred tax assets and do not expire.

23. Provisions

	Restructuring £m	Other £m	Total £m
At 1 May 2022	7	48	55
Charged to income	22	16	38
Credited to income	(2)	(13)	(15)
Utilised	(3)	(12)	(15)
Currency translation	–	2	2
At 30 April 2023	**24**	**41**	**65**
Non-current	–	11	11
Current	24	30	54
At 30 April 2023	**24**	**41**	**65**

The restructuring provision includes amounts associated with the site closures and restructuring costs.

The Group was one of a number of companies operating in the paper packaging industry that was subject to a decision (currently the subject of appeal) by the Italian Competition Authority concerning anti-competitive behaviour in Italy (the "Decision"). Given its position as leniency applicant, the Group was not fined. The Group is subject to a number of claims (both actual and threatened) for compensation in respect of the Decision, which the Group intends to defend robustly. Given the early stage of these claims, the ongoing appeal process, the Group's intention to defend all claims robustly and having applied the tests in IAS37, no provision has been recognised and instead this item has been disclosed as a contingent liability.

Other provisions relate to environmental and restoration liabilities, carbon emission obligations, indemnities and estimated liabilities arising from actual and potential litigation and disputes. The Group has considered the impact of climate factors. Other than those relating to carbon emissions (refer to note 10 for further details) on its operations, no other climate related provision has been recognised in the current financial year.

The timing of the utilisation of these provisions is uncertain, except where the associated costs are contractual, in which case the provision is utilised over the time period specified in the contract.

24. Capital and reserves

Share capital

	Number of shares			
	2023 millions	2022 millions	**2023 £m**	2022 £m
Ordinary equity shares of 10 pence each:				
Issued, allotted, called up and fully paid	**1,377**	1,376	**138**	137

During the year ended 30 April 2023, 1,527,919 of ordinary shares were issued as a result of exercises of employee share options.

The net movements in share capital and share premium are disclosed in the consolidated statement of changes in equity.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations and the translation of liabilities that hedge the Company's net investment in a foreign subsidiary.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Share premium

The share premium account represents the difference between the issue price and the nominal value of shares issued.

24. Capital and reserves continued

Own shares

The reserve for the Company's own shares comprises the cost of the Company's shares held by the Group. The Group operates a General Employee Benefit Trust, which acquires shares in the Company that can be used to satisfy the requirements of the Performance Share Plans. At 30 April 2023, the Trust held 4.2m shares (30 April 2022: 2.4m shares). The market value of the shares at 30 April 2023 was £13.0m (30 April 2022: £7.8m). Dividends receivable on the shares owned by the Trust have been waived.

Non-controlling interests

The Group has a put option in relation to a subsidiary with a non-controlling interest. The Group records a liability at the net present value of the expected future payments, with a corresponding entry against non-controlling interests in respect of the non-controlling shareholders' put option, measured at fair value.

Retained earnings

Retained earnings includes a merger relief reserve related to the shares issued in consideration to the sellers of EcoPack/EcoPaper in 2017/18. The closing balance of this reserve is £32m.

25. Employee benefits

Balance sheet	Total 2023 £m	Total 2022 £m	UK 2023 £m	UK 2022 £m	Overseas 2023 £m	Overseas 2022 £m
Present value of post-retirement obligations	**(893)**	(1,189)	**(772)**	(1,056)	**(121)**	(133)
Government issued nominal bonds	**120**	42	**120**	42	**-**	-
Government issued index-linked bonds	**403**	628	**403**	628	**-**	-
Equities/multi-strategy	**65**	100	**52**	85	**13**	15
Debt instruments	**230**	292	**205**	267	**25**	25
Derivatives	**233**	315	**233**	315	**-**	-
Real estate	**1**	1	**-**	-	**1**	1
Cash and cash equivalents	**9**	17	**9**	17	**-**	-
Other	**72**	68	**54**	53	**18**	15
Debt (repurchase agreements) used to fund liability driven investments	**(285)**	(350)	**(285)**	(350)	**-**	-
	848	1,113	**791**	1,057	**57**	56
Net post-retirement plan (deficit)/surplus	**(45)**	(76)	**19**	1	**(64)**	(77)
Other employee benefit liabilities	**(10)**	(10)	**-**	-	**(10)**	(10)
Total employee benefit (deficit)/surplus	**(55)**	(86)	**19**	1	**(74)**	(87)
Related deferred tax asset/ (liability)	**14**	21	**(5)**	-	**19**	21
Net employee benefit (deficit)/surplus	**(41)**	(65)	**14**	1	**(55)**	(66)

Employee benefit schemes

At 30 April 2023, the Group operated a number of employee benefit arrangements for the benefit of its employees throughout the world. The plans are provided through both defined benefit and defined contribution arrangements and their legal status and control vary depending on the conditions and practices in the countries concerned.

Pension scheme trustees and representatives of the Group work with those managing the employee benefit arrangements to monitor the effects on the arrangements of changes in financial markets and the impact of uncertainty in assumptions, and to develop strategies that could mitigate the risks to which these employee benefit schemes expose the Group.

25. Employee benefits continued

UK schemes

The DS Smith Group Pension Scheme (the 'Group Scheme') is a UK funded final salary defined benefit scheme providing pensions and lump sum benefits to members and dependants. The Group Scheme closed to future accrual from 30 April 2011 with pensions calculated based on pensionable salaries up to the point of closure (or the date of leaving the Group Scheme, if earlier). The Group Scheme has a normal retirement age of 65 although some members are able to take their benefits earlier than this. Increases to pensions are affected by changes in the rate of inflation for the majority of members.

The Group Scheme is governed by a Trustee Company (DS Smith Pension Trustees Limited), which is comprised of a Board of Trustee Directors (the 'Trustee Board') represented by two independent members, two member appointees and two Group appointed members. The Trustee Board is responsible for managing the operation, funding and investment strategy of the Group Scheme.

During the year in response to the market turmoil following the mini-budget, the Group made funding support of up to £100m available to the main UK defined benefit pension scheme. This took the form initially of a cash advance in anticipation of potential margin calls and latterly a liquidity facility. The cash advance was fully repaid within days of being made and as at 30 April 2023 a liquidity facility remained in place but was undrawn.

UK legislation requires the Trustee Board to carry out actuarial funding valuations at least every three years and to target full funding over an appropriate period of time, taking into account the current circumstances of the Group Scheme and the Group on a basis that prudently reflects the risks to which the Group Scheme is exposed (the 'Technical Provisions' basis). The most recent funding valuation was carried out as at 30 April 2019, following which a deficit recovery plan was agreed with the Trustee Board on 14 April 2020. The Group has agreed to maintain the previous Schedule of Contributions. The contribution for the year ended 30 April 2023 under the plan was £20m. The recovery plan is expected to be completed on or around September 2025.

The Trustee Board and the Group have in place a secondary Long-Term Funding Target (the 'LTFT'), in addition to the statutory funding requirement, the purpose of which is to achieve material additional security for the Group Scheme's members. The objective of the LTFT is for the Group Scheme to be funded by 30 April 2035 to a level that does not expect to rely on future contributions from the Group. The LTFT comprises actuarial assumptions to assess whether any additional contributions above the deficit recovery contributions are required, and an investment strategy approach to be followed for de-risking the scheme's assets. In recent valuations, the secondary funding assessment has concluded that the deficit recovery plan contributions are sufficient and no additional contributions from the Group under the LTFT are required.

In order to manage risk, the Group Scheme's investment strategy is designed to closely align movements in the Group Scheme's assets to that of its liabilities, whilst maintaining an appropriate level of expected return. To help the Trustee Board to monitor, review and assess investment matters, the Investment and Funding Committee (the 'IFC'), which consists of representatives from the Trustee Board and the Group, meets on a quarterly basis throughout the year.

The Group Scheme exposes the Group to risks, such as longevity risk, currency risk, inflation risk, interest rate risk and investment risk. As the Group Scheme's obligation is to provide lifetime pension benefits to members upon retirement, increases in life expectancy will result in an increase in the Group Scheme's liabilities. Other assumptions used to value the defined benefit obligation are also uncertain.

The Group Scheme deficit recovery plan agreed with the Trustee Board is considered a minimum funding requirement as described in IFRIC 14 *IAS 19 – the Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*. The Group has an unconditional right to a return of any surplus in a run-off scenario scenario and has therefore recognised the IAS 19 accounting surplus on the Group's balance sheet at 30 April 2023.

The assets in the Group Scheme (apart from the cash held) are nearly all Level 2 instruments under the fair value hierarchy. All Level 2 assets are held in daily traded pooled funds for which daily bid prices are available, and the valuation process for these assets involves minimal judgement and is agreed by reference to independent third parties. The Group Scheme does not hold any investment in DS Smith securities.

The largest defined contribution arrangement operated by the Group is in the UK. The UK defined contribution scheme is a trust-based arrangement offering members a range of investments. All assets are held independently from the Group. The Group also operates a small unfunded arrangement in the UK.

25. Employee benefits continued

Overseas schemes

The countries where the Group operates the most significant defined benefit post-retirement arrangements are:

- France – various mandatory retirement indemnities, post-retirement medical plans and jubilee arrangements (benefits paid to employees after completion of a certain number of years of service), the majority of which are determined by the applicable Collective Bargaining Agreement;
- Belgium – liabilities with respect to non-contributory defined benefit and cash balance retirement plans, as well as unfunded jubilee arrangements. The defined benefit plan is closed to new employees, although active members continue to accrue benefits;
- Switzerland – a contributory defined benefit pension scheme providing pensions and lump sum benefits to members and dependants;
- Italy – mandatory end-of-service lump sum benefits in respect of pre-2007 service;
- Portugal – defined benefit pensions plan with a fund that guarantees a payment of a pension supplement to all retired employees and pensioners who were receiving pension benefit from the fund on 13 July 2007; and
- Germany – jubilee arrangements and non-contributory defined benefit pension schemes.

In general, local trustees or similar bodies manage the post-retirement and medical plans in accordance with local regulations.

Overseas schemes expose the Group to risks such as longevity risk, currency risk, inflation risk, interest rate risk, investment risk, life expectancy risk and healthcare cost risk. Actions taken by the local regulator, or changes to legislation, could result in stronger local funding requirements for pension schemes, which could affect the Group's future cash flow.

Movements in the liability for employee benefit plans' obligations recognised in the consolidated statement of financial position

	2023 £m	2022 £m
Schemes' liabilities at beginning of the year	**(1,199)**	(1,353)
Divestments	**–**	1
Interest cost	**(34)**	(26)
Service cost recognised in the consolidated income statement	**(6)**	(5)
Member contributions	**(1)**	(1)
Pension payments	**53**	50
Unfunded benefits paid	**8**	6
Actuarial gains – financial assumptions	**270**	121
Actuarial (losses) / gains – experience	**(17)**	6
Actuarial gains/ (losses) – demographic	**29**	(2)
Currency translation	**(6)**	4
Schemes' liabilities at end of the year	**(903)**	(1,199)

25. Employee benefits continued

Movements in the fair value of employee benefit plans' assets recognised in the consolidated statement of financial position

	2023 £m	2022 £m
Schemes' assets at beginning of the year	**1,113**	1,178
Employer contributions	**23**	21
Member contributions	**-**	1
Interest income	**33**	23
Actuarial losses	**(271)**	(57)
Pension payments	**(53)**	(51)
Currency translation	**3**	(2)
Schemes' assets at end of the year	**848**	1,113

Durations and expected payment profile

The following table provides information on the distribution of the timing of expected benefit payments for the Group Scheme:

At 30 April 2023	Within 5 years £m	6 to 10 years £m	11 to 20 years £m	21 to 30 years £m	31 to 40 years £m	41 to 50 years £m	Over 50 years £m
Projected benefit payments	**228**	**251**	**487**	**361**	**202**	**69**	**12**

The weighted average duration for the Group Scheme is 12 years.

The Group made agreed contributions of £20m to fund the UK Group Scheme in 2022/23 (2021/22: £20m). The Group's current best estimate of contributions expected to be made to the Group Scheme in the year ending 30 April 2024 will be approximately £21m. A charge over four UK Packaging properties has been made as security for the unfunded arrangement in the UK, the liability for which totals £5m.

Significant actuarial assumptions

Principal actuarial assumptions for the Group Scheme are as follows:

	2023	2022
Discount rate for scheme liabilities	**5.0%**	3.1%
Inflation	**3.2%**	3.2%
Pre-retirement pension increases	**2.8%**	2.5%
Future pension increases for pre 30 April 2005 service	**2.8%**	3.1%
Future pension increases for post 30 April 2005 service	**2.1%**	2.2%

For overseas arrangements, the weighted average actuarial assumptions are at an average discount rate of 2.9% (30 April 2022: 2.0%) and an inflation rate of 2.7% (30 April 2022: 2.9%).

25. Employee benefits continued

During 2021, the UK Statistics Authority's publication on the future of the RPI assumption base had the effect of lowering the RPI assumption by 1% per annum in the short term and the post-2030 assumption is that the RPI/CPI gap falls to zero. Assumptions regarding future mortality experience are set based on actuarial advice and in accordance with the relevant standard mortality tables in each country. For the Group Scheme at 30 April, the mortality base table used is SAPS 3 (year of birth), with CMI 2021 projections with a 1.25% per annum long-term rate of improvement used for future longevity improvement. As part of the UK Group Scheme actuarial valuation exercise the projected life expectancies were as follows:

	2023		2022	
	Male	**Female**	Male	Female
Life expectancy at age 65				
Member currently aged 65	**20.9**	**23.3**	21.3	23.5
Member currently aged 45	**21.9**	**24.7**	22.3	25.1

Sensitivity analysis

The sensitivity of the liabilities in the Group Scheme to each significant actuarial assumption is summarised in the following table, showing the impact on the defined benefit obligation if each assumption is altered by the amount specified in isolation, whilst assuming that all other variables remain the same. In practice, this approach is not necessarily realistic since some assumptions are related. This sensitivity analysis applies to the defined benefit obligation only and not to the net defined benefit pension liability, the measurement of which depends on a number of factors including the fair value of plan assets.

	Increase in pension liability £m
0.5% decrease in discount rate	**(48)**
0.5% increase in inflation	**(32)**
0.5% pre-retirement pension increases	**(9)**
0.5% CPI 5% on pre 30 April 2005 service	**(25)**
0.5% CPI 2.5% on post 30 April 2005 service	**(3)**
1 year increase in life expectancy	**(20)**

Expense recognised in the consolidated income statement

	Total	
	2023 £m	2022 £m
Post-retirement benefits current service cost	**(6)**	(5)
Total service cost	**(6)**	(5)
Net interest cost on net pension liability	**(1)**	(2)
Pension Protection Fund levy	**–**	(1)
Employment benefit net finance expense	**(1)**	(3)
Total expense recognised in the consolidated income statement	**(7)**	(8)

Items recognised in other comprehensive income

Remeasurement of defined benefit obligation	**282**	125
Return on plan assets excluding amounts included in employment benefit net finance expense	**(271)**	(57)
Total gains recognised in other comprehensive income	**11**	68

26. Share-based payment expense

The Group's share-based payment arrangements are as follows:

(i) A Performance Share Plan (PSP). Awards under the PSP normally become exercisable after three years subject to remaining in service and the satisfaction of performance conditions measured over the three financial years commencing with the year of grant. Awards have been made under the PSP annually since 2008, originally based on the following performance measures, in the proportions shown below:

  i. the Company's total shareholder return (TSR) compared to the constituents of the Industrial Goods and Services Supersector within the FTSE 250;

  ii. average adjusted earnings per share (EPS); and

  iii. average adjusted return on average capital employed (ROACE).

  Awards made in 2016 are subject to three performance measures:

  i. 33.3% of each award based on a TSR component;

  ii. 33.3% of each award based on average adjusted EPS; and

  iii. 33.3% of each award based on average adjusted ROACE.

  Awards made from 2017 are subject to either two performance measures or to three performance measures:

  (a) Two performance measures:

    i. 50% of each award based on average adjusted EPS; and

    ii. 50% of each award based on average adjusted ROACE.

  (b) Three performance measures:

    i. 33.3% of each award based on a TSR component;

    ii. 33.3% of each award based on average adjusted EPS; and

    iii. 33.3% of each award based on average adjusted ROACE.

  The awards granted in 2016, 2017, 2018 and 2019 have vested but have not yet been fully exercised.

(ii) A Deferred Share Bonus Plan (DSBP) is operated for Executive Directors and, from 2012/13, for senior executives. Shares awarded under the Plan will vest automatically if the Director or senior executive is still employed by the Company three years after the grant of the award.

(iii) An international Sharesave Plan was introduced in January 2014 with further invitations being made in subsequent years. All employees of the Company and participating subsidiaries were eligible to participate in this Plan or an HMRC approved UK Sharesave Plan. Options are granted to participants who have contracted to save up to a maximum of £250 (or local currency equivalent) across all open invitations per month over a period of three years, at a discount of up to 20% to the average closing mid-market price of a DS Smith Plc ordinary share on the three dealing days prior to invitation. Options cannot normally be exercised until a minimum of three years has elapsed. In common with most plans of this type there are no performance conditions applicable to options granted under this Plan. The provisions of this Plan are subject to minor country specific variances. In France, the option price is discounted by up to 20% of the 20-day average up to the day before grant date. A standard US Stock Purchase Plan, was introduced in January 2014 with further invitations in subsequent years. US employees of the Group are eligible to participate in this Plan. Options are granted to participants who have contracted to save up to the local currency equivalent of £250 per month over a period of two years at a discount of up to 15% to the higher of the mid-market average price on the day before invitation and the mid-market average on the day before grant of a DS Smith Plc ordinary share. Options cannot normally be exercised until a minimum of two years has elapsed.

26. Share-based payment expense continued

Further details of the awards described in (i), (ii), and (iii) are set out in the Remuneration Committee report.

Options outstanding and exercisable under share arrangements at 30 April 2023 were:

	Options outstanding				Options exercisable	
	Number of shares	Option price range (p)	Weighted average remaining contract life (years)	Weighted average exercise price (p)	Number exercisable	Weighted average exercise price (p)
Performance Share Plan	10,154,122	Nil	1.3	Nil	73,319	Nil
Deferred Share Bonus Plan	2,131,958	Nil	1.6	Nil	308,360	Nil
Sharesave Plan	6,277,716	269.0 - 412.0	1.4	321.6	1,487	266.0

The effect on earnings per share of potentially dilutive shares issuable under share-based payment arrangements is shown in note 8.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Performance Share Plan		Deferred Share Bonus Plan		Sharesave plan	
2023	**Weighted average exercise price (p)**	**Options ('000s)**	**Weighted average exercise price (p)**	**Options ('000s)**	**Weighted average exercise price (p)**	**Options ('000s)**
At 1 May 2022	Nil	8,965	Nil	1,346	308.8	12,965
Granted	Nil	4,235	Nil	1,219	Nil	Nil
Exercised	Nil	(4)	Nil	(319)	285.0	(4,214)
Lapsed	Nil	(3,042)	Nil	(114)	316.8	(2,473)
At 30 April 2023	**Nil**	**10,154**	**Nil**	**2,132**	**321.6**	**6,278**
Exercisable at 30 April 2023	**Nil**	**73**	**Nil**	**308**	**266.0**	**1**

	Performance Share Plan		Deferred Share Bonus plan		Sharesave plan	
2022	Weighted average exercise price (p)	Options ('000s)	Weighted average exercise price (p)	Options ('000s)	Weighted average exercise price (p)	Options ('000s)
At 1 May 2021	Nil	8,878	Nil	4,669	317.4	15,538
Granted	Nil	2,849	Nil	645	316.0	2,756
Exercised	Nil	(537)	Nil	(3,641)	370.5	(808)
Lapsed	Nil	(2,225)	Nil	(327)	331.7	(4,521)
At 30 April 2022	Nil	8,965	Nil	1,346	308.8	12,965
Exercisable at 30 April 2022	Nil	79	Nil	86	290.0	5,321

The average share price of the Company during the financial year was 304.7 pence (2021/22: 390.9. pence). The fair value of awards granted in the period relates to the PSP and DSBP schemes.

The fair value of the PSP award granted during the year, determined using the stochastic (Monte Carlo) valuation model, was £12m. The significant inputs into the model were: a share price of 319.98p for the PSP at the grant date; the exercise prices shown above; an expected volatility of the share price of 34.6%; the scheme life disclosed above; a risk-free interest rate of 2.03% and an expected dividend yield of 3.62%. The volatility of share price returns is calculated over the period of time commensurate with the remainder of the performance period immediately prior to the date of grant

The total charge for the year relating to share-based payments recognised as personnel expenses was £15m (2021/22: £10m).

27. Cash generated from operations

Continuing operations	2023 £m	2022 £m
Profit for the year	**492**	280
Adjustments for:		
Pre-tax integration costs and other adjusting items	**-**	37
Amortisation of intangible assets; acquisitions and divestments	**128**	136
Cash outflow for adjusting items	**(14)**	(13)
Depreciation	**312**	290
Loss/(profit) on sale of non-current assets	**7**	(1)
Share of profit of equity accounted investments, net of tax	**(2)**	(7)
Employment benefit net finance expense	**1**	3
Share-based payment expense	**15**	10
Finance income	**(2)**	(1)
Finance costs	**75**	70
Other non-cash items	**24**	(17)
Income tax expense	**169**	98
Change in provisions	**19**	–
Change in employee benefits	**(25)**	(21)
Cash generation before working capital movement	**1,199**	864
Changes in:		
Inventories	**99**	(200)
Trade and other receivables	**15**	(449)
Trade and other payables	**(235)**	864
Working capital movement	**(121)**	215
Cash generated from continuing operations	**1,078**	1,079

28. Reconciliation of net cash flow to movement in net debt

	2023 £m	2022 £m
Profit for the year	**492**	280
Income tax expense	**169**	98
Share of profit of equity accounted investments, net of tax	**(2)**	(7)
Net financing costs	**74**	72
Amortisation of intangible assets; acquisitions and divestments	**128**	136
Pre-tax integration costs and other adjusting items	**–**	37
Adjusted operating profit	**861**	616
Depreciation	**312**	290
Adjusted EBITDA	**1,173**	906
Working capital movement	**(121)**	215
Change in provisions	**19**	–
Change in employee benefits	**(25)**	(21)
Other	**46**	(8)
Cash generated from operations before adjusting cash items	**1,092**	1,092
Capital expenditure	**(545)**	(431)
Proceeds from sale of property, plant and equipment and other investments	**19**	16
Tax paid	**(136)**	(96)
Net interest paid	**(76)**	(62)
Free cash flow	**354**	519
Cash outflow for adjusting items	**(14)**	(13)
Dividends paid	**(289)**	(166)
Acquisition of subsidiary businesses, net of cash and cash equivalents	**–**	(23)
Divestment of subsidiary businesses, net of cash and cash equivalents	**–**	35
Other	**(2)**	(19)
Net cash flow	**49**	333
Proceeds from issue of share capital	**4**	7
Borrowings and lease liabilities divested	**–**	1
Net movement on debt	**53**	341
Foreign exchange, fair value and other non-cash movements (note 18)	**(205)**	(30)
Net debt movement – continuing operations	**(152)**	311
Opening net debt	**(1,484)**	(1,795)
Closing net debt – reported basis	**(1,636)**	(1,484)

Adjusted operating profit, adjusted EBITDA, free cash flow, and net debt are non-GAAP measures not defined by IFRS. Further detail on the use of non-GAAP measures is included in note 32.

29. Capital commitments and contingencies

At 30 April 2023, the Group had committed to incur capital expenditure of £298m (30 April 2022: £186m) relating primarily to the new paper machine in Lucca and greenfield sites in Italy and Poland.

Except in relation to the matter disclosed in note 23, the Group is not subject to material litigation, but has a number of contingent liabilities that arise in the ordinary course of business on behalf of trading subsidiaries including, inter alia, intellectual property disputes and regulatory enquiries in areas such as health and safety, environmental, and anti-trust. No losses are anticipated to arise on these contingent liabilities.

30. Acquisitions and divestments

(a) 2022/23

The crystallisation of the put option for the final 10% stake in Interstate Resources occurred during the financial year. Additional costs as a result of the business meeting performance obligations were recognised together with the costs of hedging the dollar payment of the liability, the latter of which will continue until the payment is made. These costs of £15m have been taken to adjusting items, refer to note 4 for further details. Refer to note 17 for further details for the valuation of this final payment.

2021/22

In total, during the year ended 30 April 2022, cash consideration for acquisition of subsidiary businesses, net of cash and cash equivalents, was £23m. This included £19m for the remainder of the consideration for the purchase of the first additional 10% stake in Interstate Resources on 26 June 2020 after the exercise of a portion of the put option held by the sellers. Remaining acquisitions are not material to the Group individually or in aggregate.

On 12 October 2021 the Group sold the De Hoop paper mill in the Netherlands. Cash consideration, net of cash and cash equivalents and transaction costs, was £35m and net assets divested were £28m, resulting in a net gain of £7m.

(b) Plastics division

On 27 February 2020, the sale of the Group's Plastics division to Olympus Partners and its affiliate Liqui-Box Holdings was completed.

Plastics principally comprised flexible packaging and dispensing solutions, extruded and injection moulded products and foam products.

The Plastics segment has been classified as a discontinued operation as disclosed in note 1(a)(ii). The consolidated income statement presents the Plastics segment as a discontinued operation with a single line amount of profit from discontinued operation, net of tax. The consolidated statement of cash flows presents a single amount of net cash flow from discontinued operations.

Consolidated income statement – discontinued operations

	Year ended 30 April 2023 £m	Year ended 30 April 2022 £m
Revenue	**–**	–
Operating costs	**–**	–
Operating profit before amortisation and adjusting items	**–**	–
Amortisation of intangible assets	**–**	–
Profit on disposal before tax	**–**	–
Other pre-tax adjusting items	**11**	–
Net finance cost	**–**	–
Profit before income tax	**11**	–
Income tax credit/(expense)	**–**	–
Profit for the year from discontinued operations	**11**	–

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

30. Acquisitions and divestments continued

Basic earnings per share from discontinued operations

	2023	2022
Profit from discontinued operations attributable to ordinary shareholders	**£11m**	–
Weighted average number of ordinary shares	**1,376m**	1,374m
Basic earnings per share	**0.8p**	–

Diluted earnings per share from discontinued operations

	2023	2022
Profit from discontinued operations attributable to ordinary shareholders	**£11m**	–
Weighted average number of ordinary shares	**1,376m**	1,374m
Potentially dilutive shares issuable under share-based payment arrangement	**10m**	8m
Weighted average number of ordinary shares (diluted)	**1,386m**	1,382m
Diluted earnings per share	**0.8p**	–

The number of shares excludes the weighted average number of the Company's own shares held as treasury shares during the year of 2m (2021/22: 1m).

Adjusted earnings per share from discontinued operations

Further detail about the use of non-GAAP performance measures is given in note 32.

A reconciliation of basic to adjusted earnings per share from discontinued operations is as follows:

	2023			2022		
	£m	Basic – pence per share	Diluted – pence per share	£m	Basic – pence per share	Diluted – pence per share
Basic earnings from discontinued operations	**11**	**0.8p**	**0.8p**	–	–	–
Add back:						
Adjusting items, before tax	**(11)**	**(0.8p)**	**(0.8p)**	–	–	–
Adjusted earnings from discontinued operations	**–**	**–**	**–**	–	–	–

Cash flows used in discontinued operations

	Year ended 30 April 2023 £m	Year ended 30 April 2022 £m
Net cash used in investing activities	**–**	–
Net cash flows for the year	**–**	–

(c) Other 2022/23 acquisitions and divestments

The Group incurred other acquisition related costs of £nil (2021/22: £1m), primarily related to professional advisory, legal and consultancy fees and contractual deferred consideration payments on prior year acquisitions.

31. Related parties

Identity of related parties

In the normal course of business, the Group undertakes a wide variety of transactions between its subsidiaries and equity accounted investments.

The key management personnel of the Company comprise the Chair, Executive Directors and Non-Executive Directors. The compensation of key management personnel can be found in the single total figure remuneration table in the Remuneration Committee report. Certain key management personnel also participate in the Group's share-based incentive programme (note 26). Included within the share-based payment expense, and detailed in the Remuneration Committee report, is a charge of £3m (2021/22: £1m) relating to key management personnel.

Transactions with pension trustees are disclosed in note 25.

Other related party transactions

	2023 £m	2022 £m
Sales to equity accounted investees	**18**	21
Purchases from equity accounted investees	**24**	25

32. Non-GAAP performance measures

The Group presents reported and adjusted financial information in order to provide shareholders with additional information to further understand the Group's operational performance and financial position.

The principal adjustments to financial information are made to exclude the effects of adjusting items (refer to note 4) and amortisation.

Total reported financial information represents the Group's overall performance and financial position, but can contain significant unusual or non-operational items that may obscure understanding of the key trends and position. These unusual or non-operational items include business disposals, restructuring and project costs, acquisition-related and integration costs, and impairments. Restructuring items treated as adjusting items are major programmes usually spanning more than one year, with uneven impact on the profit and loss for those years affected. Other adjusting items, such as business disposals, impairments, integration and acquisition costs, are by nature either highly variable or can also have a similar distorting effect. Therefore, the Directors consider that presenting non-GAAP measures which exclude adjusting items enables comparability of the recurring core business, complementing the IFRS measures presented.

Amortisation relates primarily to customer contracts and relationships arising from or as a result of business combinations. Significant costs are incurred in maintaining, developing and increasing the value of such intangibles, costs which are charged in determining adjusted profit. Exclusion of amortisation remedies this double count as well as, in the case of customer contracts and relationships, providing comparability over the accounting treatment of customer contracts and relationships arising from the acquisition of businesses and those generated internally.

The Group's key non-GAAP measures are used both internally and externally to evaluate business performance against the Group's KPIs and banking and debt covenants, as a key constituent of the Group's planning process, as well as comprising targets against which compensation is determined.

Certain non-GAAP performance measures can be, and are, reconciled to information presented in the financial statements. Other financial key performance measures are calculated using information which is not presented in the financial statements and is based on, for example, average 12-month balances or average exchange rates.

Unlike other of the Group's non-GAAP performance measures, net debt and net debt/EBITDA remain calculated under the previous standard, IAS 17 *Leases*, because they are calculated in accordance with the Group's banking covenant requirements which remain on the previous GAAP basis. As such, for net debt and net debt/EBITDA, the reconciliation for the non-GAAP performance measure below has been expanded to show the calculation to return the non-GAAP performance measure to the IAS 17 basis.

32. Non-GAAP performance measures continued

Key non-GAAP performance measures

The key non-GAAP performance measures used by the Group and their calculation methods are as follows:

Adjusted operating profit

Adjusted operating profit is operating profit excluding the pre-tax effects of both amortisation and adjusting items. Adjusting items include business divestment gains and losses, restructuring and acquisition related and integration costs and impairments.

A reconciliation between reported and adjusted operating profit is set out on the face of the consolidated income statement.

Operating profit before adjusting items

A reconciliation between operating profit and operating profit before adjusting items is set out on the face of the consolidated income statement.

Other similar profit measures before adjusting items are quoted, such as profit before income tax and adjusting items, and are directly derived from the consolidated income statement, from which they can be directly reconciled.

Adjusted EBITDA

Earnings before interest, tax, depreciation and amortisation (Adjusted EBITDA) is adjusted operating profit excluding depreciation. A reconciliation from adjusted operating profit to adjusted EBITDA is provided in note 28.

Adjusted earnings per share

Adjusted earnings per share is basic earnings per share adjusted to exclude the post-tax effects of adjusting items and amortisation. Adjusted earnings per share is a key performance measure for management long-term remuneration and is widely used by the Group's shareholders.

A reconciliation between basic and adjusted earnings per share is provided in note 8.

Return on sales

Return on sales is adjusted operating profit measured as a percentage of revenue. Return on sales is used to measure the value we deliver to customers and the Group's ability to charge for that value.

	2023 £m	2022 £m
Adjusted operating profit	**861**	616
Revenue	**8,221**	7,241
Return on sales	**10.5%**	8.5%

Adjusted return on average capital employed (ROACE)

ROACE is the last 12 months' adjusted operating profit as a percentage of the average monthly capital employed over the previous 12 month period. Capital employed is the sum of property, plant and equipment, right-of-use assets, goodwill and intangible assets, working capital, capital debtors/creditors, provisions, biological assets and assets/liabilities held for sale.

	2023 £m	2022 £m
Capital employed at 30 April	**6,203**	5,578
Currency inter-month and acquisition/divestment movements	**(194)**	113
Last 12 months' average capital employed	**6,009**	5,691
Last 12 months' adjusted operating profit	**861**	616
Adjusted return on average capital employed	**14.3%**	10.8%

32. Non-GAAP performance measures continued

Net debt and net debt/EBITDA

Net debt is the measure by which the Group assesses its level of overall indebtedness within its financial position. The components of net debt as they reconcile to the primary financial statements and notes to the accounts are disclosed in note 18.

Net debt/EBITDA is the ratio of net debt to adjusted EBITDA, calculated in accordance with the Group's banking covenant requirements.

Net debt/EBITDA is considered a key measure of balance sheet strength and financial stability by which the Group assesses its financial position.

The Group's banking covenant requirements currently exclude IFRS 16 liabilities from the definition of net debt, as well as requiring that EBITDA is calculated before the effects of IFRS 16, so an adjustment to the previous IAS 17 basis is made in the calculation.

In calculating the ratio, net debt is stated at average rates as opposed to closing rates, and adjusted EBITDA is adjusted operating profit before depreciation from the previous 12 month period adjusted for the full year effect of acquisitions and divestments in the period, and to adjust to an IAS 17 basis.

	2023 £m	2022 £m
Net debt – reported basis (see note 18)	**1,636**	1,484
IFRS 16 lease liabilities (see note 18)	**(220)**	(201)
Adjustment to average rate	**(17)**	13
Net debt – adjusted basis	**1,399**	1,296
Adjusted EBITDA – last 12 months' reported basis (continuing operations)	**1,173**	906
Adjust to IAS 17 basis	**(85)**	(78)
Acquisition and divestment effects	**–**	(7)
Adjusted EBITDA – banking covenant basis	**1,088**	821
Net debt/EBITDA	**1.3x**	1.6x

Free cash flow

Free cash flow is the net movement on debt before cash outflow for adjusting items, dividends paid, acquisition and divestment of subsidiary businesses (including borrowings acquired), and proceeds from issue of share capital.

A reconciliation from Adjusted EBITDA to free cash flow is set out in note 28.

Cash conversion

Cash conversion is free cash flow, as defined above, adjusted to exclude tax, net interest, growth capital expenditure and pension payments as a percentage of adjusted operating profit and can be derived directly from note 28, other than growth capital expenditure, which is capital expenditure necessary for the development or expansion of the business as follows:

	2023 £m	2022 £m
Growth capital expenditure	**275**	176
Non-growth capital expenditure	**270**	255
Total capital expenditure (note 28)	**545**	431
Free cash flow (note 28)	**354**	519
Tax paid (note 28)	**136**	96
Net interest paid (note 28)	**76**	62
Growth capital expenditure	**275**	176
Change in employee benefits (note 28)	**25**	21
Adjusted free cash flow	**866**	874
Adjusted operating profit	**861**	616
Cash conversion	**101%**	142%

32. Non-GAAP performance measures continued

Average working capital to sales

Average working capital to sales measures the level of investment the Group makes in working capital to conduct its operations. It is measured by comparing the monthly working capital balances for the previous 12 months as a percentage of revenue over the same period. Working capital is the sum of inventories, trade and other receivables, and trade and other payables, excluding capital and acquisition and divestment related debtors and creditors.

	2023 £m	2022 £m
Inventories (note 15)	**619**	703
Trade and other receivables	**1,211**	1,189
Trade and other payables	**(2,105)**	(2,372)
Inter-month movements and exclusion of capital and acquisition and divestment related items	**36**	241
Last 12 months' average working capital	**(239)**	(239)
Last 12 months' revenue	**8,221**	7,241
Average working capital to sales	**(2.9%)**	(3.3%)

Constant currency and organic growth

The Group presents commentary on both reported and constant currency revenue and adjusted operating profit comparatives in order to explain the impact of exchange rates on the Group's key income statement items. Constant currency comparatives recalculate the prior year revenue and adjusted operating profit as if they had been generated using the current year exchange rates. In addition, the Group then separates the incremental effects of acquisitions and disposals made in the current year, and the incremental effects of acquisitions and disposals made in the previous year, to determine underlying organic growth. The table below shows the calculations:

	Revenue £m	Adjusted operating profit £m
Reported basis – comparative year ended 30 April 2022	**7,241**	**616**
Currency effects	**182**	**20**
Constant currency basis – comparative year ended 30 April 2022	**7,423**	**636**
Organic growth	**798**	**225**
Reported basis – year ended 30 April 2023	**8,221**	**861**

Return on sales – comparative year ended April 2022 constant currency basis	**8.6%**

	£m
Reported profit before tax comparative year ended 30 April 2022	378
Currency effects	9
Constant currency profit before tax comparative year ended 30 April 2022	**387**

Basic earnings per share from continuing operations for the comparative year ended 30 April 2022 – constant currency basis	£m
Profit from continuing operations	280
Currency effects	7
	287
Weighted average number of ordinary shares	1,374m
Basic earnings per share – constant currency basis	**20.9p**

32. Non-GAAP performance measures continued

Constant currency and organic growth continued

Adjusted earnings per share for the comparative year ended 30 April 2022- constant currency basis	£m
Adjusted earnings	422
Currency effects	18
	440
Weighted average number of ordinary shares	1,374m
Adjusted earnings per share – constant currency basis	**32.0p**

Dividend cover

Dividend cover is adjusted earnings per share divided by the total dividend for the year.

	2023	2022
Adjusted earnings per share	**43.0p**	30.7p
Total dividend	**18.0p**	15.0p
Dividend cover	**2.4x**	2.0x

33. DS Smith Group companies

The Group's ultimate parent Company is DS Smith Plc.

Group companies are grouped by the countries in which they are incorporated or registered. Unless otherwise noted, the undertakings below are wholly-owned and consolidated by DS Smith and the share capital held comprises ordinary or common shares which are held by Group subsidiaries.

Fully owned subsidiaries	Notes
Argentina	
Total Marketing Support Argentina SA	AR1
Australia	
Total Marketing Support Pacific Pty Ltd	AU1
Austria	
DS Smith Austria Holdings GmbH	AT1
DS Smith Packaging Austria Beteiligungsverwaltungs GmbH	AT1
DS Smith Packaging Austria GmbH	AT2
DS Smith Packaging South East GmbH	AT1
Belgium	
DS Smith Packaging Belgium N.V.	BE1
DS Smith Packaging Marketing N.V.	BE2
Bolivia	
Total MarketingSupport Bolivia S.A.	BO1
Bosnia & Herzegovina	
DS Smith Packaging BH d.o.o. Sarajevo	BA1
DS Smith Recycling Bosnia d.o.o.	BA2
Brazil	
Total Marketing Support Brazil Ltda	BR1
Bulgaria	
DS Smith Bulgaria S.A.	BG1
Canada	
TMS Canada 360 Inc.	CA1
Chile	
Total Marketing Support Chile SpA	CL1
China	
DS Smith Shanghai Trading Ltd	CN1
TMS Shanghai Trading Ltd	CN2
Colombia	
Total Marketing Support Colombia S A S	CO1
Croatia	
Bilokalnik-IPA d.d.	e, HR1
DS Smith Belišće Croatia d.o.o.	HR2
DS Smith Unijapapir Croatia d.o.o.	HR3
Czech Republic	
DS Smith Packaging Czech Republic s.r.o.	CZ1
DS Smith Triss s.r.o.	CZ2
Denmark	
DS Smith Packaging Denmark A/S	DK1
Ecuador	
Total Marketing Support Ecuador TM-EC C.L.	EC1
Egypt	
TMS Egypt LLC	EG1
Estonia	
DS Smith Packaging Estonia AS	EE1

	Notes
Finland	
DS Smith Packaging Baltic Holding Oy	FI1
DS Smith Packaging Finland Oy	FI1
DS Smith Packaging Pakkausjaloste Oy	FI2
Eastpac Oy	FI1
France	
DS Smith France	FR1
DS Smith Hêtre Blanc	FR2
DS Smith Packaging Ales	FR3
DS Smith Packaging Anjou	FR2
DS Smith Packaging Atlantique	FR2
DS Smith Packaging Bretagne	FR4
DS Smith Packaging C.E.R.A.	FR5
DS Smith Packaging Consumer	FR2
DS Smith Packaging Contoire-Hamel	FR6
DS Smith Packaging Display and Services	FR2
DS Smith Packaging DPF	FR7
DS Smith Packaging Durtal	FR8
DS Smith Packaging Fegersheim	FR9
DS Smith Packaging France	FR2
DS Smith Packaging Kaypac	FR10
DS Smith Packaging Larousse	FR11
DS Smith Packaging Mehun-CIM	FR12
DS Smith Packaging Nord Est	FR1
DS Smith Packaging Premium	FR13
DS Smith Packaging Savoie	FR14
DS Smith Packaging Seine Normandie	FR15
DS Smith Packaging Sud Est	FR16
DS Smith Packaging Sud Ouest	FR13
DS Smith Packaging Systems	FR17
DS Smith Packaging Velin	FR18
DS Smith Packaging Vervins	FR2
DS Smith Paper Coullons	FR19
DS Smith Paper Kaysersberg	FR20
DS Smith Paper Rouen	FR15
DS Smith Recycling France	FR21
Rowlandson France	FR1
Tecnicarton France	FR22
Germany	
Bretschneider Verpackungen GmbH	h, DE2
Delta Packaging Services GmbH	DE6
DS Smith Packaging Arenshausen Mivepa GmbH	DE3
DS Smith Packaging Arnstadt GmbH	DE1
DS Smith Packaging Beteiligungen GmbH	DE8
DS Smith Packaging Deutschland Stiftung	DE5
DS Smith Packaging Deutschland Stiftung & Co KG	DE8

	Notes
DS Smith Paper Deutschland GmbH	DE7
DS Smith Recycling Deutschland GmbH	DE4
DS Smith Stange B.V. & Co. KG	DE8
DS Smith Transport Services GmbH	DE7
Greece	
DS Smith Cretan Hellas S.A.	GR1
DS Smith Hellas S.A.	GR2
Guatemala	
TMS Global Guatemala, Sociedad Anonima	GT1
Honduras	
Total Marketing Support Honduras, S.A.	HN1
Hungary	
DS Smith Packaging Hungary Kft.	HU2
Merpas Hungary Kft.	i, HU1
India	
The Less Packaging Company India Private Limited	IN1
Total Marketing Support India Private Limited	IN2
Indonesia	
PT Total Marketing Support Indonesia	ID1
Ireland	
DS Smith Ireland Treasury Designated Activity Company	IR1
DS Smith Recycling Ireland Limited	IR2
Italy	
DS Smith Holding Italia SpA	IT3
DS Smith Packaging Italia SpA	IT3
DS Smith Paper Italia Srl	IT3
DS Smith Recycling Italia Srl	IT2
Toscana Ondulati SpA	IT1
Japan	
Total Marketing Support Japan Ltd	JP1
Kazakhstan	
Total Marketing Support Kazakhstan L.L.P.	KZ1
Latvia	
SIA DS Smith Packaging Latvia	LV1
Lithuania	
UAB DS Smith Packaging Lithuania	LT1
Luxembourg	
DS Smith (Luxembourg) S.à r.l.	LU1
DS Smith Perch Luxembourg S.à r.l.	LU1
DS Smith Re S.A.	LU1
Malaysia	
Total Marketing Support (360) Malaysia Sdn. Bhd.	MY1

33. DS Smith Group companies continued

Fully owned subsidiaries continued	Notes
Mexico	
Total Marketing Support 360 Mexico S.A de C.V	MX1
Morocco	
Tecnicartón Tánger S.a.r.l. AU	MA1
Netherlands	
David S. Smith (Netherlands) B.V.	NL2
DS Smith (Holdings) B.V.	PSQ
DS Smith Baars B.V.	DE8
DS Smith De Hoop Holding B.V.	NL2
DS Smith Finance B.V.	NL2
DS Smith Hellas Netherlands B.V.	NL2
DS Smith Italy B.V.	PSQ
DS Smith Packaging Almelo B.V.	NL1
DS Smith Packaging Barneveld B.V.	NL3
DS Smith Packaging Belita B.V.	NL2
DS Smith Packaging Holding B.V.	NL2
DS Smith Packaging International B.V.	NL2
DS Smith Packaging Netherlands B.V.	NL2
DS Smith Packaging Tilburg B.V.	NL5
DS Smith Recycling Benelux B.V.	NL2
DS Smith Recycling Holding B.V.	NL2
DS Smith Salm B.V.	NL2
DS Smith Toppositie B.V.	NL2
Nicaragua	
Total Marketing Support Nicaragua, Sociedad Anonima	NI1
Nigeria	
Total Marketing Support 360 Nigeria Limited	NG1
North Macedonia	
DS Smith AD Skopje	f, MK1
Pakistan	
TMS Pakistan (Private) Limited	PK1
Philippines	
Total Marketing Support Philippines, Inc	PH1
Poland	
DS Smith Packaging sp. z o.o.	PL1
DS Smith Polska sp. z o.o.	PL1
Portugal	
DS Smith Displays P&I, S.A.	PT3
DS Smith Energia Viana, S.A.	PT8
DS Smith Packaging Portugal, S.A.	PT4
DS Smith Paper Viana, S.A.	PT8
DS Smith Portugal, SGPS, S.A.	PT8
DS Smith Recycling Portugal, S.A.	PT9
Lepe – Empresa Portuguesa de Embalagens, S.A.	PT2
Nova DS Smith Embalagem, S.A.	PT7
Tecnicartón Portugal Unipessoal Lda	PT1
Iberian Forest Fund – Fundo Especial de Investimento Imobiliario Florestal Fechado	PT11

	Notes
Romania	
DS Smith Packaging Ghimbav S.R.L.	c, RO1
DS Smith Packaging Romania S.R.L.	RO3
DS Smith Paper Zarnesti. S.R.L.	b, RO2
Russia	
Total Marketing Support Moscow	RU1
Serbia	
DS Smith Inos Papir Servis d.o.o.	RS1
DS Smith Packaging d.o.o. Kruševac	RS2
Papir Servis DP d.o.o. Kruševac	RS2
Slovakia	
DS Smith Packaging Slovakia s.r.o.	SK1
DS Smith Turpak Obaly a.s.	d, SK2
Slovenia	
DS Smith Slovenija d.o.o.	SI1
South Africa	
TMS 360 SA (PTY) Ltd	ZA1
Spain	
Bertako S.L.U.	ES1
DS Smith Andorra S.A.	ES3
DS Smith Business Services S.L.U.	ES3
DS Smith Packaging Cartogal S.A.	ES10
DS Smith Packaging Dicesa S.A.	g, ES5
DS Smith Packaging Galicia S.A.	ES11
DS Smith Packaging Holding S.L.U.	ES3
DS Smith Packaging Lucena, S.L.	ES7
DS Smith Packaging Madrid S.L.	ES3
DS Smith Packaging Penedes S.A.U.	ES5
DS Smith Recycling Spain S.A.	ES2
DS Smith Spain, S.A.	ES4
Tecnicartón, S.L.	ES8
Sweden	
DS Smith Packaging Sweden AB	SE1
DS Smith Packaging Sweden Holding AB	SE1
Switzerland	
DS Smith Packaging Switzerland AG	CH1
Turkey	
DS Smith Ambalaj A.Ş.	TR1
Total Marketing Support Turkey Baskı Yönetimi Hizmetleri A.Ş.	TR2
Ukraine	
Total Marketing Support Ukraine	UA1
United Arab Emirates	
Total Marketing Support Middle East DMCC	AE1
UK	
Abbey Corrugated Limited	PSQ
Ashton Corrugated	PSQ
Ashton Corrugated (Southern) Limited	PSQ
Avonbank Paper Disposal Limited	PSQ
Biber Paper Converting Limited	PSQ
Calara Holding Limited	PSQ
Conew Limited	PSQ

	Notes
Corrugated Products Limited	PSQ
David S. Smith Nominees Limited	PSQ
D.W. Plastics (UK) Limited	PSQ
DS Smith (UK) Limited	PSQ
DS Smith America (UK) LLP	PSQ
DS Smith Business Services Limited	PSQ
The DS Smith Charitable Foundation	PSQ
DS Smith Corrugated Packaging Limited	PSQ
DS Smith Display Holding Limited	PSQ
DS Smith Dormant Five Limited	PSQ
DS Smith Euro Finance Limited	PSQ
DS Smith Europe Limited	PSQ
DS Smith Finco Limited	a, PSQ
DS Smith Haddox Limited	PSQ
DS Smith Holdings Limited	a, PSQ
DS Smith International Limited	PSQ
DS Smith Italy Limited	
DS Smith Logistics Limited	PSQ
DS Smith Packaging Limited	PSQ
DS Smith Paper Limited	PSQ
DS Smith Pension Trustees Limited	PSQ
DS Smith Perch Limited	PSQ
DS Smith Recycling UK Limited	PSQ
DS Smith Roma Limited	PSQ
DS Smith Sudbrook Limited	PSQ
DS Smith Supplementary Life Cover Scheme Limited	PSQ
DS Smith Ukraine Limited	PSQ
DSS Eastern Europe Limited	PSQ
DSS Poznan Limited	PSQ
DSSH No. 1 Limited	PSQ
Grovehurst Energy Limited	PSQ
JDS Holding	PSQ
Miljoint Limited	PSQ
Multigraphics Holdings Limited	PSQ
Multigraphics Limited	PSQ
Multigraphics Services Limited	PSQ
Priory Packaging Limited	PSQ
Reed & Smith Limited	PSQ
St. Regis International Limited	PSQ
St. Regis Kemsley Limited	PSQ
St. Regis Paper Company Limited	PSQ
The Brand Compliance Company Limited	PSQ
The Less Packaging Company Limited	PSQ
TheBannerPeople.Com Limited	PSQ
TMS Global UK Limited	PSQ
Total Marketing Support Global Limited	PSQ
Total Marketing Support Limited	PSQ
Treforest Mill plc	PSQ
United Shopper Marketing Limited	PSQ
W. Rowlandson & Company Limited	PSQ
Waddington & Duval Limited	PSQ

33. DS Smith Group companies continued

Fully owned subsidiaries continued	Notes
USA	
Carolina Graphic Services, LLC	US1
Cedarpak, LLC	US3
CEMT Holdings Group, LLC	US4
Corrugated Container Corporation	US13
Corrugated Container Corporation of Shenandoah Valley	US14
Corrugated Container Corporation of Tennessee	US15
Corrugated Supply, LLC	US4
Corrugated Supply, L.P.	US4
DS Smith Creative Solutions Inc.	US16
DS Smith Holdings, Inc.	US3
DS Smith Management Resources, Inc.	g,US3
DS Smith North America Recycling, LLC	US3
DS Smith North America Shared Services, LLC	US3
DS Smith Packaging-Holly Springs, LLC	US18
DS Smith Packaging-Lebanon, LLC	US17
DS Smith Packaging-Stream, LLC	US3
Evergreen Community Power, LLC	US3
Interstate Container Columbia, LLC	US6
Interstate Container New Castle, LLC	US7
Interstate Container Reading, LLC	US8
Interstate Corrpack, LLC	US5
Interstate Holding, Inc.	US3
Interstate Mechanical Packaging, LLC	US6
Interstate Paper, LLC	US9
Interstate Realty Hialeah, LLC	US3
Interstate Resources, Inc.	US3
Interstate Southern Packaging, LLC	US10
Newport Timber, LLC	US9
Phoenix Technology Holdings USA, Inc.	US3
RB Lumber Company, LLC	US9
RFC Container, LLC	US4
SouthCorr, L.L.C.	US11
St. George Timberland Holdings, Inc.	US3
TMS America, LLC	US19
United Corrstack, LLC	US12
Uruguay	
Kozery S.A.	UY1

Associate entities	Notes
Netherlands	
Stort Doonweg B.V.	i, NL4
Portugal	
Companhia Termica Do Serrado A.c.e.	m, PT5
Spain	
Cartonajes Cantabria, S.L.	l, ES6
Cartonajes Santander, S.L.	l, ES6
Euskocarton, S.L.	l, ES6
Industria Cartonera Asturiana, S.A.	l,ES12
Ukraine	
Private Joint Stock Company "Rubizhanskiy Kartonno-Tarniy Kombinat"	j, UA2
USA	
Philcorr LLC	k, US2
PhilCorr Vineland LLC	k, US2

Ownership interest at 30 April 2023

a	Directly held by DS Smith Plc
b	99.927% ownership interest
c	99.285% ownership interest
d	98.89% ownership interest
e	97.39% ownership interest
f	81.39% ownership interest
g	80% ownership interest
h	51% ownership interest
i	50% ownership interest
j	49.597% ownership interest
k	40% ownership interest
l	39.58% ownership interest
m	30% ownership interest

33. DS Smith Group companies continued

Registered offices

PSQ	Level 3, 1 Paddington Square, London, W2 1DL, United Kingdom
AR1	Avenida Eduardo Madero 1020, 5th floor, Office "B", The City of Buenos Aires, Argentina
AU1	Baker Mckenzie, Level 46, 100 Barangaroo Avenue, Sydney NSW 2000, Australia
AT1	Friedrichstraße 10, 1010, Wien, Austria
AT2	Heidestrasse 15, 2433 Margarethen am Moos, Austria
BE1	New Orleansstraat 100, 9000 Gent, Belgium
BE2	Leonardo da Vincilaan 2, Corporate Village – Gebouw Gent 1831 Machelen-Diegem, Belgium
BO1	Santa Cruz de la Sierra – Calle Dr. Mariano Zambrana No 700 UV: S/N MZNO: S/N Zona: Oeste, Bolivia
BA1	ul. Igmanska bb, Sarajevo, Vogošća, Bosnia and Herzegovina
BA2	Jovana Dučića br 25 A, Banja Luka, Bosnia and Herzegovina
BR1	Avenida Paulista no. 807, conjunto 810, Bela Vista, Cidade de Sao Paulo, Estado de Sao Paulo, CEP 01311-100, Brazil
BG1	Glavinitsa, 4400 Pazardzhik, Bulgaria
CA1	215-1673 Carling Avenue, Ottowa ON K2A 1C4, Canada
CL1	Santa Beatriz, 111. Of 1104. Providencia, Santiago de Chile, Chile
CN1	Room 308, No. 1, Building , 1588, Shenchang Road, , Minhang District, Shanghai, China
CN2	R919, 9/F, No. 1788 West Nan Jin Rd, Jing An District, Shanghai, 200040, China
CO1	Carrera 12 89 33 Piso 6, Bogotá D.C., Colombia
HR1	Dravska ulica 19, Koprivnica (Grad Koprivnica), Croatia
HR2	Vijenac Salamona Henricha Gutmanna 30, Belišće, Croatia
HR3	Lastovska ulica 5, Zagreb, Croatia
CZ1	Teplická 109, Martiněves, 405 02 Jílové , Czech Republic
CZ2	Zirovnicka 3124/1, Zabehlice, 106 00 Praha 10, Czech Republic
DK1	Åstrupvej 30, 8500 Grenaa, Denmark
EC1	Av. Republica de El Salvador N36-140, Edif. Mansion Blanca, Quito, PBX:4007828, Ecuador
EG1	Nile City Towers, North Tower, 22nd Floor, Cornish El Nil, Cairo, 11624, Egypt
EE1	Pae 24, 11415 Tallinn, Estonia
FI1	PL 426, 33101 Tampere, Finland
FI2	Virranniementie 3, 70420 Kuopio, Finland
FR1	11 route Industrielle, F-68320, Kunheim, France
FR2	1 Terrasse Bellini, 92800, Puteaux, France
FR3	345 Impasse de Saint-Alban Avenue de Croupillac, 30100 Ales, France
FR4	ZAC de Kevoasdoue, 29270, Carhaix, France
FR5	6-8 Boulevard Monge, 69330, Meyzieu, Lyon, France
FR6	570 Rue Nationale Contoire Hamel, 80500 Trois- Rivieres, France
FR7	350 Zone Artisanale des Trois Fontaines, 38140 Rives, France
FR8	550, Route de Bazouges, 49430 Durtal, France
FR9	146 Route de Lyon, 67640, Fegersheim, France
FR10	Zone Industrielle, Voiveselles Croisette, 88800, B.P. 37, Vittel, France
FR11	5 rue de la Deviniere, 45510 Tigy, France
FR12	Route de Marmagne, 18500, Mehun sur Yevre, France
FR13	Zone Industrielle de Châteaubernard, 16100, Cognac, France
FR14	Avenue Robert Franck, 73110, La Rochette, France
FR15	Rue Desire Granet, 76800 St. Etienne du Rouvray, France
FR16	Zone Industrielle du Pré de la Barre, 38440, St-Jean de Bournay, France
FR17	12 rue Gay Lussac ZI Dijon Chenove, 21300, Chenove, France
FR18	Zone Industrielle de la Plaine, 88510 Eloyes, France
FR19	la Fosse, 45720, Coullons, France
FR20	77 Route de Lapoutroie, 68240, Kaysersberg, France
FR21	2 Rue Paul Cezanne, 93360, Neuilly Plaisance, France
FR22	27 Rue du Tennis, 25110, Baume les Dames, France
DE1	Bierweg 11, 99310 Arnstadt, Germany
DE2	Bretschneiderstr. 5, D-08309 Eibenstock, Germany
DE3	Hauptstrasse 80, 37318 Arenshausen, Germany
DE4	Kufsteiner Strasse 27, 83064 Raubling, Germany
DE5	Rollnerstrasse 14, D-90408 Nürnberg, Germany
DE6	Siemensstrasse 8, 50259 Pulheim, Germany
DE7	Weichertstrasse 7, D-63741 Aschaffenburg, Germany
DE8	Zum Fliegerhorst 1312 – 1318, 63526 Erlensee, Germany
GR1	PO Box 90, GR-72200 Ierapetra, Kriti, Greece
GR2	PO Box 1010, 57022 Sindos Industrial Area, Thessaloniki, Greece
GT1	15 Calle 1-04 Zona 10, Centrica Plaza, Torre I, Oficina 301, Guatemala, 01010, Guatemala
HN1	Avenida La Paz, No. 2702, Tegucigalpa, M.D.C., PO Box 2735, Honduras
HU1	Váci út 1-3., "A" Tower, 6th floor, 1062 Budapest, Hungary
HU2	Záhony u. 7, HU-1031 Budapest, Hungary
IN1	A-5/30, Basement, Behind Oriental Bank of Commerce, Paschim Vihar, New Delhi, 110063 , India
IN2	G-56 Green Park (main), New Delhi – 110016, India
ID1	Tempo Scan Tower Lantai 32, Jalan H.r. Rasuna Said Kav 3-4, Kel. Kuningan Timur, Kec.Setiabudi, Kota Adm. Jakarta Selatan, Prov. DKI Jakarta, Indonesia
IR1	10 Ely Place, Dublin 2, D02 HR98, Ireland
IR2	3 Dublin Landings, North Wall Quay, Dublin 1, D01 C4E, Ireland
IT1	Capannori (Lu) Via del Fanuccio, 126 Cap, 55014 Frazione Marlia, Italy
IT2	Strada Lanzo 237, cap 10148, Torino (TO), Italy
IT3	Via Torri Bianche, n. 24, 20871 Vimercate (MB), Italy
JP1	Nihonbashi 3 Chome Square 11F, 3-9-1 Nihonbashi, Chuo-ku, Tokyo, Japan
KZ1	Abay Ave. 52, 8 floor, 802-6 office "Innova Tower" BC, 050008, Almaty, Kazakhstan
LV1	Hospitāļu iela 23-102, Rīga LV-1013, Latvia
LT1	Savanoriu ave. 183, 02300 Vilnius, Lithuania
LU1	8-10 Avenue de la Gare, L-1610 Luxembourg
MY1	Unit C-12-4, Level 12, Block C, Megan Avenue II, No. 12 Jalan Yap Kwan Seng, 50450 Kuala Lumpur, Wilayah Persekutuan, Malaysia
MX1	Avenida Prado Sur 140, Piso 01, Interior 1D Oficina 10, Colonia Lomas de Chapultepec IV Seccion, Alcaldia Miguel Hidalgo, Ciudad de Mexico, Codigo Postal 11000, Mexico
MA1	Tanger, Zone Franche d'Exportation, ILot 11, Lot 5, Morocco
NL1	Bedrijvenpark Twente 90, NL-7602 KD Almelo, Netherlands
NL2	Coldenhovenseweg 130, 6961 EH, Eerbeek, Netherlands
NL3	Hermesweg 2, 3771 ND, Barneveld, Netherlands
NL4	Kanaalweg 8 A, 6961 LW, Eerbeek, Netherlands
NL5	Wegastraat 2, 5015 BS, Tilburg, Netherlands
NI1	Car Building, 3rd Floor, Highway to Masaya, Managua, Nicaragua
NG1	3, Ijora – Causeway, Ijora, Lagos, Nigeria
MK1	Str. 1632 no. 1, Skopje 1000, North Macedonia
PK1	668, Main Double Road, E-11/3, NPF Islamabad islamabad , Islamabad Capital Territory (I.C.T.), Pakistan
PH1	24/F Philam Life Tower, 8767 Paseo de Roxas Avenue, Bel-Air, City of Makati, Fourth District, NCR, 1226, Philippines
PL1	Komitetu Obrony Robotników 45D, 02-146 Warsaw, Poland

33. DS Smith Group companies continued

Registered offices continued

PT1 Águeda (Aveiro), Raso de Paredes 3754-209, Portugal
PT2 Av. Jose Gregorio 114, 2430-275 Marinha Grande, Portugal
PT3 Edificio Opcao Actual, Parque Industrial de Oliveirinha, 3430-414 Carregal do Sal, Portugal
PT4 Rua Mestra Cecília do Simão, n.º 378 , 3885-593 Esmoriz, Ovar, Portugal
PT5 Lugar do Espido, Via Norte, Distrito: Porto Concelho: Maia Freguesia: Cidade da Maia, 4470 177 MAIA, Portugal
PT6 Alameda Fernão Lopes, nº 12, 6 B, Distrito: Lisboa Concelho: Oeiras Freguesia: Algés, Linda-a-Velha e Cruz Quebrada-Dafundo, 1495 – 190 Algés, Portug
PT7 Rua do Monte Grande, n. o3,, 4485-255 Guilhabreu, Portugal
PT8 Estrada 23 de Fevereiro, 372, 4905-261, Deocriste, Portugal
PT9 Rua Pedro Jose Ferreira, 329/335, 4420-612, Gondomar, Portugal
PT10 Lezirias, Sao Lourenco do Bairro, 3780 Anadia, Portugal
PT11 Avenida da República, n.º 23, 1050-185 Lisboa, Portugal
RO1 Oraș Ghimbav, Strada FĂGĂRAȘULUI, Nr. 6, Brasov County, Romania
RO2 No. 18, 13 Decembrie Street, Zarnesti, Brasov County, Romania
RO3 Calea Torontalului, DN6 kM. 7, Timisoara, Romania
RU1 Building 2, Floor 7, Room 21 , Skakovaya st. 17, 125040, Moscow, Russian Federation
RS1 Milorada Jovanovića 14, Beograd, Serbia
RS2 Kruševac, Balkanska 72, Serbia
SK1 Námestie baníkov 8/31, 048 01 Roznava, Slovakia
SK2 Robotnícka 1, Martin, 036 80, Slovakia
SI1 Cesta prvih borcev 51, 8280 Brestanica, Slovenia
ZA1 Central Office Park No 4, 257 Jean Avenue, Centurion, Gauteng, 0157, South Africa
ES1 Polígono Industrial Areta nº 1, parcela 348, calle Altzutzate, nº 46, 31620 Huarte, Navarra, Spain
ES2 Avenida el Norte de Castilla, 20, 47008 Valladolid (Valladolid), Spain
ES3 Avd. Del Sol 13, Torrejón de Ardoz, 28850 – Madrid, Spain
ES4 Carretera A-62, Burgos a Portugal, 34210, Duenas (Palencia), Spain
ES5 Carretera B.P. 2151 confluencia carretera C15, Sant Pere de Riudevitlles, 08776, Barcelona, Spain
ES6 Poligono Industrial Heras, 239-242, 39792, Medio Cudeyo, Spain
ES7 Carretera Nacional 331 (Carretera de Malaga), Km.66,28, 14900, Lucena (Cordoba), Spain
ES8 Parque Industrial Juan Carlos I, C/ Canal Crespo, 13 Almussafes 46440 (Valencia), Spain
ES9 Calle Pitagoras Numero 2., Polgono Industrial San Marcos, Getafe 28-Madrid, Spain
ES10 Polígono Industrial A Tomada, parcela 28-33, A Pobra do Caramiñal , 15949 A Coruña, Spain
ES11 Polígono Industrial O Pousadoiro 4, Parcela 1, 36617 Vilagarcía de Arousa, Pontevedra (Galicia), Spain
ES12 Poligono Industrial San Claudio, 33191, Oviedo, Spain
SE1 Box 504, 331 25 Varnamo, Sweden
CH1 Industriestrasse 13, 4665 Oftringen, Switzerland
TR1 Araptepe Selimpașa Mah. 5007. Sk. No. 4 Silivri, Istanbul, Turkey
TR2 Goztepe Merdivenkoy Mah. Bora Sk. No.1 Nida Kule Is Merkezi, Kat 7, Kadikoy, Istanbul, 34732, Turkey
UA1 4-5 Floors, 25B,Sagaydachnogo str., Kiev, 04070, Ukraine
UA2 145A, Borshchahivska Street, Kyiv, 03056, Ukraine
AE1 Unit No: I5-PF-39, Detached Retail I5, Plot No: JLT-PH1-RET-I5, Jumeirah Lakes Towers, Dubai, United Arab Emirates
US1 4328 Federal Drive, STE 105, Greensboro, NC 27410, United States
US2 2317 Almond Road, Route 55 Industrial Park, Vineland, NJ 08360, United States
US3 600 Peachtree Street , Suite 4200, Atlanta GA 30308, United States
US4 2066 South East Avenue, Vineland, NJ 08360, United States
US5 903 Woods Road, Cambridge, MD 21613, United States
US6 128 Crews Drive, Columbia, SC 29210, United States
US7 792 Commerce Avenue, New Castle, PA 16101, United States
US8 100 Grace Street, Reading, PA 19611, United States
US9 2366 Interstate Paper Road, Riceboro, GA 31323, United States
US10 120 T Elmer Cox Road Greeneville, TN 37743, United States
US11 3021 Taylor Drive, Asheboro, NC 27203, United States
US12 720 Laurel Street, Reading PA 19602, United States
US13 6405 Commonwealth Drive SW, Roanoke, Virginia, 24018, United States
US14 100 Development Ln., Winchester VA 22602, United States
US15 128 Corrugated Ln, Piney Flats TN 37686, United States
US16 70 Outwater Ln., Floor 4, Garfield, NJ 07026, United States
US17 800 Edwards Drive, Lebanon IN 46052, United States
US18 301 Thomas Mill Road, Holly Springs NC 27540, United States
US19 2 Mid America Plaza, Suite 110, Oakbrook Terrace IL 60181, United States
UY1 Plaza Independencia 811 PB, Montevideo, Uruguay

34. Subsequent events

There are no other subsequent events after the reporting date which require disclosure.

PARENT COMPANY STATEMENT OF FINANCIAL POSITION

At 30 April 2023

	Note	2023 £m	2022 £m
Assets			
Non-current assets			
Intangible assets	3	**44**	41
Property, plant and equipment and right-of-use assets	4	**27**	7
Investments in subsidiaries	5	**4,645**	4,625
Deferred tax assets	10	**9**	–
Other receivables	6	**6,115**	5,466
Derivative financial instruments	12	**154**	483
Employee benefits	13	**5**	–
Total non-current assets		**10,999**	10,622
Current assets			
Trade and other receivables	6	**318**	72
Cash and cash equivalents	7	**1**	414
Derivative financial instruments	12	**156**	316
Total current assets		**475**	802
Total assets		**11,474**	11,424
Liabilities			
Non-current liabilities			
Borrowings	9	**(1,739)**	(1,389)
Employee benefits	13	**–**	(3)
Deferred tax liabilities	10	**–**	(133)
Other payables	8	**(21)**	(26)
Lease liabilities	11	**(12)**	(3)
Provisions		**(3)**	(1)
Derivative financial instruments	12	**(49)**	(28)
Total non-current liabilities		**(1,824)**	(1,583)
Current liabilities			
Borrowings	9	**(80)**	(687)
Trade and other payables	8	**(5,499)**	(4,584)
Income tax liabilities		**(2)**	(1)
Lease liabilities	11	**(2)**	(1)
Derivative financial instruments	12	**(319)**	(57)
Total current liabilities		**(5,902)**	(5,330)
Total liabilities		**(7,726)**	(6,913)
Net assets		**3,748**	4,511
Equity			
Issued capital	14	**138**	137
Share premium account	14	**2,251**	2,248
Reserves	14	**1,359**	2,126
Shareholders' equity		**3,748**	4,511

The Company made a profit for the year of £17m (2021/22: profit of £16m including the recognition of intra-group dividends).

Approved by the Board of Directors of DS Smith Plc (company registered number 1377658) on 22 June 2023 and signed on its behalf by:

M W Roberts
Director

A R T Marsh
Director

The accompanying notes are an integral part of these financial statements.

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

At 30 April 2023

	Share capital £m	Share premium £m	Hedging reserve £m	Own shares £m	Merger relief reserve £m	Retained earnings £m	Total equity £m
At 1 May 2021	**137**	**2,241**	**53**	**(3)**	**32**	**1,638**	**4,098**
Profit for the year	–	–	–	–	–	16	16
Actuarial gain on employee benefits	–	–	–	–	–	20	20
Cash flow hedges fair value changes	–	–	1,070	–	–	–	1,070
Reclassification from cash flow hedge reserve to income statement	–	–	(357)	–	–	–	(357)
Income tax on other comprehensive income	–	–	(163)	–	–	(3)	(166)
Total comprehensive income	**-**	**-**	**550**	**-**	**-**	**33**	**583**
Issue of share capital	–	7	–	–	–	–	7
Employee share trust	–	–	–	(6)	–	(15)	(21)
Share-based payment expense (net of tax)	–	–	–	–	–	10	10
Dividend paid	–	–	–	–	–	(166)	(166)
Other changes in equity in the year	**-**	**7**	–	(6)	–	**(171)**	**(170)**
At 30 April 2022	**137**	**2,248**	**603**	**(9)**	**32**	**1,500**	**4,511**
Profit for the year	–	–	–	–	–	17	17
Actuarial loss on employee benefits	–	–	–	–	–	(1)	(1)
Cash flow hedges fair value changes	–	–	(72)	–	–	–	(72)
Reclassification from cash flow hedge reserve to income statement	–	–	(573)	–	–	–	(573)
Income tax on other comprehensive income	–	–	146	–	–	–	146
Total comprehensive (expense)/ income	**-**	**-**	**(499)**	**-**	**-**	**16**	**(483)**
Issue of share capital	1	3	–	–	–	–	4
Employee share trust	–	–	–	(5)	–	(3)	(8)
Share-based payment expense (net of tax)	–	–	–	–	–	13	13
Dividends paid	–	–	–	–	–	(289)	(289)
Other changes in equity in the year	**1**	**3**	**-**	**(5)**	**-**	**(279)**	**(280)**
At 30 April 2023	**138**	**2,251**	**104**	**(14)**	**32**	**1,237**	**3,748**

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

1. Principal accounting policies

(a) Basis of preparation

These financial statements of DS Smith Plc (the 'Company') have been prepared on the going concern basis and in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 101) and the UK Companies Act.

The accounts are prepared under the historical cost convention with the exception of certain financial instruments and employee benefit plans that are stated at their fair value and share-based payments that are stated at their grant date fair value.

Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own income statement or statement of comprehensive income.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- statement of cash flows and related notes;
- a comparative period reconciliation for share capital;
- disclosures in respect of transactions with wholly-owned subsidiaries;
- comparative period reconciliations for tangible fixed assets and intangible assets;
- disclosures in respect of capital management;
- the effects of new but not yet effective IFRSs; and
- disclosures in respect of Key Management Personnel.

As the Group financial statements include the equivalent disclosures, the Company has also taken advantage of the exemptions under FRS 101 available in respect of the following disclosures:

- IAS 24 *Related Party Disclosure* in respect of transactions entered with wholly-owned subsidiaries;
- IFRS 2 *Share-based Payment* in respect of Group settled share-based payments; and
- IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instruments.*

The Company adopted the following new accounting standards, amendments or interpretations as of 1 May 2022:

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Reference to the Conceptual Framework (Amendments to IFRS 3);
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37); and
- Annual Improvements to IFRS Standards 2018-2020.

The adoption of the standards, interpretations and amendments has not had a material effect on the results for the year.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

(b) Foreign currencies

The Company's financial statements are presented in sterling, which is the Company's functional currency and presentation currency. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange at the date of the transaction, and retranslated at the rate of exchange ruling at the balance sheet date. Exchange differences arising on translation are taken to the income statement.

(c) Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of each item, which range between three and five years.

(d) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each item of property, plant and equipment. Estimated useful lives of plant and equipment are between two and 30 years, and for leasehold improvements are over the period of the lease.

(e) Leases

The Company recognises a right-of-use asset and a lease liability at the lease commencement date.

The right-of-use asset is initially measured at cost, being the initial amount of the lease liability adjusted for any lease payments made at or before commencement date, plus any initial direct costs incurred and an estimate of end of lease dismantling or restoration costs, less any incentives received and related provisions.

Lease liabilities are recorded at the present value of lease payments.

The interest rate implicit in the lease is used to discount lease payments, or, if that rate cannot be determined, the Group's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are depreciated on a straight-line basis over the lease term, or the useful life if shorter.

Interest is recognised on the lease liability, resulting in a higher finance cost in the earlier years of the lease term.

Lease payments relating to low value assets or to short-term leases are recognised as an expense on a straight-line basis over the lease term. Short-term leases are those with 12 months or less duration.

When the Company enters into a back-to-back lease arrangement on behalf of a subsidiary, corresponding lease receivables are recognised.

1. Principal accounting policies continued

(f) Investments in subsidiaries

Investments in subsidiaries are valued at cost less provisions for impairment.

Impairment testing is performed annually for investment in subsidiaries by comparing the carrying amount of each investment with the relevant subsidiary's consolidated balance sheet. Where the net assets are lower than the investment value, a discounted cash flow is utilised to calculate the present value of the investment to confirm whether any impairment is required.

(g) Deferred taxation

Deferred tax is provided for using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(h) Employee benefits

(i) Defined benefit schemes

The Company is the sponsoring employer for a UK funded, defined benefit scheme, the DS Smith Group Pension scheme (the 'Group Scheme').

The Group has in place a stated policy for allocating the net defined benefit cost relating to the Group Scheme to participating Group entities.

Accordingly, both the Company's statement of financial position and income statement reflect the Company's share of the net defined benefit liability and net defined benefit cost in respect of the Group scheme, allocated per the stated policy. Actuarial gains and losses are recognised immediately in the statement of comprehensive income.

(ii) Share-based payment transactions

The Company operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The fair value of the options granted is measured using a stochastic model, taking into account the terms and conditions upon which the options were granted. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable.

At each reporting date, the Company revises its estimate of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity. Where applicable, the fair value of employee services received by subsidiary undertakings within the DS Smith Plc Group in exchange for options granted by the Company is recognised as an expense in the financial statements of the subsidiary by means of a recharge from the Company.

(i) Shares held by employee share trust

The cost of shares held in the employee share trust is deducted from equity. All differences between the purchase price of the shares held to satisfy options granted and the proceeds received for the shares, whether on exercise or lapse, are charged to retained earnings.

(j) Financial instruments

The Company uses derivative financial instruments, primarily currency and commodity swaps, to manage interest rate, currency and commodity risks associated with the Group's underlying business activities and the financing of these activities. The Group has a policy not to, and does not, undertake any speculative activity in these instruments. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Derivative financial instruments are accounted for as hedges when designated as hedges at the inception of the contract and when the financial instruments provide an effective hedge of the underlying risk. Any gains or losses arising from the hedging instruments are offset against the hedged items.

For the purpose of hedge accounting, hedges are classified as cash flow hedges due to hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

(k) Dividend income

Dividend income from subsidiary undertakings is recognised in the income statement when paid.

(l) Accounting judgements and key sources of estimation uncertainty

Employee benefits

IAS 19 *Employee Benefits* requires the Company to make assumptions including, but not limited to, rates of inflation, discount rates and life expectancies. The use of different assumptions, in any of the above calculations, could have a material effect on the accounting values of the relevant statement of financial position assets and liabilities which could also result in a change to the cost of such liabilities as recognised in profit or loss over time. These assumptions are subject to periodic review. See note 25 of the Group's accounts for additional information.

2. Employee information

The average number of employees employed by the Company during the year was 381 (2021/22: 344).

	2023 £m	2022 £m
Wages and salaries	**42**	36
Social security costs	**5**	4
Pension costs	**2**	2
Total	**49**	42

Note 26 to the consolidated financial statements sets out the disclosure information required for the Company's share-based payments.

3. Intangible assets

	Software £m	Other £m	Carbon credits £m	Under construction £m	Total £m
Cost					
At 1 May 2022	75	9	14	8	106
Additions	–	1	2	11	14
Reclassifications	7	–	–	(7)	–
Reclassification	–	–	–	(1)	(1)
Foreign exchange	–	–	1	–	1
At 30 April 2023	**82**	**10**	**17**	**11**	**120**
Amortisation					
At 1 May 2022	(65)	–	–	–	(65)
Amortisation charge	(8)	(3)	–	–	(11)
At 30 April 2023	**(73)**	**(3)**	**-**	**-**	**(76)**
Carrying amount					
At 1 May 2022	10	9	14	8	41
At 30 April 2023	**9**	**7**	**17**	**11**	**44**

4. Property, plant and equipment and right-of-use assets

	Right-of-use assets £m	Leasehold improvement s £m	Plant and equipment £m	Under construction £m	Total Property, plant and equipment £m
Cost					
At 1 May 2022	6	3	3	1	13
Additions	11	6	3	2	22
Disposals	(2)	(3)	(2)	–	(7)
Reclassification	–	–	–	1	1
At 30 April 2023	**15**	**6**	**4**	**4**	**29**
Depreciation					
At 1 May 2022	(2)	(2)	(2)	–	(6)
Disposals	2	2	1	–	5
Depreciation charge	(1)	–	–	–	(1)
At 30 April 2023	**(1)**	**-**	**(1)**	**-**	**(2)**
Carrying amount					
At 1 May 2022	4	1	1	1	7
At 30 April 2023	**14**	**6**	**3**	**4**	**27**

Right-of-use assets relate to land and buildings.

5. Investments in subsidiaries

	Shares in Group undertakings £m
At 1 May 2022	4,625
Additions	20
At 30 April 2023	**4,645**

The Company's principal trading subsidiary undertakings at 30 April 2023 are shown in note 33 to the consolidated financial statements.

6. Trade and other receivables

	2023		2022	
	Non-current £m	**Current £m**	Non-current £m	Current £m
Amounts owed by subsidiary undertakings	**6,115**	**300**	5,466	44
Other receivables	**–**	**1**	–	9
Prepayments and accrued income	**–**	**17**	–	19
	6,115	**318**	5,466	72

When measuring the potential impairment of receivables from subsidiary undertakings, forward looking information based on assumptions for the future movement of different economic drivers are considered.

7. Cash and cash equivalents

	2023 £m	2022 £m
Bank balances	**1**	67
Short-term deposits	**–**	347
	1	414

8. Trade and other payables

	2023		2022	
	Non-current £m	**Current £m**	Non-current £m	Current £m
Trade payables	**–**	**32**	–	10
Amounts owed to subsidiary undertakings	**21**	**5,411**	26	4,490
Other tax and social security payables	**–**	**12**	–	11
Non-trade payables, accruals and deferred income	**–**	**44**	–	73
	21	**5,499**	26	4,584

Non-current amounts owed to subsidiaries are subject to interest at rates based on EURIBOR or where applicable, forward looking base rates and are repayable between 2024 and 2026.

9. Borrowings

	2023 Non-current £m	2023 Current £m	2022 Non-current £m	2022 Current £m
Bank loans and overdrafts	**–**	**72**	–	47
Medium-term notes and other fixed-term debt	**1,739**	**8**	1,389	640
	1,739	**80**	1,389	687

Disclosures in respect of the Group's borrowings are provided in note 20 to the consolidated financial statements.

10. Deferred tax assets and liabilities

Analysis of movements in recognised deferred tax assets and liabilities during the year

	Property, plant and equipment and intangible assets		Employee benefits including pensions		Tax losses		Derivative financial instruments		Total	
	2023 £m	2022 £m	2023 £m	2022 £m	2023 £m	2022 £m	2023 £m	2022 £m	2023 £m	2022 £m
At beginning of the year	**10**	6	**7**	12	**24**	23	**(174)**	(11)	**(133)**	30
Credit/(charge) for the year	**3**	4	**(1)**	(2)	**(5)**	1	**–**	–	**(3)**	3
Recognised directly in equity	**–**	–	**(1)**	(3)	**–**	–	**146**	(163)	**145**	(166)
At end of the year	**13**	10	**5**	7	**19**	24	**(28)**	(174)	**9**	(133)

11. Lease liabilities

The carrying amounts of lease liabilities and the movements during the year are as follows:

	2023 £m	2022 £m
Cost		
At beginning of the year	**4**	5
Additions	**11**	–
Accretion of interest	**1**	–
Payments	**(2)**	(1)
At end of the year	**14**	4
Current	**2**	1
Non-current	**12**	3
	14	4

Maturity of lease liabilities

	1 year or less £m	1-2 years £m	2-5 years £m	More than 5 years £m	Total £m
At 30 April 2022	(1)	(1)	(1)	(1)	(4)
At 30 April 2023	**(2)**	**(2)**	**(5)**	**(5)**	**(14)**

12. Derivative financial instruments

The assets and liabilities of the Company at 30 April in respect of derivative financial instruments are as follows:

	Assets		Liabilities		Net	
	2023 £m	2022 £m	**2023 £m**	2022 £m	**2023 £m**	2022 £m
Derivatives held to:						
Manage the currency exposures on business activities, borrowings and net investments	**–**	12	**–**	–	**–**	12
Derivative financial instruments included in net debt	**–**	12	**–**	–	**–**	12
Derivatives held to hedge future transactions:						
Forward foreign exchange contracts	**–**	1	**–**	–	**–**	1
Energy and carbon certificate costs	**310**	786	**(368)**	(85)	**(58)**	701
Total derivative financial instruments	**310**	799	**(368)**	(85)	**(58)**	714
Current	**156**	316	**(319)**	(57)	**(163)**	259
Non-current	**154**	483	**(49)**	(28)	**105**	455
	310	799	**(368)**	(85)	**(58)**	714

Disclosures in respect of the Group's derivative financial instruments are provided in note 21 to the consolidated financial statements.

13. Employee benefits

The Company participates in all of the Group's UK pension schemes. The accounting valuation is consistent with the Group valuation, as described in note 25 to the consolidated financial statements, where full disclosures relating to these schemes are given.

	2023 £m	2022 £m
Present value of funded obligations	**(767)**	(1,050)
Present value of unfunded obligations	**(5)**	(6)
Fair value of scheme assets	**791**	1,057
Total IAS 19 surplus, net	**19**	1
Allocated to other participating employers	**(14)**	(4)
Company's share of IAS 19 surplus/(deficit), net	**5**	(3)

14. Share capital and reserves

Details of the Company's share capital and merger relief reserve are provided in note 24 to the consolidated financial statements. Movements in shareholders' equity are shown in the parent Company statement of changes in equity.

The closing merger relief reserve of £32m relates to the shares issued in consideration to the sellers of EcoPack/EcoPaper.

The reserve for the Company's own shares comprises the cost of the Company's shares held by the Group. The Group operates a General Employee Benefit Trust, which acquires shares in the Company that can be used to satisfy the requirements of the Performance Share Plan. At 30 April 2023, the Trust held 4.2m shares (30 April 2022: 2.4m shares). The market value of the shares at 30 April 2023 was £13.0m (30 April 2022 : £7.8m). Dividends receivable on the shares owned by the Trust have been waived.

As at 30 April 2023, the Company had distributable reserves of £1,223m (30 April 2022: £1,491m).

15. Contingent liabilities

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within the Group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee. At 30 April 2023, these guarantees amounted to £4.9m (30 April 2022: £5.5m).

16. Related party disclosure

The Company has identified the Directors of the Company, its key management personnel and the UK pension scheme as related parties. Details of the relevant relationships with these related parties are disclosed in the Remuneration Committee report, and note 31 to the consolidated financial statements respectively.

17. Auditor's remuneration

Auditor's remuneration in respect of the Company is detailed in note 3 to the consolidated financial statements.

FIVE-YEAR FINANCIAL SUMMARY

Unaudited

Continuing operations	2019 £m	2020 £m	2021 £m	2022 £m	**2023 £m**
Revenue	6,171	6,043	5,976	7,241	**8,221**
Operating profit[1]	631	660	502	616	**861**
Amortisation	(114)	(143)	(142)	(138)	**(113)**
Share of profit of equity-accounted investments before adjusting items, net of tax	9	7	5	7	**2**
Net financing costs before adjusting items	(71)	(87)	(78)	(70)	**(74)**
Profit before taxation and adjusting items	455	437	287	415	**676**
Acquisitions and divestments	(32)	(4)	(5)	2	**(15)**
Other adjusting items	(73)	(65)	(51)	(39)	**-**
Profit before income tax	350	368	231	378	**661**
Adjusted earnings per share[1]	33.3p	33.2p	24.2p	30.7p	**43.0p**
Dividends per share	16.2p	n/a	12.1p	15.0p	**18.0p**
Return on sales[2]	10.2%	10.9%	8.4%	8.5%	**10.5%**
Adjusted return on average capital employed[1,2,3]	13.6%	10.6%	8.2%	10.8%	**14.3%**

1. Before amortisation and adjusting items.
2. Adjusted return on average capital employed is defined as operating profit before amortisation and adjusting items divided by average capital employed.
3. Average capital employed is the average monthly capital employed for the last 12 months. Capital employed is made up of property, plant and equipment, right-of-use assets, goodwill and intangible assets, working capital, capital debtors/creditors, provisions, biological assets and assets/liabilities held for sale. Assets and liabilities relating to discontinued operations are excluded. The definition of capital employed is different from the definition of managed capital as defined in note 21 to the consolidated financial statements, which consists of equity as presented in the consolidated statement of financial position, plus net debt.

SHAREHOLDER INFORMATION

Financial diary

5 September 2023	Annual General Meeting
7 December 2023*	Announcement of half-year results for the six months ended 31 October 2023
20 June 2024*	Announcement of full-year results for the year ended 30 April 2024

* Provisional date

Company website

The Company's website at www.dssmith.com contains the latest information for shareholders, including press releases and an updated financial diary. Email alerts of the latest news, press releases and financial reports about the Company may be obtained by registering for the email news alert service on the website.

Share price information

The latest price of the Company's ordinary shares is available on www.londonstockexchange.com. DS Smith's ticker symbol is SMDS. It is recommended that you consult your financial adviser and verify information obtained before making any investment decision.

Registrar

Please contact the Registrar at the above right address to advise of a change of address or for any enquiries relating to dividend payments, lost share certificates or other share registration matters. The Registrar provides online facilities at www.shareview.co.uk. Once you have registered you will be able to access information on your DS Smith Plc shareholding, update your personal details and amend your dividend payment instructions online without having to call or write to the Registrar.

Dividends

Shareholders who wish to have their dividends paid directly into a bank or building society account should contact the Registrar. In addition, the Registrar is now able to pay dividends to over 90 different countries. This service enables the payment of your dividends directly into your bank account in your home currency. For international payments, a charge is deducted from each dividend payment to cover the costs involved. Please contact the Registrar to request further information.

Share dealing services

The Registrar offers a real-time telephone and internet dealing service for the UK. Further details including terms and rates can be obtained by logging on to the website at www.shareview.co.uk/dealing or by calling 0345 603 7037. Lines are open between 8am and 4.30pm, UK time, Monday to Friday.

Registered office and advisers

Secretary and Registered Office

Iain Simm
DS Smith Plc

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Registered in England
Company No: 01377658

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Equiniti

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Other information

Information on how to manage your shareholdings can be found at https://help.shareview.co.uk. The pages at this web address provide answers to commonly asked questions regarding shareholder registration, links to downloadable forms and guidance notes. If your question is not answered by the information provided, you can send your enquiry via secure email from these pages. You will be asked to complete a structured form and to provide your shareholder reference, name and address. You will also need to provide your email address if this is how you would like to receive your response.

Alternatively, you can telephone +44 (0)371 384 2197. Lines are open between 8.30am and 5.30pm, UK time, Monday to Friday. For call charges, please check with your provider as costs may vary.

This report contains certain forward-looking statements with respect to the operations, performance and financial condition of the Group. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this report and DS Smith Plc undertakes no obligation to update these forward-looking statements. Nothing contained in this report should be construed as a profit forecast.

Pages 1 to 120 consist of a Strategic Report and Directors' Report (including the Directors' Remuneration Report) that have been drawn up and presented in accordance with and in reliance upon applicable English company law. The liability of the Directors in connection with such reports shall be subject to the limitation and restrictions provided by, and shall be no greater than is required by, applicable English company law.

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