Now & Next

Carbon

We are reducing our emissions for our science-based target to reduce Scope 1, 2 and 3 GHG emissions by 46 per cent by 2030.

We are supporting our strategic suppliers to set their own science-based targets and, together, we aspire to reach Net Zero by 2050.

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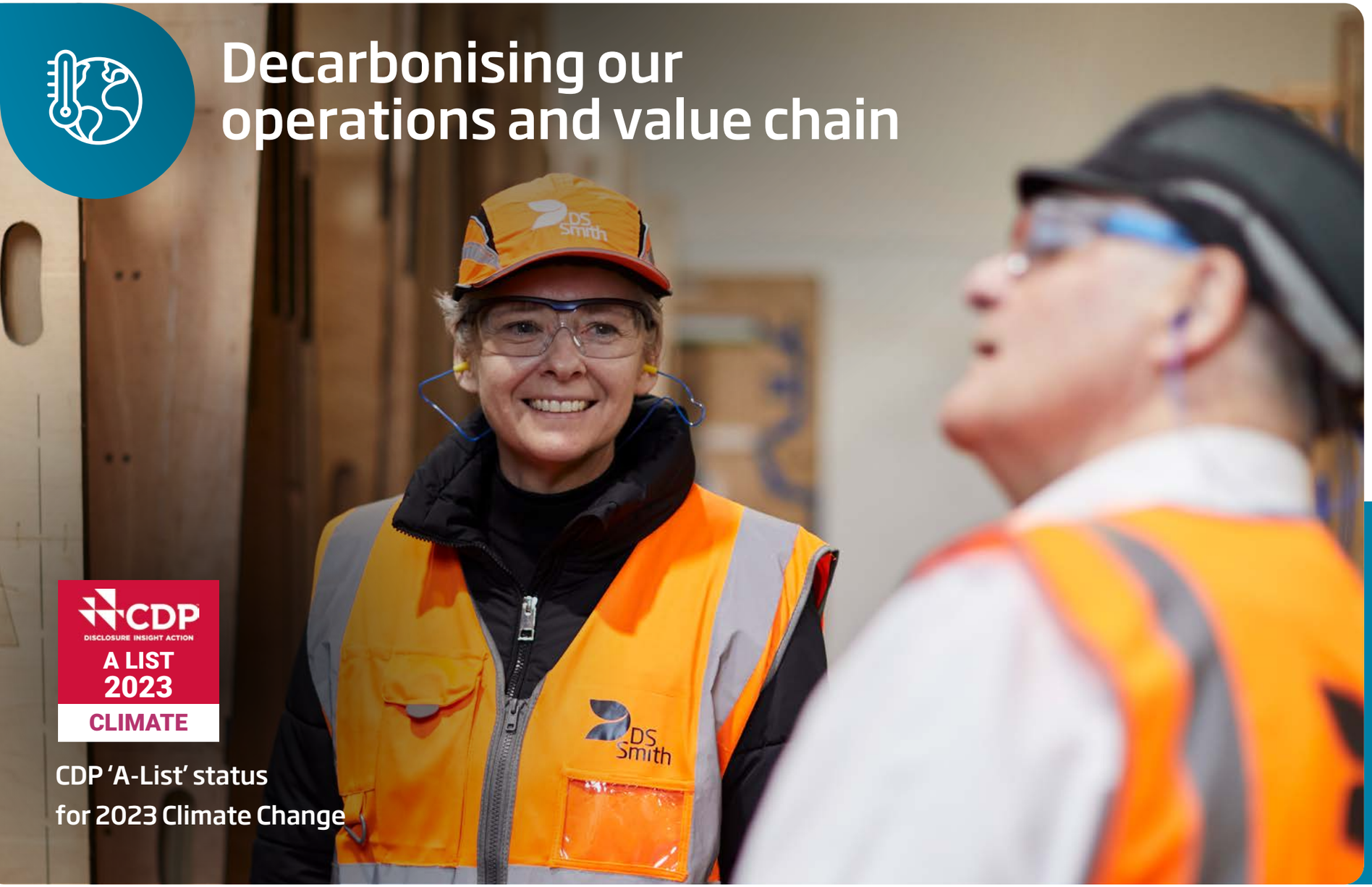
Decarbonising our operations and value chain



CDP 'A-List' status for 2023 Climate Change

By increasing the effectiveness of resource utilisation and the use of renewable energy sources, applying circular economy principles has the potential to reduce greenhouse gas emissions.

Greenhouse gas reduction targets will be reached by addressing how we generate and consume energy as well as changing the way society makes and uses products and investing in renewable energy solutions.

Decarbonising our operations and value chain is crucial to reduce the effects of climate change, which has significant impacts on natural ecosystems, air quality and human health.

Driving carbon reduction strengthens capacity on climate change mitigation, adaptation and impact reduction.

2023/24 highlights

19%

reduction in Scopes 1, 2 and 3 GHG emissions since 2019/20

Published our inaugural

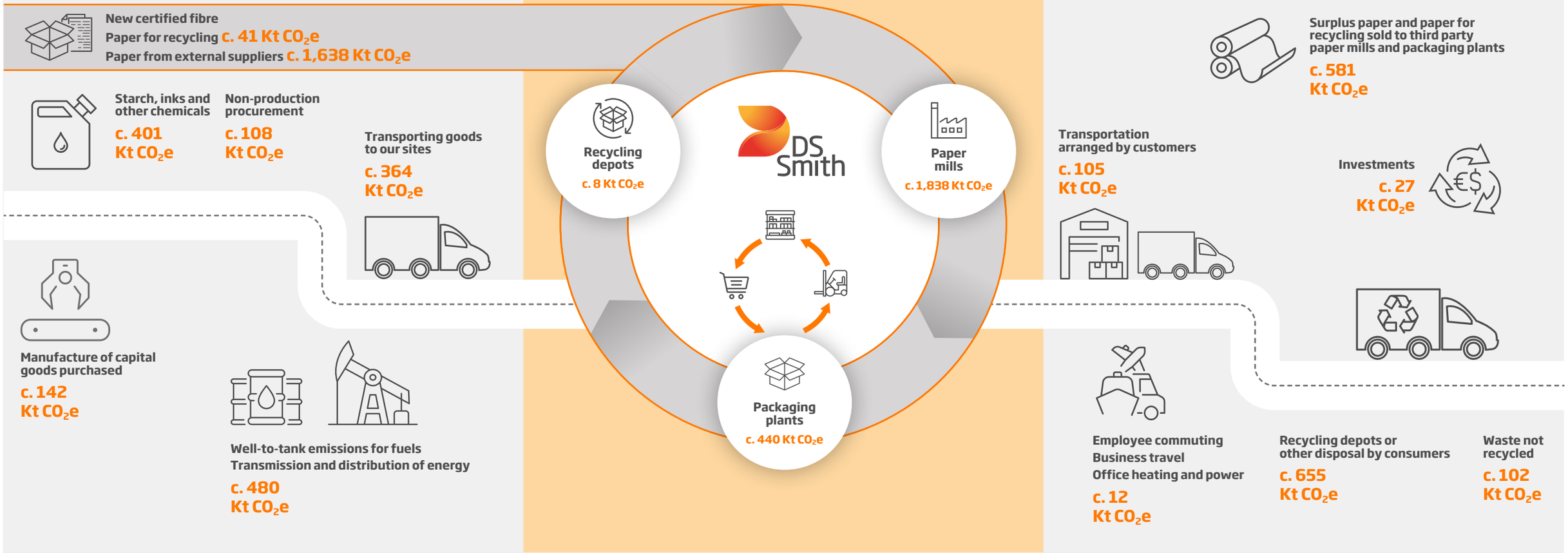
Net Zero Transition Plan

Our carbon footprint

Scope 3
Upstream emissions
These emissions are generated upstream, by our suppliers, in the sourcing and manufacture of the things we buy.

Scope 1 and 2
Direct operations
These emissions are generated by us, in our own operations, predominantly from the thermal and electrical energy needed to produce paper and cardboard.

Scope 3
Downstream emissions
These emissions are generated downstream, by our customers and consumers, in subsequent transformation and end of life processing of the things we sell.



Figures for 2023/24. Kt CO_2e – thousand tonnes carbon dioxide equivalent.
Some detail omitted for simplified visual representation - refer to the tables on page 58 for complete emissions reporting.

Decarbonising our operations and value chain

By 2030, reduce Scope 1, 2 and 3 GHG emissions by 46 per cent compared to 2019*

In 2023/24, GHG emissions across all three scopes totalled 6,985,269 tonnes CO_2e (2022/23: 7,391,418 tonnes CO_2e), which is a 5 per cent reduction compared to last year and 19 per cent compared to the base year (2019/20: 8,645,693 tonnes CO_2e).

A 4 per cent reduction in Scope 1 and 2 (market-based) compared to last year was primarily a result of changes made in preparation for the new waste-to-energy facility at the Aschaffenburg mill (c. 14,000 tonnes CO_2e), alongside other smaller projects, and a strengthened focus on energy efficiency initiatives (c. 27,000 tonnes CO_2e).

A 6 per cent reduction in Scope 3 was primarily the result of methodology development. In contrast to last year, changes in production volumes did not have a significant impact in 2023/24, other than the closure of Pazardzhik (Trakia) paper mill during the period and several other smaller non-core operations resulting in an emissions reduction of c. 50,000 tonnes CO_2e.

Decarbonisation projects at our paper mills

The Aschaffenburg project has already delivered a reduction of c.14,000 tonnes CO_2e as a result of ceasing excess electricity sales, instead importing only our electricity requirement. Further smaller-scale energy reduction initiatives at Belisce, Dueñas, Kemsley, Lucca, Reading and Viana contributed c. 23,000 tonnes CO_2e reduction. An additional c. 4,000 tonnes CO_2e was found in biogas improvements at Zarnesti. Several significant transition projects continued to be progressed, including the transition from coal to biomass at Rouen. We continued to develop our decarbonisation roadmap for our paper mills, optimising for best cost solutions and carrying out assessments relating to future decarbonisation projects.

Decarbonisation projects at our packaging plants

In 2023/24, our organic investment programme continued to bring energy efficiency benefits, with upgrades made from new corrugator machines and boilers to LED lighting. We continued to progress our energy efficiency programme, maintaining ISO 50001:2018 energy management system at 100 per cent of our in-scope sites (covering 90 per cent of our energy consumption).

Our packaging plants and recycling depots tend to be more exposed to changes in the fuel mix for imported grid electricity and during the period we experienced c. 6,000 tonnes CO_2e increase in emissions from purchased electricity independent of contractual arrangements in place. This adverse impact was mitigated by a minor reduction in consumption as a result of energy efficiency projects and reduced volumes.

Decarbonising our value chain

During 2023/24, we continued to develop our understanding of our value chain emissions, led by a cross-functional Scope 3 working group. This consists of both delivering our supplier engagement programme (see page 26) and developing our carbon reporting. We implemented a range of methodology improvements to begin to report the performance of our suppliers more accurately. This includes utilising CDP (2023) sector-average emission factors, reflecting CDP-reviewed data for over 8,900 respondents backed by a robust and transparent methodology. We changed from applying a single European average recycling rate for paperboard packaging to country-level rates (source: EuroStat 2023) to capture end of life emissions more accurately across our markets in Europe. Finally, exceptional events in the prior period resulted in reduced emissions for waste generated in operations.

Total Scope 1, 2 (market-based) and 3 GHG emissions

2023/24	6,985,269
2022/23	7,391,418
2021/22	8,250,702
2020/21	8,373,310
2019/20	8,645,693

* DS Smith commits to reduce absolute Scope 1, 2 and 3 GHG emissions 46.2% by FY 2030 from a FY 2019 base year.

Rouen paper mill biomass boiler

In partnership with Engie, the coal-fired boiler at Rouen mill is being replaced with a new biomass boiler, which will supply c. 80 per cent of the heat demand and is anticipated to be operational by 2025/26.

It is expected that the 56 MW Valmet boiler will be fuelled by c. 30 per cent plant by-products (pulper waste) and c. 70 per cent waste wood from sources such as furniture and demolition waste.

The project was granted approval by the Regional Biomass Scheme in 2022 and is supported by local authorities including a €15 million subsidy from the French Agency for Ecological Transition (ADEME). It is anticipated that by 2025/26, this will save c. 99,000 tonnes CO_2e per year.

Publishing our first Net Zero Transition Plan

In 2023/24, we prepared our first Net Zero Transition Plan, with reference to the UK Transition Plan Taskforce (UK TPT) framework. Our plan communicates the targets, actions and resources that we are deploying to enable the transformation to Net Zero for 2050 and our science-based target for 2030. It is a living document, setting out our response to climate change and highlighting key initiatives that are intended to contribute to an economy-wide transition.

Our plan describes three main levers that we intend to use to continue to reduce emissions, alongside how we engage with our suppliers, customers and consumers.

Reduce

- Reducing energy consumption
- Reducing material consumption
- Reducing waste generation

Switch

- Switching to renewable energy

Adopt

- Adopting new technologies

Our Net Zero Transition Plan can be found online at dssmith.com/sustainability/reporting-hub/

Decarbonising our operations and value chain continued

By 2027, encourage 100 per cent of our strategic suppliers* to set their own science-based targets

We engage our strategic suppliers to set science-based targets, deploying bespoke engagement mechanisms depending on supplier maturity, towards delivering our Now & Next target, 'By 2027, encourage 100 per cent of our strategic suppliers to set their own science-based targets.'

We prioritise 'strategic suppliers', which we define as the suppliers with whom we hold a long-term, mutually cooperative relationship with mutual commitment, where significant and ongoing value is accrued to both parties through operational capabilities.

We typically have a strong relationship with these suppliers, meaning we have a great degree of leverage to influence actions.

Given that our strategic paper suppliers generate our greatest source of upstream emissions, our Paper Sourcing team regularly meets with suppliers to review their decarbonisation progress and discuss their plans.

We engage less mature suppliers through the Supplier Leadership on Climate Transition initiative, founded by some of our key customers, to encourage them to calculate their carbon footprint, set a science-based target and begin reducing emissions.

Over the next year, we will engage more suppliers as a member of the CDP Supply Chain programme, completing our first CDP cycle in 2023. This enables us to collect data to measure the progress made in our supply chain.

We continue to assess the sustainability practices of our suppliers annually, using EcoVadis, in addition to requiring that our suppliers adhere to our Global Supplier Standards.

In line with our Supplier Management Policy, we aim to retain and engage suppliers in instances where the engagement does not lead to desired changes. In extreme cases, non-adherence can result in exiting a relationship with a supplier.

We estimate that in 2023/24, 42 per cent of our Scope 3 Category 1 (Purchased Goods and Services) emissions were generated by strategic suppliers who have set, or are in the process of setting, their own science-based target (2022/23: 32 per cent).

Percentage of purchased goods and services emissions from suppliers with a science-based target

Reach Net Zero by 2050

The transition to Net Zero and the circular economy will not happen overnight, nor will it be delivered by any given company operating in isolation. 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).

In order to reach Net Zero, we intend to use high-quality offsets only as a last resort to balance a maximum of 10 per cent of remaining 'hard-to-abate' emissions through high-quality natural climate and technological solutions. We are monitoring the development of these solutions, including carbon capture, usage and storage (CCUS), and the role they may play in our plan.

We have begun the process of responding to the Science Based Target initiative (SBTi)'s updated requirements for Net Zero Validation, including the requirement for our industry to set a target to decarbonise 'FLAG' (Forest, Land and Agriculture) emissions and set a no deforestation commitment, which we aim to complete in 2025.

* We define 'strategic suppliers' as companies with whom we have a long-term, mutually cooperative relationship with mutual commitment where significant and ongoing value is accrued to both parties through operational capabilities. In 2023/24, we categorised 110 of our suppliers as 'strategic'. Within our current Scope 3 inventory, we estimate that these companies generate c. 76 per cent of emissions in Scope 3 Category 1: Purchased Goods and Services. This figure may change as we adopt supplier-specific emission factors in our inventory.

Information and policies

See our Net Zero Transition Plan for more information about our plans to deliver our science-based target for 2030, including our engagement strategy

Scope 3 supplier engagement programme: Marbach

Marbach is one of our global strategic suppliers and a technological leader in tool and die manufacturing for the packaging industry. Our Procurement Enablement team first engaged with Marbach in December 2022, introducing them to the Leadership on Climate Transition programme. The Supplier Leadership on Climate Transition (Supplier LoCT) is an initiative to support our least mature strategic suppliers to calculate their carbon footprint, set a science-based target, and implement an emissions reduction programme.

With our support, Marbach are completing their third season of the Supplier LoCT programme. The LoCT programme 'Scope 3' has given Marbach valuable information regarding data collection. Through seminars, they were able to determine their main Scope 3 emissions more precisely and accurately and adapt and improve their calculations in some categories from spend-based to average-based surveys in the future.

Sustainability is an integral part of Marbach's philosophy, and in 2023 they decided to be more precise in their targets and defined their important topics. They set up a sustainability programme, disclosed to CDP for the first time and committed to setting a science-based target.

To support their sustainability programme and strengthen their commitment, Marbach created a sustainability team, that set quantitative and qualitative goals, improved data quality, and became members of organisations such as UN Global Compact, CDP and Science Based Targets initiative (SBTi). Marbach's increased focus on sustainability has enabled them to improve their EcoVadis score from 42 in 2019 to 61 in 2024, achieving a silver medal, an award that reflects their commitment to responsible business activities.

In 2024 Marbach intends to set a near-term target for validation by SBTi, 42 per cent in Scopes 1 and 2 by 2030, and 25 per cent in Scope 3 by 2030. In the future, Marbach intends to implement its first human rights assessment in Malaysia, provide training for employees on code of conduct and environmental awareness, conduct a financial materiality assessment in preparation for the Corporate Sustainability Reporting Directive (CSRD) and submit their Communication on Progress (CoP) UN Global Compact and CDP Climate disclosure.

"We would recommend the Supplier LoCT programme to all and have already registered for the next course on SBTi Targets. The programme has helped us become a leader in sustainability, enabling us to have conversations with important individuals within our customers' organisations that otherwise we would not have reached. It has also improved the sustainability performance in our employee satisfaction surveys."

Eva-Maria Agreiter
Sustainability Manager, Marbach