



EU Taxonomy

2023/2024



Introduction to the EU Taxonomy

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 Regulation 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 Regulation 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:

1. Climate change mitigation
2. Climate change adaptation
3. Sustainable use and protection of water and marine resources
4. Transition to a circular economy
5. Pollution prevention and control
6. Protection and restoration of biodiversity and ecosystems.

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'). This is the full disclosure as referenced on pages 78-79 of DS Smith Annual Report 2024.

How does it work?

The Taxonomy Regulation 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 Regulation 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 assets or processes associated with qualifying economic activities, and (3) operational expenditure related to assets or processes associated with 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 Regulation 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 Taxonomy Regulation.

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



Identified EU Taxonomy activities

Evolution of our voluntary disclosure

DS Smith Annual Report 2022

First year of Taxonomy disclosure

In DS Smith Annual Report 2022, for our first year of voluntary EU Taxonomy disclosure, we mapped our activities to the EU Taxonomy-eligible business activities as set out in the Delegated Regulation (EU) 2021/2139 (Climate Delegated Act) and identified the per cent of total Group turnover, capital expenditure and operating expenditure relating to EU taxonomy-eligible activities.

DS Smith Annual Report 2023

Second year of Taxonomy disclosure

For DS Smith Annual Report 2023, reflecting the development of the Taxonomy, we 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.

DS Smith Annual Report 2024

Third year of Taxonomy disclosure

For 2023/24, we refreshed our review of activities to include the new set of activities and criteria introduced with Delegated Regulation 2023/2486 (the 'Taxonomy Environmental Delegated Act').

Identified eligible activities

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.



1. Cogeneration of heat/cool and power from bioenergy

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 by-products of the virgin papermaking process. Renewable sources for all energy types contributed c. 29 per cent of total energy consumption in 2023/24.

2. Collection and transport of non-hazardous waste in source segregated fractions

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.

3. Construction, extension and operation of waste water collection and treatment

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.

4. Forest management

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.

5. Installation, maintenance and repair of energy efficiency equipment

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.

Relevant NACE codes and sectors

1. (D35.11, D35.30) (Energy)
2. (E38.11) (Water supply, sewerage, waste management and remediation)
3. (E37.00) (Water supply, sewerage, waste management and remediation)
4. (A2) (Forestry)
5. (C16, C17) (Construction and real estate)

Taxonomy Regulation-eligible and aligned turnover

Economic Activities	Code	Absolute turnover £m	Proportion of turnover %	Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')						Minimum safeguards	Taxonomy aligned proportion of total turnover, 2023/24 %	Enabling activity E %	Transitional activity T %
				Climate Change Mitigation %	Climate Change Adaptation %	Water %	Pollution %	Circular Economy %	Biodiversity and ecosystems %	Climate Change Mitigation Y/N	Climate Change Adaptation Y/N	Water Y/N	Pollution Y/N	Circular Economy Y/N	Biodiversity and ecosystems Y/N				
A. Taxonomy-eligible activities																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Collection and transport of non-hazardous waste in source segregated fractions	E38.11	164,270,883	2.41	100							Y	Y	Y	Y	Y	Y	2.41		
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		164,270,883	2.41	100							Y	Y	Y	Y	Y	Y			
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Cogeneration of heat/cool and power from bioenergy	D35.11, D35.30	1,496,916	0.03																
Construction, extension and operation of waste water collection and treatment	E37.00	90,534	0.00																
Forest management	A2	14,492,346	0.21																
Installation, maintenance and repair of energy efficiency equipment	C16, C17	-	-																
"Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)"		16,079,796	0.24																
Total (A.1+A.2)		180,350,679	2.65																
B. Taxonomy-non-eligible activities																			
Turnover of Taxonomy-non-eligible activities		6,641,310,321	97.35																
Total (A+B)		6,821,661,000	100																

Taxonomy Regulation-eligible and aligned capital expenditure

Economic Activities	Code	Absolute CapEx €m	Proportion of CapEx %	Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')						Minimum safeguards	Taxonomy aligned proportion of total CapEx, 2023/24 %	Enabling activity E %	Transitional activity T %
				Climate Change Mitigation %	Climate Change Adaptation %	Water %	Pollution %	Circular Economy %	Biodiversity and ecosystems %	Climate Change Mitigation Y/N	Climate Change Adaptation Y/N	Water Y/N	Pollution Y/N	Circular Economy Y/N	Biodiversity and ecosystems Y/N				
A. Taxonomy-eligible activities																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Collection and transport of non-hazardous waste in source segregated fractions	E38.11	7,593,000	1.50	100							Y	Y	Y	Y	Y	Y	1.50		
Installation, maintenance and repair of energy efficiency equipment	C16, C17	182,254	0.00	100							Y	Y	Y	Y	Y	Y	0.00		
Capital expenditure of environmentally sustainable activities (Taxonomy-aligned) (A.1)		7,775,254	1.50	100							Y	Y	Y	Y	Y	Y	1.50	0	0
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Cogeneration of heat/cool and power from bioenergy	D35.11, D35.30	9,873,000	1.95																
Construction, extension and operation of waste water collection and treatment	E37.00	1,734,255	0.34																
Forest management	A2	2,099,956	0.42																
Installation, maintenance and repair of energy efficiency equipment	C16, C17	65,884,404	13.02																
Capital expenditure of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		79,773,870	15.73																
Total (A.1+A.2)		87,366,870	17.23																
B. Taxonomy-non-eligible activities																			
Capital expenditure of Taxonomy-non-eligible activities		418,633,130	82.77																
Total (A+B)		506,000,000	100																

Taxonomy Regulation-eligible and aligned operating expenditure

Economic Activities	Code	Absolute OpEx €m	Proportion of OpEx %	Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')						Taxonomy aligned proportion of total OpEx, 2023/24 %	Enabling activity E %	Transitional activity T %	
				Climate Change Mitigation %	Climate Change Adaptation %	Water %	Pollution %	Circular Economy %	Biodiversity and ecosystems %	Climate Change Mitigation Y/N	Climate Change Adaptation Y/N	Water Y/N	Pollution Y/N	Circular Economy Y/N	Biodiversity and ecosystems Y/N				Minimum safeguards Y/N
A. Taxonomy-eligible activities																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Collection and transport of non-hazardous waste in source segregated fractions	E38.11	1,894,832	0.83	100							Y	Y	Y	Y	Y	Y	0.83		
Operating expenditure of environmentally sustainable activities (Taxonomy-aligned) (A.1)		1,894,832	0.83	100							Y	Y	Y	Y	Y	Y	0.83	0	0
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Cogeneration of heat/cool and power from bioenergy	D35.11, D35.30	-	-																
Construction, extension and operation of waste water collection and treatment	E37.00	-	-																
Forest management	A2	-	-																
Installation, maintenance and repair of energy efficiency equipment	C16, C17	-	-																
Operating expenditure of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		-	-																
Total (A.1+A.2)		1,894,832	0.83																
B. Taxonomy-non-eligible activities																			
Operating expenditure of Taxonomy-non-eligible activities		226,688,168	99.17																
Total (A+B)		228,583,000	100																

Do No Significant Harm (DNSH)

For an economic activity to qualify as 'environmentally sustainable', it must not cause significant harm to any of the other Taxonomy objectives. These criteria have been considered in determining taxonomy alignment.

Minimum safeguards

For an economic activity to qualify as 'environmentally sustainable', it must be conducted in compliance with minimum safeguards. This means that due diligence must be conducted to avoid any negative impacts and align with the human and labour rights standards presented in the OECD guidelines, UN Guiding Principles on Business and Human Rights, and Labour Rights conventions.

We respect the fundamental rights of all people.

This commitment is described in our Code of Conduct and other policies which set the expectations that apply to all our employees.

We are committed to all fundamental human rights and standards, including:

- The UN Sustainable Development Goals
- The ten principles of the United Nations Global Compact
- The Universal Declaration of Human Rights
- The UN Guiding Principles on Business and Human Rights
- The International Labour Organisation's (ILO) Declaration on Fundamental Principles and Rights at Work
- The United Nations International Convention on the Elimination of All Forms of Racial Discrimination.

See DS Smith Sustainability Report 2024, page 39 for our approach to human rights due diligence.

Proportions of Taxonomy-eligible and Taxonomy-aligned turnover, capital expenditure and operating expenditure

In 2023/24, c. 3 per cent of turnover, c. 17 per cent of capital expenditure and c. 1 per cent of operating expenditure related to Taxonomy-eligible activities.

Of this, c. 2 per cent of turnover, c. 2 per cent of capital expenditure and c. 1 per cent of operating expenditure was Taxonomy-aligned.



Accounting principles

Turnover, capital expenditure and operating expenditure

The turnover, capital expenditure and operating expenditure metrics reported on pages 4, 5 and 6 are presented in the reporting templates set out in Annex II of the Disclosures Delegated Act, as provided by the EU Taxonomy Calculator.

Turnover

The turnover figures are the external revenues derived from products or services associated with each qualifying activity, accounted under IFRS standards, in line with the Group's total turnover.

The total turnover figure is the Group revenue figure as reported in DS Smith Annual Report 2024.

See the 'significant accounting policies' within the notes to the consolidated financial statements of DS Smith Annual Report 2024. See page 149 of DS Smith Annual Report 2024 for the Group's definition of revenue.

Capital expenditure

The capital expenditure figures are the capital expenditure ('CapEx') associated with each qualifying activity, which is defined as tangible, intangible and right of use asset additions during the financial year.

The total capital expenditure figure is the 'additions' to Property, Plant and Equipment reported in note 11 of the notes to the consolidated financial statements on page 167 of DS Smith Annual Report 2024.

In preparing the capital expenditure disclosure, there has not been the opportunity to analyse right-of-use asset additions in detail. As a result, the numerator has been prepared including an estimation for right-of-use asset additions to the tangible and intangible asset additions.

Operating expenditure

The operating expenditure figures are the maintenance and repair-related operating expenditure ('OpEx') associated with each qualifying activity. The total operating expenditure figure for maintenance and repair is included within the operating costs as reported in the consolidated income statement on page 142 of DS Smith Annual Report 2024. Overall operating costs are included within note 3 to the Accounts on page 157 of DS Smith Annual Report 2024.

There were no key changes in this methodology compared to the previous year of reporting.



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