



Redefining Packaging for a Changing World

Annual Report 2024

2023/24 Highlights

Financial

£6,822m

Revenue
(2023: £8,221m)

£701m

Adjusted operating profit¹
(2023: £861m)

10.7%

ROACE²
(2023: 14.3%)

2.1x

Net debt/EBITDA
(2023: 1.3x)

10.3%

Return on sales¹
(2023: 10.5%)

£503m

Profit before tax
(2023: £661m)

18.0p

Dividend per share
(2023: 18.0p)

(£175)m

Free cash flow¹
(2024 cash conversion: 39%)

Non-financial

>1.2bn

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

19%

reduction in total GHG emissions since 2019 (5% reduction vs 2023)

100%

reusable or recyclable packaging manufactured (target achieved)

9%

reduction in accident frequency rate vs 2023

In April 2024, the Board recommended an offer from International Paper to combine the business through an all-share transaction.

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.

Contents

Strategic Report

1	The DS Smith difference
2	Our business - at a glance
3	Our Purpose framework
4	Chair's statement
5	Section 172 statement
6	Group Chief Executive's review
8	Our strategy
10	Our KPIs
12	Our market
14	Our business model
16	Partnership and collaboration
18	Efficiency and delivery
20	Sustainability and circularity
22	Stakeholder engagement
24	To delight our customers
26	To realise the potential of our people
30	To lead the way in sustainability
38	To double our size and profitability
39	Operating review
43	Financial review
49	Risk management
52	Our principal risks
57	Viability statement and Going concern
60	Task Force on Climate-related Financial Disclosures (TCFD)
78	EU Taxonomy
80	Non-financial and sustainability information statement

Governance

84	Board of Directors
88	Chair's introduction to governance
90	Division of responsibilities
92	Corporate governance in context
93	Board leadership and Company Purpose
95	Nomination Committee Report
98	Audit, risk and internal control
100	Audit Committee Report
106	Remuneration Committee Report
129	Additional information
131	Statement of Directors' responsibilities

Financial Statements

132	Independent Auditor's report
142	Consolidated income statement
143	Consolidated statement of comprehensive income
144	Consolidated statement of financial position
145	Consolidated statement of changes in equity
146	Consolidated statement of cash flows
147	Notes to the consolidated financial statements
206	Parent Company statement of financial position
207	Parent Company statement of changes in equity

208	Notes to the parent Company financial statements
216	Five-year financial summary
217	Glossary
218	Shareholder information

Our 2024 reporting suite



[Sustainability Report 2024](#)



[ESG Databook 2024](#)



[Net Zero Transition Plan 2024](#)

DS Smith highlights

The DS Smith difference

An industry leader at scale

A leading supplier of innovative, sustainable packaging solutions in more than 30 countries in Europe and North America. Our scale, innovation, sustainability credentials and strong purpose set us apart and allow us to invest to become a more sustainable business.

Strong market drivers

The packaging industry faces changing consumer behaviours, economic challenges and an ongoing drive towards sustainability.

- Changing retail channels and consumer behaviour - consumers are looking for more value and retailers are demanding more cost efficient and sustainable packaging solutions.
- Sustainability - we are helping our customers respond by designing out waste, keeping valuable materials in use and making it easier for consumers to reuse and recycle packaging.
- E-commerce - while growth in e-commerce has steadied, the opportunity remains significant.

[See more on page 12](#)



Strong customer focus



- Strong relationships with our predominant customer base of fast moving consumer goods (FMCG) and consumer brands.
- We partner with our customers to provide innovative packaging solutions helping drive their sustainability agenda.
- We continue to gain market share through exceptional service, quality and security of supply and investment in innovation, sustainability and packaging capacity.

[See more on page 25](#)

Circular business leading in sustainability

- 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 carbon reduction, resulting in excellent ESG ratings.
- We have already replaced over 1.2 billion items of single-use plastic from customers' supply chains.

[See more on pages 20-21](#)

A flexible business model

- We have a flexible business model and continue to invest in our business to improve operational and environmental efficiency, add capacity and generate higher returns.

[See more on pages 14-15](#)

Investing for a more sustainable business



- We keep strong financial discipline recognising the cyclical nature of the industry and maintain an investment grade rating.
- We continue to invest organically in our business focusing on innovation, environmental and operational efficiency and growth and capacity.

[See more on pages 38-48](#)

Our business

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. 25,120 employees
c. 8.5 billion m² corrugated board sold in 2023/24

 **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 14 CCM paper mills, 12 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).

c. 3,200 employees
c. 4.1 million tonnes CCM produced in 2023/24

 **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.

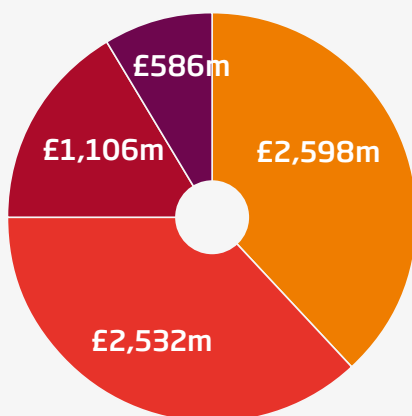
c. 660 employees
c. 5.4 million tonnes fibre managed in 2023/24

Where we operate

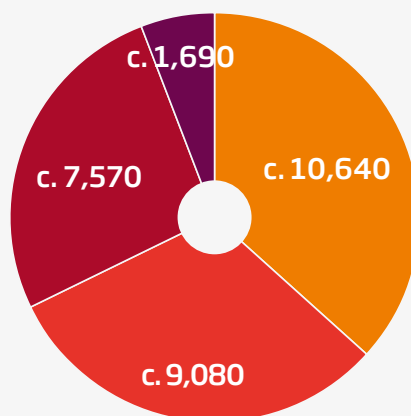
Our business operates in four geographic segments.

- **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

2023/24 revenue



2023/24 employees



Our Purpose framework

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 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 8-9 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 32-33 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

Chair's statement



“Our resilient performance reflects the strong collaboration and partnerships with our customers and continued innovation as we work together to create sustainable packaging solutions.”

Geoff Drabble
Chair

2023/24 strategic progress

In a challenging market we have delivered a resilient performance with continued focus on customer service, cost mitigation and efficiency gains. The macroeconomic environment, cost of living and inflationary pressures all led to lower consumer demand, de-stocking and our volumes remained constrained during the first half of the year. This trend has improved in the second half in our markets and we expect volumes to continue to improve into the next financial year.

The collaboration and partnership with our customers and continued innovation as we work together to create sustainable packaging solutions have resulted in new FMCG contract wins and a further strengthening of relationships with existing customers. Our robust 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.

The long-term structural growth drivers for corrugated packaging remain strong and we continue to invest in our business, supporting our customers, driving both operational and environmental efficiency and growing our capacity and capabilities. In the year we opened a new innovation hub, and this UK-based facility allows us, our customers and partners to accelerate the research and development of new packaging solutions.

As well as investing in upgrading our paper mills in Lucca, Italy and Viana in Portugal, to increase production and efficiency, we started construction of a new biomass-from-waste boiler in France which will reduce greenhouse gas (GHG) emissions by 99,000 tonnes CO₂e.

Combination with International Paper

DS Smith is a high-quality business with an excellent customer focus and exceptional people and this has been recognised by the strong interest we have seen in the Company.

In April, the Boards of International Paper Company and DS Smith reached an agreement and recommended an all-share combination of International Paper with DS Smith. The combination will bring together complementary businesses to create a truly global sustainable packaging solutions leader, with industry-leading positions in two of the most attractive geographies of Europe and North America. The combined business will enhance our global proposition to customers, create opportunities for colleagues and drive value for shareholders who can remain fully invested in such an exciting business. Further details on the proposed transaction can be found at www.dssmith.com.







Sustainability

Sustainability is central to our circular business model. We continue to work actively with our customers to help them address their sustainability challenges and have launched multiple new innovative solutions and hit our target to replace one billion units of plastic for our customers one year early.

Following the refresh of our Now & Next Sustainability Strategy announced last summer, we continue to embed the strategy into our business with key projects and initiatives underway to lead the transition to a low-carbon circular economy. These include developing our roadmap of decarbonisation projects for our science-based target, supplier engagement programme and human rights due diligence programme.

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 22 and 23. More information about the Board balancing stakeholder interests is set out on page 89. 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 [s.172](#) to highlight the examples referred to below. The table below illustrates aspects of the Board's approach to its duties under section 172 of the Companies Act 2006:

Stakeholder	Strategic Report	Governance
 Our customers	Pages 16 and 17 (collaboration), 22 (engagement)	Page 93 and 94 (engagement with our customers via updates from sales, marketing and innovation functions)
 Our people	Pages 22 and 27 (engagement and feedback), 27 (decisions made in consultation with employees), 27 (engagement on health and safety)	Pages 93 (engagement with our workforce), 93 (EWC meetings), 93 (EWC representative attending Remuneration Committee meetings and Remuneration Committee Chair attending EWC Executive meetings), 93 (update on diversity, equity and inclusion and active networks), 94 (Board visits)
 Our investors	Page 22 (engagement)	Pages 93 (engagement with our shareholders), 93 (briefing on views of institutional investors)
 Our suppliers	Page 22 (engagement and supplier standards)	Page 93 (engagement with our suppliers via regular Board reports)
 The environment and communities	Pages 23 (engagement with stakeholders on environmental matters and charitable giving), 31 (engagement with ESG rating agencies)	Pages 89 (briefing on development of the Net Zero Transition Plan), 94 (engagement with other stakeholders including briefing on community engagement)
 Governments and non-governmental organisations	Page 23 (engagement)	Page 94 (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.

The Board

There have been several changes to the Board over the past year, including Miles Roberts announcing his intention to step down as Chief Executive by 30 November 2025. During Miles' 13-year tenure, he has transformed the Group into what it is today. There will be plenty of time to thank Miles properly when he leaves, and he will be much missed by both the Board and his colleagues within the wider business.

Richard Pike joined the Group in the prior financial year, replacing Adrian Marsh on the Board in June 2023, and we also welcomed two other new Board members: Eric Olsen who joined the Board in May 2023 and Tessa Bamford who joined the Board in January 2024.

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 16th consecutive year we have seen an improvement in our health and safety KPIs, an area that is a key priority for the Board.

Capital allocation and dividend

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

Despite the reduction in profits, and reflecting our robust financial position and confidence in the future performance and opportunities for the business, the Board is maintaining the dividend at the same level as last year. This means in respect of 2023/24, we paid an interim dividend of 6.0 pence and propose a final dividend of 12.0 pence, together 18.0 pence.

Our strategic direction and outlook

The positive trends in packaging volumes from the second half of last year have continued into the current financial year and we remain focused on pricing, operational efficiency and tight cost control. The increasing demand is resulting in higher paper and other input costs, including OCC. We anticipate this will be reflected in packaging price rises, with the benefits expected to be weighted to the second half of our current financial year and provide further momentum into FY26.

Group Chief Executive's review



“We have continued to position the business to maximise on opportunities for growth by investing in efficiency, innovation and value-added sustainable products and services.”

Miles Roberts
Group Chief Executive

Redefining Packaging for a Changing World

Over the past ten years, DS Smith has grown significantly through dedication to customers and a focus on innovation, quality of packaging and high levels of service. Earlier this year, these qualities attracted the interest of International Paper to combine two focused and complementary businesses.

The proposed combination with International Paper is an attractive opportunity to create a truly international sustainable packaging solutions leader that is well positioned in attractive and growing markets across Europe and North America. The combination will enhance our global proposition to customers, create opportunities for colleagues and drive value for shareholders who can remain fully invested in such an exciting business.

Turning to 2023/24, we have delivered a resilient performance this year despite tough economic conditions, and I am pleased with the progress we have made. Whilst the challenging market conditions have led to a lower demand environment and an impact on volumes, we have seen an improving trend in the second half including some important customer wins.

Our leadership in sustainability and the circular economy ideally positions us to maximise growth opportunities with new and existing customers as we partner on new innovation projects and value-added sustainable products and services.

Central to this strategy is our global Research & Development (R&D) and Innovation Centre, 'R8', based just outside Birmingham, UK. The new facility is the innovation hub for the Company, allowing us to accelerate radical innovation in packaging and services and run pilot programmes with our customers.

Alongside our focus on increasing innovation and growth, we are focusing on cost efficiencies through energy savings programmes, and by improving operational performance and productivity across our sites. We have invested in our operations to drive further efficiencies, including a new fibre preparation line at Kemsley mill in the UK; targeting improved production at our Margarethen am Moos and Kalsdorf bei Graz sites in Austria; and minimisation of raw material waste at our Ierapetra, Corinth and Thessaloniki Packaging sites in Greece.

Efficiency is core to our Sustainability Strategy. We are committed to developing our plans in line with climate science and this year we have produced our first Net Zero Transition Plan, which describes the actions we are taking to deliver our science-based target, which is to reduce our Scope 1, 2 and 3 greenhouse gas (GHG) emissions by 46 per cent by 2030, compared to 2019. Since our 2019/20 base year, we have achieved a 19 per cent reduction in total GHG emissions and in 2023 we were recognised for corporate transparency and performance on climate change by global environment non-profit CDP, securing a place on its annual 'A List'.

In addition to the progress made towards our science-based target, this year we have met an important sustainability metric for our circular, fibre-based business. As part of our Now & Next Sustainability Strategy, we set a target to help our customers remove one billion pieces of plastic by 2025. I am very proud to say that we have now exceeded this target, and done so more than a year ahead of schedule. This is a collective achievement across the Group and I would like to thank our customers and colleagues for their ambition and tenacity.

Our colleagues are what drive our business forward, and in 2023/24 we have accelerated progress on our wellbeing, diversity, equity and inclusion agendas. I am pleased to note that we achieved an increase in perception of DS Smith as a safe employer and an inclusive place to work by 5 per cent and 7 per cent respectively.

Critically, we made another notable advancement towards our Vision Zero by achieving our highest level of health and safety engagement on record, resulting in our safest year to date.

There is much of which we can be proud this year. I am sure that the business will continue to flourish as part of a combined group with International Paper due to the capability and continued commitment of our colleagues. We know we can have the greatest positive impact by meeting demand for more sustainable lifestyles and helping to create a low-carbon, circular economy. It is a journey we have been on with customers and colleagues for more than a decade and we will continue on this path as we deliver our Purpose of Redefining Packaging for a Changing World.

Q&A

How have lower paper prices and volumes affected the business and what do you expect going forward?

I am pleased with our robust performance, set against a backdrop of high inflation and a weak paper and consumer demand environment. Our performance has been driven by our focus on customers, quality, service and innovation together with the benefit from our self-help productivity initiatives. We are seeing momentum in packaging volumes, with the second half of the year showing positive volume growth, and we remain focused on pricing, operational efficiency and tight cost control. Paper prices increased in the final quarter of the year and we expect to recover these through higher packaging prices, with the usual lag. Our strong customer relationships and excellent service levels have led to a number of recent FMCG customer contract wins, underpinning our confidence in the future.

Why have you invested in the R8 innovation and R&D centre?

Our customers include some of the most iconic brands in the world, and they rightly make challenging demands of us – sustainability is high on their agenda as consumers want increasingly sustainable lifestyles. Our investment is intended to spearhead research in new materials and manufacturing, maximising the growing demand for sustainable packaging, and the innovation needed to deliver it.

Our new global Research & Development (R&D) and Innovation Centre, 'R8', allows us, our customers and partners to accelerate the research and development of radically new and sustainable packaging fulfilment solutions and to help customers visualise the value we can bring.

The facility includes a 4,000m² pilot hall, four laboratories, conditioning chambers, an ideation and design studio, prototyping areas and collaboration spaces. Projects will be informed by key industry drivers rooted in sustainability, supply chains and data. Among the leading-edge technologies at 'R8' is a modular Pilot Line, inspired by the automotive industry and developed in Italy, which uses robots to make boxes from multiple components and fill them at high speed.

We will be partnering with customers to help them transition to the circular economy by focusing on novel packaging solutions that deploy new materials and technologies, and we have designed the facility to encourage scrutiny of existing ways of working and explore all the possibilities, especially for service-based offerings in the packaging supply chain. 'R8' provides a unique opportunity to demonstrate how we bring value to the biggest brands in the world.

What do recent sustainability-related changes in regulation mean for industry?

In November 2022, the European Commission published its proposal for Packaging and Packaging Waste Regulation (PPWR), which is intended to support the Commission's target of ensuring that all plastic packaging is reusable or recyclable by 2030, with a focus on reducing the amount of packaging placed on the EU market and preventing the generation of packaging waste. This introduces, for the first time, waste reduction targets for Member States, a series of new measures on recycled content, packaging minimisation and reuse and refill, as well as bans on certain types of single-use packaging.

We have worked with our trade associations in Brussels to establish a constructive dialogue with the EU institutions throughout the process. Fibre-based packaging is exempt from reuse targets in the new legislation, which ensures that recycling and reuse are seen as complementary and enables industry to innovate towards reuse solutions for the future.

We welcome the opportunity this brings for our industry to innovate towards ever more sustainable, circular solutions and to support the EU's Circular Economy Action Plan. We look forward to working with our partners and customers to innovate and lead the way in fibre-based packaging in Europe.

Our strategy

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



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.

Highlights

We collaborated with Versuni, home to some of the world’s most renowned domestic appliance brands, to produce and deliver 100 per cent recycled and recyclable packaging solutions.

The new boxes are made with 100 per cent recycled paper with durability for transportation and were designed using our Circular Design Metrics. This sustainable packaging will be extended across Versuni’s Philips home appliance global product portfolio. We are working with Versuni to replace single-use protection buffers (EDF) plastics inside the packaging with sustainable fibre-based packaging alternatives. This is a step forward in fulfilling Versuni’s commitment to deliver 100 per cent plastic-free packaging within the next four years.

Priorities for 2024/25

- Continue to accelerate our innovation agenda, producing new sustainable packaging solutions at scale for customers across our footprint in Europe and North America.
- Increase focus on delivering a world class experience for our customers through quality products, excellent service and ever closer partnerships.
- Produce high performance papers to facilitate the creation of innovative, sustainable, packaging solutions both in our business and in a competitive global market, while delivering on our carbon reduction programme.

[See pages 24-25 for more information](#)

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.

Highlights

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

Priorities for 2024/25

- Progressing toward Vision Zero.
- Maintaining a safe and inclusive workplace.
- Building critical capabilities required to deliver our business plan.
- Leading an engaged workforce to deliver customer needs.

[See pages 26-29 for more information](#)



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.

Highlights

In 2023/24, we continued to embed our refreshed Now & Next Sustainability Strategy. We introduced a new sustainability governance framework comprising expert horizontal thematic Steering Committees, Working Groups and Project teams to drive the delivery of our targets forward. In addition to achieving our target to replace one billion pieces of plastic, we furthered our projects to protect and regenerate nature and strengthened our human rights due diligence.

Priorities for 2024/25

- Iterate our Net Zero Transition Plan further, implementing key projects such as the transition to biomass at Rouen paper mill.
- Respond to the legislative environment, particularly to key issues such as the EU Deforestation Regulation (EUDR) and the Packaging and Packaging Waste Regulation (PPWR).
- Continue to roll out our Human Rights due diligence programme.

[See pages 30-37 for more information](#)



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.

Highlights

Our strong customer relationships, quality and service have led to a number of recent FMCG customer contract wins, underpinning our confidence in the outlook for volume growth going forward. While markets remain challenging, we continue to focus on providing value-added solutions to our customers and on driving operational efficiency and cost control across the Group and view the future with confidence.

Priorities for 2024/25

- Continue to develop strong customer delivery and grow market share.
- Focus on cost mitigation and efficiency.
- Continue to invest in our business.
- Drive returns for shareholders.

[See pages 38-42 for more information](#)

Our KPIs

Our non-financial KPIs

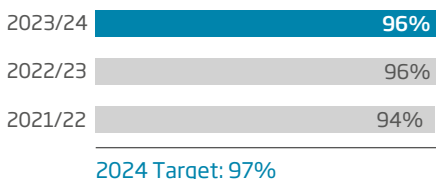


On-time, in-full deliveries (OTIF)

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.

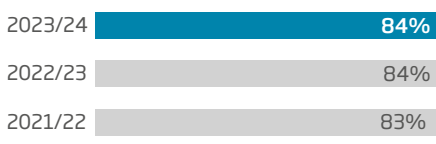


Our corrugated packaging customers by volume

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.



[See pages 24-25 for more information](#)



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	2023/24	2022/23
Total LTAs ¹	80	91
AFR ²	1.65	1.82

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 2023

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	63
Women on DS Smith Plc Board	40% ¹
Senior leadership*	31.1% 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.

[See pages 26-29 for more information](#)

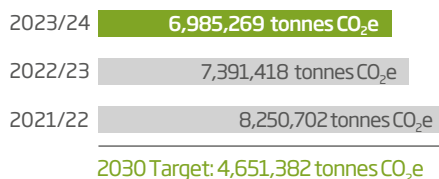


Carbon reduction

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-proofing business growth in line with the goals of the Paris Agreement.



Plastic replacement

Help our customers replace one billion pieces of plastic 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.



* Since May 2020.

[See pages 30-37 for more information](#)

Our medium-term targets

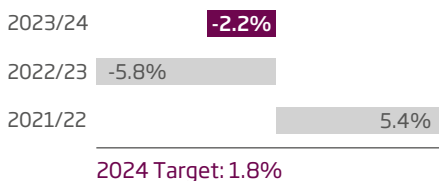


Like for like corrugated box volume growth

Like for like 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.

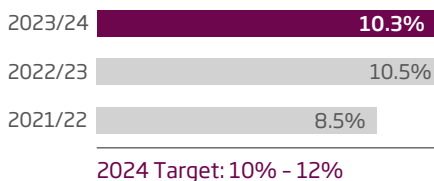


Return on sales

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.

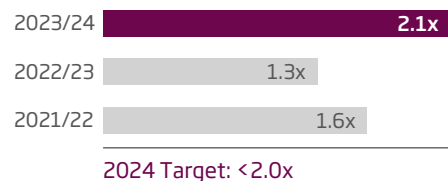


Net debt/EBITDA

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.

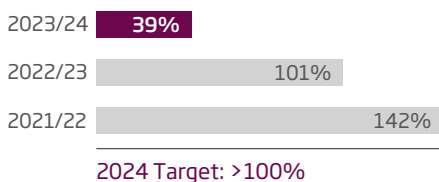


Cash conversion

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.

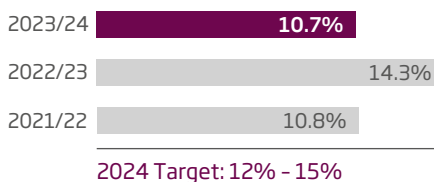


Adjusted return on average capital employed

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.



[See pages 38-42 for more information](#)

Our market

Trends driving our market forward

There is a need for a new approach to packaging and a need for strong leadership in our industry. We see the opportunity for packaging to play a powerful role in a changing world.

Retail - channels

Opportunities and challenges:

The increased cost of living has driven footfall to discount supermarkets; 65 per cent of UK consumers say they now prefer cheaper private label products over named brands¹. This shift has created growing demand for shelf-ready packaging that optimises costs, generating opportunity for us to innovate in this space for our customers. Moreover, most UK retailers have targets for sustainable packaging with plastic reduction and recycling as main targets. This is further being accelerated by changes in regulation which will mean single-use plastic is no longer an option for many producers.



How are we responding:

Collaborating with customers to find innovative packaging solutions - drive supply chain efficiencies, offer cost benefits and environmental advantages.

DS Smith helps consumers replace plastic and reduce their carbon footprint in the transition to Net Zero through the use of renewable and recyclable materials. We continue to work on identifying new plastic replacement opportunities as part of delivering our Now & Next strategy.

Read more

For more information, see our 'LiftUp' case study in the Customer section on page 25 and 'RB' in the Innovation section of Partnership and collaboration on page 16.

Sustainability

Opportunities and challenges:

Packaging has grown in the consciousness of consumers, and more of it now arrives in the home environment. Given our innovation, sustainability credentials and the recyclability of our products, 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 to reduce their Scope 3 emissions. Growth in demand for sustainable packaging also necessitates greater demand for recycling and improvement of recycling facilities to create cleaner waste streams.



How are we responding:

Being more sustainable through greater resource efficiency, using fewer resources (materials, energy and/or water) in manufacturing through design and operating efficiency and throughout the value chain.

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).

Read more

For more information, see the PPWR spotlight on page 13 and the 'Rouen' case study in the Manufacture section of Sustainability and circulatory on page 21.

E-commerce

Opportunities and challenges:

The way consumers shop has transformed dramatically. An increasing preference for online shopping, driven by convenience and lifestyle changes, has become evident. In the UK, internet sales now represent over 25 per cent of retail sales, with over 80 per cent of the population engaging in e-commerce purchases. This shift places immense pressure on businesses to ensure their e-commerce packaging solutions are innovative.

Our 2023 UK consumer study highlighted three key focus areas for retailers in e-commerce packaging:

- Sustainability: Consumers are increasingly eco-conscious. Our research indicates that one in four online shoppers would cease ordering from a company due to excessive, non-recyclable packaging.
- Durability and Protection: Packaging must protect goods effectively. With 32 per cent of consumers experiencing damaged packaging, and 58 per cent likely to stop ordering from a company due to repeated damaged products, this is a critical area.
- Ease of Returns: A smooth return process is essential as 29 per cent of consumers find the current process frustrating.

How are we responding:

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.

Collaborating with our customers to design packaging that is sustainable, durable, protective and offers reuse solutions for returns.

Read more

For more information, see the Customer section on page 25.

1. Capgemini Research Institute, consumer demand survey.

Responding to the drivers of our market

PPWR spotlight

DS Smith welcomes the Packaging and Packaging Waste Regulation (PPWR) as a fundamental measure to increase packaging circularity in Europe.

In November 2022 the European Commission published its draft proposal for a new Packaging and Packaging Waste Regulation (PPWR). The Regulation sets out the practical means by which the EU could meet the Commission's target of ensuring that all plastic packaging is reusable or recyclable by 2030, with a focus on reducing the amount of packaging placed on the EU market and preventing the generation of packaging waste.

The proposal introduces, for the first time, waste reduction targets for Member States, and a series of new measures on recycled content, packaging minimisation and reuse and refill, as well as bans on certain types of single-use packaging.

DS Smith welcomes the PPWR as a fundamental measure to increase packaging circularity in Europe, and an important part of the EU's Circular Economy Action Plan. We have worked closely with our trade associations in Brussels to establish a constructive dialogue with the EU institutions throughout the process and ensure that the new legislation ensures that recycling and reuse are seen as complementary parts of the future regulatory landscape.

As we reach the end of the process, we look forward to working with our partners and customers in ensuring a successful implementation of the legislation and continue to lead the way in packaging sustainability in Europe.



Replacing one billion pieces of plastic with our customers

As part of our Now & Next Sustainability Strategy, we set a target to help our customers replace one billion pieces of plastic by the end of April 2025. We are proud to share the news that we have replaced over 1.2 billion pieces of plastic, 16 months ahead of our 2025 target. This milestone was met through cross-functional working among DS Smith teams, including Sales, Marketing & Innovation, Group Innovation, and Group Research & Development, who have collectively been deploying the principles of circular design to deliver fibre-based solutions as a practical and cost-effective alternative to customers' existing plastic packaging. Volumes of the number of plastics alternatives sold have remained consistent each year, demonstrating continued demand for our fibre-based solutions, and reinforcing that we continue to deliver our Purpose of Redefining Packaging for a Changing World.

[See page 34 for more information](#)

>1.2bn

Over 1.2 billion pieces of plastic replaced

Our business model

To be the leader in sustainable packaging solutions

Our relationships and resources

Our people and values

We employ c. 29,000 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 to 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 the use of packaging. We use this knowledge to inform our innovation.

2. Innovation

Innovation is at the heart of our business. We have a significant 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

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.

The value we create

Satisfied customers

We develop packaging that helps our customers appeal more to consumers, 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 over 1.2 billion 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.

Our differentiators



Scale



Innovation



Sustainability and circular economy

Market drivers



Responding to retail channel changes/ consumer behaviour



Sustainability



E-commerce

Delivering value every step of the way

Partnership and collaboration

We work with world-leading partners to advance new solutions and accelerate the transition to the circular economy.

INSIGHT



>50

Impact Centres & Customer Innovation Hubs and PackRight Centres

“Our valued partnership with DS Smith is truly collaborative. The DS Smith Impact Centre is impressive and enables the exploration of new ideas on how packaging can help to achieve Britvic’s strategic and sustainable objectives.”

Victoria Priscott
Senior Category Manager – Packaging, Britvic

Our Impact Centres

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

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



INNOVATION

New state of the art innovation facility

Innovation is at the heart of our business and this year we have opened a new facility dedicated to R&D. This includes a 4,000m² pilot hall, four laboratories, conditioning chambers, an ideation and design studio, prototyping areas and collaboration spaces. Projects will be informed by key industry drivers rooted in sustainability, supply chains and data.

Exploring alternative fibres

We have been working with biotechnology businesses to explore alternative fibres such as straw, hemp, seaweed and even cocoa shells as alternative fibres for paper and plastic.

In an innovative pilot programme with The Research Institute of Sweden (RISE), we explored how the properties of straw and seaweed could potentially work as a packaging product in comparison to more traditional materials including recycled hardwood and softwood.

Collaboration with Coca Cola HBC Austria

We collaborated with Coca Cola HBC Austria to replace plastic shrink wrap for 1.5 litre PET soft drink multi-packs with cardboard based outer packaging. The innovative packaging solution, DS Smith LiftUp, is a 100 per cent recyclable corrugated handle which improves carry functionality for consumers and reduces around 200 tonnes of plastic each year for Coca-Cola HBC Austria. See page 25 for more information.



Awards won:

DS Smith received the External Business Partners Excellence Award from P&G. This award recognises our consistently high performance in serving P&G employees throughout the supply chain.

Our teams in Spain, Finland and Hungary have received well-deserved recognition at the WorldStar Global Packaging Awards for exceptional packaging innovation.



Partnership with E.ON

We have partnered with E.ON at our mill in Aschaffenburg to build a new waste-to-energy and combined heat and power plant which will be operated by E.ON, resulting in significant energy costs and capex savings.

CO₂ emission reduction of

c. 50,000 tonnes



DESIGN

MANUFACTURE

Delivering value every step of the way

Efficiency and delivery

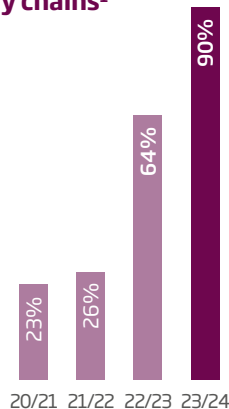
We are investing in production and operational innovations, creating efficiencies and growth. It is our way of ensuring DS Smith is well set up for the years ahead.

INSIGHT

Optimise fibre for individual supply chains in new packaging solutions

Using our insights, we work with our customers to drive innovation in our solutions with optimised packaging, designing out waste and pollution in the process. This involves optimising packaging for efficiency, driving savings through small improvements to the packaging's dimensions, shape and materials that can be multiplied over thousands of units. This results in a lower environmental impact and/or financial savings across the customer's supply chain.

Percentage of fibre use optimised for individual supply chains¹



1. These figures represent c. 74 of our conventional packaging sites for which BSIR (Board Strength Index Rating) data is available. It does not capture all packaging designs and specifications and excludes board purchased externally and sheet board sales. See DS Smith Sustainability Report 2024, page 17.



An innovation in circular shelf-ready packaging

The DD Wrap is an innovative and sustainable shelf-ready packaging solution.

It is circular economy ready while also increasing supply chain efficiency. It is created from a single piece of cardboard without perforation at the front side to improve visibility and appeal at the point of display.

The designers have been able to minimise the amount of material and resources used, as well as reduce the size of the boxes, which eliminates empty space.

INNOVATION

Reuse pilots

Our reuse pilots will help us to understand how to support our customers in reaching the reuse targets proposed in the draft EU Packaging and Packaging Waste Regulation. We will pilot reusable packaging solutions with customers and partners as they progress through our innovation stage gate process. We look forward to scaling the pilots where packaging reuse best complements recycling systems, reduces materials and keeps them in use for as long as possible, delivering a better outcome for the planet.



Stackable system display for Pepsi

We have developed a stackable system display for Pepsi to launch a new flavour and also reduce supply chain costs. The display was delivered prefilled, making it easy to assemble by staff in store.

As with all DS Smith displays, sustainability was at front of mind. The display was designed for the circular economy and was a fully recyclable solution, with no plastic mop tray or gluing required. Moreover, as the display was made from corrugated board it was easily compliant with the supermarket's recycling waste streams.

There are now more than **6,000**

recyclable corrugated packaging solutions added to our portfolio for products sold by our customers, including e-commerce and retail.

Investing for growth and efficiency

We are investing to improve operational and environmental efficiency and increase capacity.

Castelfranco c. €80m investment completed in 2022/23

- Increased capacity of 155m sqm.
- +75 per cent labour efficiency improvement.

Lucca c. €250m net investment - replacement and upgrade of end of life line

- 2.5x faster running.
- 40 per cent more energy efficient.
- Additional capacity of 270,000 tonnes.

Viana c. €145m investment - replacement and upgrade

- c. €45m on upgrade to paper line.
- Incremental capacity came on-line October 2023.
- Adding 30,000 tonnes of extra kraft top paper.



DESIGN

MANUFACTURE

Delivering value every step of the way

Sustainability and circularity

We integrate new technologies, processes and materials to ensure efficiency and optimise our supply chains, reducing pressure on natural resources and minimising waste to landfill.



INSIGHT



Sustainable packaging

We align to our customers' needs, responding with agility and helping drive their sustainability agenda. Our customers remain keen to use less plastic and improve the sustainability of their packaging.

>1.2bn

units of plastic replaced

Circular Design Metrics

Our Circular Design Metrics make it easy for our customers to compare the sustainability performance of different packaging designs. Our customers are using the metrics to measure and compare the circularity of different solutions at a glance, helping them to select the best solution based on their priorities.

>100,000

packaging decisions influenced by our Circular Design Metrics since their launch

c. 4,000

solutions presented to customers featuring our Circular Design Metrics each month

[Please see an example Circular Design Metric on page 66](#)

“At Panvita, we strive for a sustainable future at every step of our production. With our excellent collaboration with DS Smith and the introduction of new packaging, we have taken an important step forward in our commitment to reducing environmental impacts.”

Toni Balažič,
Director of the Panvita Group

INNOVATION

Circular Design Principles

As over 80 per cent of a product's environmental impact is determined at the design stage, enabling circularity through design is essential.

Our Circular Design Principles, launched in 2020 in collaboration with the Ellen MacArthur Foundation, provide a framework to stimulate circular design innovation, ensuring that packaging is designed to meet its purpose with minimal environmental impact.



We protect brands and products

Designers must always ensure that packaging successfully protects its product. Damaged products from poor packaging have a negative economic and environmental impact



We use no more materials than necessary

Optimised use of packaging materials saves resources and reduces waste



We design for supply cycle efficiency

Our designers drive efficiency by changing the layout of products within boxes for stacking in delivery vehicles



We keep packaging materials in use

We eliminate waste by keeping packaging products in use for as long as possible, recycling material again and again



We find a better way

We empower our designers to challenge the status quo and support customers in the drive for a circular economy



Temperature controlled packaging

We partnered with a biotech company to create a sustainable, recyclable and temperature controlled packaging solution to replace a current expanded polystyrene product. Using our Circular Design Metrics we created a 100 per cent corrugated based solution that has a better thermal performance than the current EPS solution and is 100 per cent recyclable.

Partnering with Bosch

We have developed a plastic-free solution for packaging for a gas boiler for Bosch. The innovative solution has eliminated all plastic packaging parts and has resulted in the removal of 100,000 plastic components.

The DS Smith team of expert designers used the unique DS Smith Circular Design Metrics approach in combination with DS Smith's Value Tool to transparently demonstrate the full lifecycle benefits of their packaging.

Rouen paper mill investment

We are investing €90 million (including €15 million subsidy) in a new biomass boiler in Rouen, entering a long-term biomass supply and electricity offtake agreement. This is an environmental and efficiency investment reducing CO₂ emissions by c. 99,000 tonnes and delivering strong returns.

This project is one of a number of initiatives in Europe and North America that are/will contribute to DS Smith's goal of reducing greenhouse gas (GHG) emissions by 46 per cent in absolute terms by 2030, compared with 2019 levels. We are also participating in the Science Based Targets initiative (SBTi) with our 1.5°C science-based target in line with the goals of the Paris Agreement.

CDP Climate Change
A grade

19%

reduction in total greenhouse gas emissions since 2019/20



DESIGN

MANUFACTURE

Stakeholder engagement

Understanding our stakeholders

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

Why this stakeholder is important to us

Their concerns

Our response

Customers

Our customers are predominantly large, global fast moving consumer goods (FMCG) brands that typically sell goods in supermarkets and via e-commerce channels. We produce corrugated recyclable packaging for these brands and sell paper and recycling materials to third parties.

Customers are concerned about sustainability, particularly the circularity, including recyclability, and the carbon footprint of their packaging. They are interested in supply chain transparency, legal and regulatory compliance, and competitive pricing, in addition to product quality and meeting their sustainability goals.

We aim to delight our customers, from understanding their needs to providing innovative solutions through long-term strategic partnerships. We continue to bring new solutions to market, increasing recyclability, and reducing the carbon footprint using our Circular Design Metrics.

Employees

Our people are c. 29,000 employees working across 34 countries in Europe and North America, speaking 26 languages. We are working to realise the potential of our people, which focuses on creating a safe, diverse and inclusive workforce, as a fundamental foundation for a successful company.

Our people want to work for a Purpose-led organisation that resonates, and that they are proud to be a part of. They contribute to a supportive culture, in which they feel safe, recognised and rewarded.

We are committed to ensuring that our workplace is safe, diverse and inclusive. By giving everyone a voice, we promote a meritocracy with development opportunities for all, and recognition of achievement regardless of gender, ethnicity, age or religion. We encourage feedback through our Employee Works Councils and employee pulse surveys and celebrate successes with our Smithies awards.

Investors

Our investors buy shares in DS Smith that are listed on the London Stock Exchange, and we raise our debt from banks and listed bonds. Our equity and bonds are owned by a diverse range of investors in the UK, Europe, USA and beyond.

Investors are interested in our financial, operational and ESG performance, alongside our Sustainability Strategy, risks and opportunities. They follow our ratings, legal compliance and industrial relations.

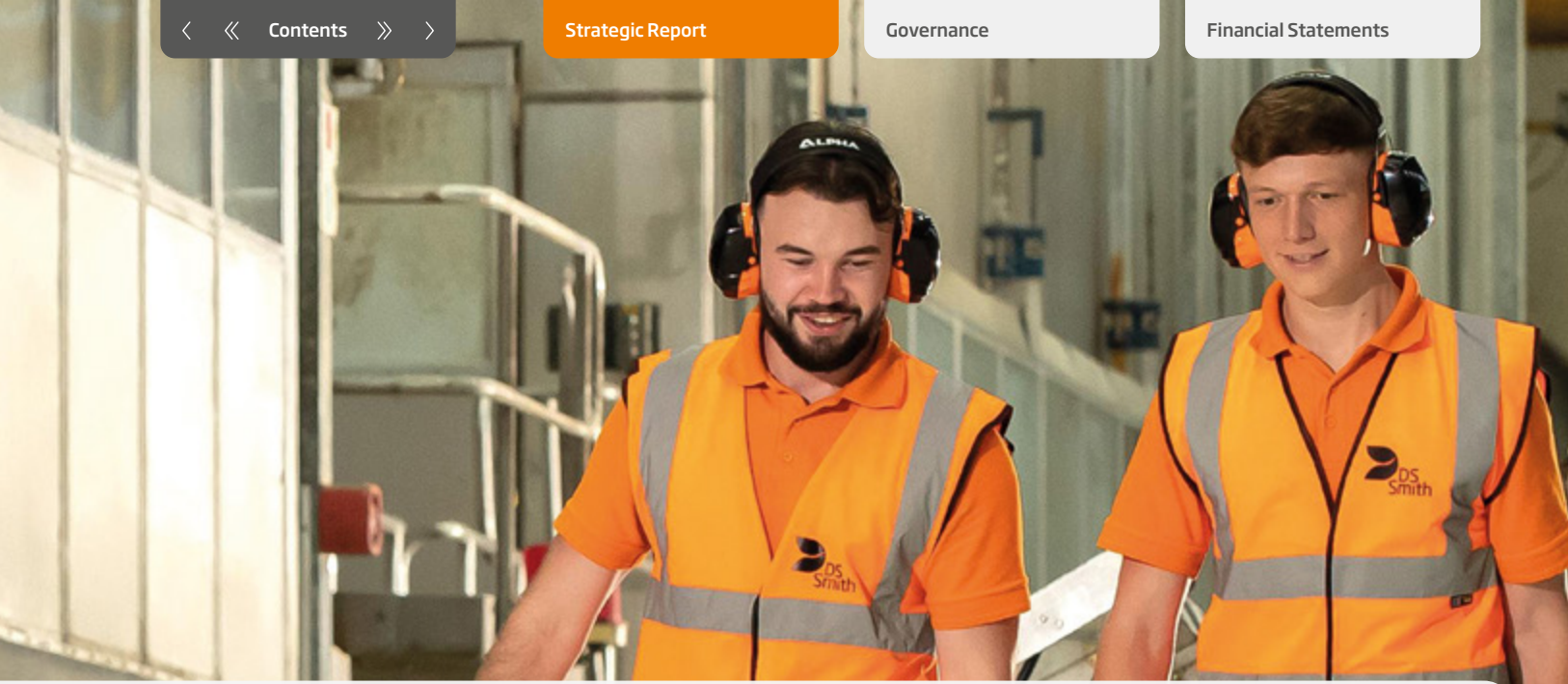
We engage with investors and analysts through regular meetings and conferences, including the Annual General Meeting (AGM), and engage with our banking syndicate, fixed income investors and ratings agencies periodically. We aim to provide long-term value creation that benefits all of our stakeholders.

Suppliers

Our suppliers range from large, strategic suppliers, with whom we have deep long-term collaborative relationships, to small suppliers of specialist goods and services for specific requirements. Our diverse supplier population increases our resilience, helping to ensure security of supply.

Suppliers are concerned about legal compliance, competitive pricing and sustainability. They are interested in how they can support our sustainability agenda, as well as progressing their own.

We collaborate closely with our suppliers, partnering on a range of initiatives from circularity to carbon. This includes helping suppliers to calculate their carbon footprint, set a science-based target and reduce emissions. We develop mutually cooperative, beneficial relationships that create value for all.



Why this stakeholder is important to us

Their concerns

Our response

Nature

Our circular business model is dependent on the provision of natural resources and ecosystem services from a flourishing natural world. For example, although we recycle packaging, fibre is required as the primary raw material and as a renewable fuel, in the form of biomass. Water is a crucial natural resource used to transport fibres through the process and as a conduit of energy in the form of steam.

Alongside rapid decarbonisation, the climate must be stabilised, limiting nature loss by preserving and regenerating resources, such as land, soil and water. This needs to be achieved in accordance with scientific research and by implementing management practices that regenerate nature.

We have launched biodiversity projects and programmes in our communities. We are assessing our dependencies on nature, and we are investigating setting targets to regenerate nature. This builds on our sustainable forest management practices and paper sourcing certifications.

Communities

Our communities are spread across Europe and North America, often in industrial areas, as well as the towns and cities in which our employees live. Our community engagement aims to produce prosperity, particularly to promote sustainable development and ensure our activities create positive local impacts.

Our communities want to reside amongst a good neighbour, leveraging our activities in a way that produces environmental, economic and social value that benefits the communities in which we operate.

We engage with our communities on a range of local issues, including in our Community Programme on three main strategic themes: biodiversity, design and education. The DS Smith Charitable Foundation supports environment, education and humanitarian causes, amongst others.

Governments and NGOs

Our government and NGO engagement is both direct and indirect, through trade associations. We aim to influence change to create a favourable landscape for our Company and stakeholders.

Governments and NGOs want to engage in collaborative partnerships with the private sector, leveraging resources and building capacity to address systemic issues, particularly those impacting our industry.

We engage in consultations relating to our policy priorities - decarbonisation of heat, reuse and recycling, and extended producer responsibility. We take a leadership role with non-governmental organisations, such as our strategic partnership with the Ellen MacArthur Foundation, the Science Based Targets initiative and the 4evergreen alliance.

Our strategy

To delight our customers



84%

FMCG and other consumer goods

96%

OTIF deliveries

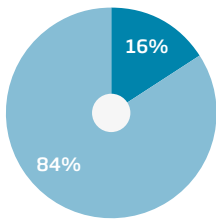
>1.2bn

units of plastic replaced since 2020

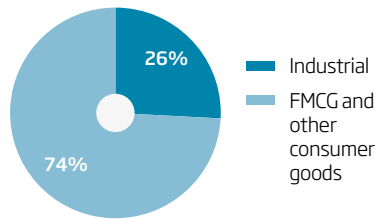
Packaging

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



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.

Reflecting our focus on innovation and increasingly close partnership with our customers, this year saw the launch of our industry-leading R&D and innovation centre, 'R8'. The leading-edge facility will spearhead research in manufacturing, maximising the growing demand for sustainable packaging and the innovation needed to deliver it. Crucially, the facility allows DS Smith, its customers and partners to come together to accelerate the research and development of radically new, sustainable packaging fulfilment solutions, cementing our already strong relationships.

“With the DS Smith Easy Bowl, we have improved our offering and strengthened our commitment to innovation and sustainability.”

Samo Polanec
Director of Production, Panvita MIR d.d.

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. Our customers benefit from our commitment to lower our impact on the environment and increase the efficiency of our paper-making operations. We have invested £48 million to upgrade the fibre preparation line at our paper mill in Kemsley, UK, which will enhance efficiency, reliability and sustainability, while improving recycling processes and contributing to our goal of zero waste to landfill by 2030. We announced our investment to transform the energy supply of our Rouen paper mill in France this year, which will replace a coal-fired boiler with a new biomass boiler that will reduce the site’s emissions by 99,000 tonnes of CO₂ per year compared to 2022/23.

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 help 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.

Removing shrink wrap with Coca-Cola HBC Austria

We teamed up with Coca-Cola HBC Austria to launch DS Smith LiftUp, a pioneering cardboard-based packaging solution, replacing plastic shrink wraps for 1.5-litre PET soft drink multi-packs. Launched in Austria, this 100 per cent recyclable innovation aims to remove approximately 200 tonnes of plastic each year. Developed using our Circular Design Metrics, DS Smith LiftUp is adaptable to various bottle sizes, showcasing a significant move towards reducing the carbon footprint of packaging. This collaboration marks a significant step forward in sustainable packaging, aligning with Coca-Cola HBC’s goal to achieve Net Zero emissions by 2040.

Sole supplier in Europe to Mondelēz International

Demonstrating the strength of our customer relationships, 2023 saw us agree a second consecutive five-year contract agreement to be the sole supplier of corrugated packaging in Europe to Mondelēz International – one of the world’s largest snacking companies and known for its iconic brands such as Oreo, Cadbury, Milka and Philadelphia. The agreement represents an exclusive partnership and is an extension of existing services with a commitment to new projects. New fibre-based sustainable packaging solutions will be implemented across European markets, and both companies will work closely together to reduce the use of single-use plastics and utilise joint efforts to hit a target of Net Zero emissions by 2050.

Supporting Campari with its sustainability agenda

Focusing on the packaging lifecycle and prioritising a closed loop approach, our innovative partnership with Campari has facilitated the implementation of more sustainable packaging solutions that reduce environmental impact. With this collaboration, Campari has made further progress in sustainable practices and reinforced its position as a responsible player in the spirits industry.

Our strategy



To realise the potential of our people



9% reduction in accident frequency rate vs 2023	62,633 leadership safety talks
216,122 safety observation tours	262 sites recorded zero LTAs during the year

Ensuring the health, safety and wellbeing of all

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

Health and safety culture

Our Company's health and safety goal is to achieve zero harm for all individuals impacted by our operations, including our employees, contractors and visitors. To realise this objective we have established Vision Zero, a strategy emphasising leadership, engagement, safe work environments, processes and a shift towards developing a safety-oriented culture, behaviours and mindset.

Throughout 2023/24, our primary focus has been the continuous implementation of Vision Zero. Collaborating closely with our leadership team, we have strived to ensure broad employee involvement in safety discussions and to systematically mitigate operational risks.

Furthermore, we have reviewed and reintroduced our Group Health and Safety policy to reaffirm our dedication, clarify our vision and define roles and obligations. This policy acts as a foundational outline for the objectives we aim to accomplish and the conduct we anticipate from both ourselves and each other.

Wellbeing of our people

Promoting the welfare of our workforce, we introduced a global health and wellbeing week this year, a bi-annual initiative designed to raise awareness and inspire individuals to achieve a harmonious work-life equilibrium. This event encompassed a comprehensive range of over 500 activities spanning all sites and divisions worldwide. Topics covered included nutrition, mental health, and physical exercise. The success of the week was evident in the post-event survey, where it received an outstanding rating. Moreover, most respondents expressed their intention to modify their lifestyles based on the week's activities.

Engaging our employees

Labour markets have become increasingly competitive and in response we have refreshed our approach to listening.

During 2023/24, we continued the use of pulse surveys, providing more frequent opportunities for colleague feedback, better manager guidance and support and clearer reporting and action planning. Online ideas boards were introduced for the first time this year, enabling suggestions for improvement to be crowd sourced.

In total, over 12,000 employees were surveyed in 2023. We have been delighted with the increased response rates which have averaged 84 per cent versus 72 per cent in 2021.

Despite a challenging external environment, we have seen some marked improvements in perceptions in recognition, based on our feedback in our engagement survey, which has seen a 9 percentage point increase due in part to our continued focus on our Smithies programme which celebrates the fantastic achievements of our colleagues. We have also seen a further increase in inclusion (+5 per cent) and safety (+4 per cent).

There have also been some fantastic examples of efforts at site level, for example in Birmingham, UK. Between 2021 and 2023, engagement here increased from 46 per cent to 83 per cent, putting it 9 percentage points above the external norm and it is now our most engaged site in North Europe. One colleague stated: "The site has come on leaps and bounds. This is down to the site leadership, led by a fantastic General Manager, who listens to the shop floor and gets their opinions."

We have designed and implemented improvements to our onboarding experience to ensure colleagues who are new to DS Smith are engaged and productive as quickly as possible. These improvements include a redesigned onboarding process, onboarding e-learning which is being translated into 11 core languages and an onboarding hub in which individuals can access all the key information, processes and tools they need as a new starter.

Our European Works Council (EWC), which includes 50 representatives from across the business, engages twice a year with management to provide further feedback and discuss opportunities to improve. Regular engagement with regional leads, as well as both safety and diversity committees, ensures we have a regular two-way dialogue on employee matters across Europe.

In 2024/25, we will continue to run targeted pulse surveys more frequently to give opportunities for our employees to provide regular feedback and drive action.

Developing our employees

Our talent and learning agenda is focused on: 1) ensuring we have the capabilities that will underpin our growth agenda, 2) ensuring the right level of skills and performance and 3) strengthening succession.

- Management capability is central to the achievement of our people strategy. We have created our DS Smith Management Standards, outlining a clear and consistent set of accountabilities, embedding these in all of our people processes and in the continued roll out of our management development programmes.
- Each of our Operations, Sales, Marketing and Innovation, Finance and Digital Learning Academies have delivered learning, expanding their coverage, with our Operations Learning Academy deploying technical training across multiple sites and our Sales, Marketing and Innovation Academy delivering over 7,000 learning interventions.
- We continue to invest in our learning platform. We have added new content, expanded the languages and launched conversation AI functionality for over 70 subjects where people can practise their skills with an AI coach. We have recorded a further increase in the numbers of people making use of e-learning.
- Working with Oxford Saïd Business School we continue to run the Aspire Programme designed to accelerate the development of high potential talents. We have also added a new Compass programme targeted at developing people earlier in career. To date we have 60 people in our Compass alumni and over 200 people have participated in our Oxford Saïd Business School programmes. Data continues to show a significant return on investment in terms of promotions and retention rates from both groups.
- Graduates continue to be critical to our succession strategy and we have seen a marked increased interest in applications this year. We currently have over 70 graduates attending our two-year personal development programme.
- At the British HR Awards this year, we were delighted to win 'Manufacturing and Engineering Company of the Year' in recognition of the quality and impact of our graduate development programme.



To realise the potential of our people *continued*

Diversity, Equity & Inclusion (DEI)

We are committed to building the diversity of our workforce to better reflect the communities we operate in. Together we are building an inclusive environment where everyone can realise their potential and thrive. This is fundamental for any successful company today and crucial to our strategic goal ‘to realise the potential of our people’.

What do we mean by DEI?

We define **diversity** as the range of human characteristics within the organisation. This includes, but is not limited to, race, ethnicity, gender, gender identity, sexual orientation, age, social class, physical or mental ability, religious or ethical values systems, national origin and political beliefs. It also includes diverse thinking or ‘neurodiversity’.

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 at DS Smith, whether they feel it promotes and sustains a sense of belonging.

The impact of DEI on our leaders and our people

Being known as an inclusive organisation will help us to grow our talent pool. We will continue to welcome people from different backgrounds and consistently attract some of the best people from our local communities and beyond.

To accelerate progress, our immediate focus is on investing in leaders, supporting them with an inclusive leadership education programme. This will provide the cultural awareness and understanding needed to role-model inclusive behaviours and recruit and manage diverse teams. We will take over 3,000 people managers and leaders through a facilitated journey exploring what DEI means to them and DS Smith, focusing on actions that will make an impact. Our approach to inclusive leadership is two-fold. We are working with Included, a global, impact-driven DEI consultancy, to enable our most senior leaders to become role-models for a more diverse business. We are also rolling out a similar internal programme, supported by in-house facilitators who will deliver in local languages to our wider management populations to meet the various cultural needs of our business. To date, 20 per cent of our leaders have completed this programme.



Lucca DEI Site Champions & International Women’s Day

In honour of International Women’s Day, our DEI Site Champions at Lucca paper mill organised a workshop to raise awareness and challenge gender-based discrimination and harassment. Participating in Scuola Superiore Sant’Anna’s Engine Project, workshop attendees listened to an interactive presentation on gender equality in Italy and had the opportunity to experience gender-based micro-aggressions through virtual reality.

Raising awareness through our active networks

Active networks foster a sense of belonging by creating a safe and supportive space for employees who share a common sense of identity. The networks offer a platform for members to openly discuss their experiences and perspectives, which in turn can lead to positively building wellness through greater empathy and understanding. Active networks also promote greater awareness through various means including building an annual calendar to support key dates and celebrations within their respective communities.

During 2023/24, our active network membership increased, on average, over 60 per cent, reflecting our colleagues’ commitment to championing positive change.

- LGBTQ+ & Allies Network.
- Culture & Ethnic Diversity Network.
- Gender Diversity Network.
- Disability & Allies Network.

On behalf of the LGBTQ+ & Allies Network, DS Smith joined Workplace Pride as a member in May 2023 to further drive LGBTQ+ inclusion at work. The following month, we established an internal DEI Steering Committee (Steerco) to enable alignment and knowledge-sharing among our four active networks. Through collaboration on the DEI Steerco, and with the support of their executive sponsors, the active networks have written charters and co-created a schedule of coffee breaks and webinars. The active networks have also worked alongside the European Works Council to increase DEI engagement among non-wired colleagues through establishing a community of DEI Site Champions.



International Pronouns Day

The LGBTQ+ & Allies Network partnered with Workplace Pride to deliver an interactive workshop for colleagues to learn about the importance of using pronouns to cultivate a psychologically safe and inclusive space for members of the LGBTQ+ community and allies. Education is a key component of the network’s purpose, so all employees feel valued and respected to bring their best to work.

Neurodiversity Celebration Week

To commemorate Neurodiversity Celebration Week, the Disability & Allies Network hosted an informative and engaging roundtable with award-winning neurodiversity consultant Rachel Morgan-Trimmer. In sharing her personal experiences and explaining neurodiversity, Rachel led a conversation on how we all play a role in creating an inclusive and accessible workplace for people living with ADHD, Dyslexia, Autism, Dyspraxia, Dyscalculia, as well as neurotypicals.

To support our active networks and inclusive leadership workshops, we have developed digital resources, including an active network toolkit and a manager’s guide on how to lead inclusively.

Our manager’s guide deep dives into DEI, including a glossary of key DEI terms, guidance on how to lead with inclusion during the recruitment process, and tips for creating belonging among teams. If we are serious about supporting our colleagues to be themselves and to thrive, then we need our people-related processes to be fit for the future. For example, our Equal Opportunities and Anti-Discrimination, and Menopause policies are being embedded through training and awareness campaigns. We ensure that we recruit diverse candidates who can challenge us and help to drive us forward. This has enabled our female to male hiring ratio to increase for three years in a row.

For next year our focus will be on:

- Delivering Vision Zero.
- Continuing efforts in more regular listening to give all our colleagues opportunities to give feedback and further improve our employee experience.
- Refreshing our employee brand and careers website to attract the talent we need, including graduates, and provide more visibility of the careers we have to offer.
- Internal talent and succession, in particular refreshing our talent board structure to enable significantly greater opportunities for internal moves.
- Further accelerating our DEI agenda, in particular increasing manager capability in how to create a more inclusive working environment.

Diversity of our team

The overall percentage of females in DS Smith increased by 0.4 per cent to 23.2 per cent* in the financial year 2023/24. Our total number of employees as at 30 April 2024 was 28,978 of which 22,259 (76.8 per cent) were male and 6,715 (23.2 per cent) were female.

As reported in November 2023 in the 2023 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) was 31.1 per cent* in the 12 months to 31 October 2023.

This year we participated in the Parker Review, a voluntary business-led diversity framework, backed by the UK Government, and dedicated to increasing the representation of ethnic minorities on boards and senior leadership teams of both the FTSE 350 and the UK’s largest private companies. We submitted data on ethnic composition of our Board and senior leadership team (defined 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) as at 31 December 2023. As reported in the Parker Review in March 2024, we met the target of having at least one ethnic minority Director on our Board.

The Financial Conduct Authority (FCA) introduced a requirement for listed companies to report on 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, in the tables below, we have included Board members who are also in executive management only in the board members column, and not in the executive management column. We are committed to improving diversity across all protected characteristics and will continue to make progress in line with the FCA’s requirements.

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 95 to 97.

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.

FCA gender diversity reporting as at 30 April 2024:	Number of board members ¹	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	6	60%	4	12	85.7%
Women	4	40%	-	2	14.3%
Not specified/prefer not to say	-	-	-	-	-

FCA ethnic diversity reporting as at 30 April 2024:	Number of board members ¹	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)	9	90%	4	13	92.9%
Mixed/Multiple ethnic groups	1	10%	-	-	-
Asian/Asian British	-	-	-	1	7.1%
Black/African/Caribbean/Black British	-	-	-	-	-
Other ethnic group, including Arab	-	-	-	-	-
Not specified/prefer not to say	-	-	-	-	-

* Deloitte have provided independent third-party limited assurance for this 2023/24 metric. See the assurance statement on page 76 for information.

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

Our strategy



To lead the way in sustainability



19%

reduction in total greenhouse gas emissions since 2019/20 towards our 1.5°C science-based target

100%

reusable or recyclable packaging manufactured

14

of our paper mills completing biodiversity activities

Delivering Now & Leading Next

Sustainability is integral to our circular business model and we can have the greatest positive impact by helping to create a circular economy for packaging.

When we launched our Now & Next Sustainability Strategy in 2020, we set ambitious near and long-term targets that confirmed our commitment to the circular economy and our Purpose of Redefining Packaging for a Changing World. Now & Next includes aspirations for 'Now' and for 'Next', focusing on the sustainability challenges we are facing today, as well as those that will impact on future generations.

We believe that delivering these aspirations will enable us to partner with our customers to lead the transition to the circular economy for packaging.

Governance of sustainability

The Board is responsible for oversight of long-term aspects of the Group's operations, including sustainability matters, when reviewing and guiding strategy, budgets and business plans.

Upon appointment to the Board, Directors undertake an induction programme, receiving a broad range of information about the Group, including information about sustainability, tailored to their previous experience. Directors are given training and receive presentations to keep their knowledge current, including on the Now & Next Sustainability Strategy.

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

The Board takes into account sustainability-related risks and opportunities when overseeing strategy, major transactions and risk management by evaluating the sustainability-centric vision and strategy of the Group, including considering any trade-offs associated with sustainability matters.

The Board is informed about the results of the sustainability materiality assessment, strategy development and progress, and the Remuneration Committee considers sustainability through the use of an ESG underpin, referring to factors that include, amongst others, continued delivery of the updated Now & Next Sustainability Strategy and of progress towards our science-based targets, described on page 119.

The Board of Directors includes the Group Chief Executive and Group Finance Director as Executive Directors, both of whom are members of the four management Committees that support the work of the Board and its principal Committees.

Sustainability-related matters are discussed every month at the Group Health, Safety, Environment and Sustainability (HSES) Committee and every two months at the Group Strategy Committee (GSC), both of which are chaired by the Group Chief Executive. Other Committees, such as the Group Compliance Committee, maintain oversight of sustainability-related risks and opportunities to the extent to which they are topical.

Topics discussed this year included circular economy, including recyclability, roadmaps to deliver the 1.5°C science-based target, the community affairs programme and nature agenda, including deforestation and biodiversity.

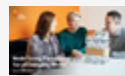
Aligned to the Now & Next Sustainability Strategy, four Steering Committees are responsible for maintaining a portfolio of projects to coordinate delivery and resources and propose solutions to critical trade-offs. Thematic working groups, which include subject matter experts, provide input, interfacing with internal functions, such as Sales, Marketing and Innovation (SMI), Procurement, and Finance.

The governance of these working groups includes formalised terms of reference, clear objectives and regular reporting, at least quarterly, to the Group Health, Safety, Environment and Sustainability Committee.

This structure is described in the context of climate change on page 61 as part of our IFRS S2 Climate-related Disclosures and Task Force on Climate-related Financial Disclosures (TCFD) reporting.

This section of the DS Smith Annual Report has been prepared with reference to IFRS S1 'General Requirements for Disclosure of Sustainability-related Financial Information' disclosures. Voluntary IFRS S2 'Climate-related Disclosures' and selected UK Transition Plan Taskforce disclosures can be found on pages 60-77, enhancing our Task Force on Climate-related Financial Disclosures. Voluntary EU Taxonomy disclosures can be found on pages 78-79.

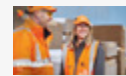
DS Smith ESG Reporting Suite



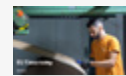
[Sustainability Report 2024](#)



[Net Zero Transition Plan 2024](#)



[ESG Databook 2024](#)



[EU Taxonomy supplementary report](#)

ESG ratings

We participate in a range of ratings, demonstrating our sustainability credentials.

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

EcoVadis: Gold

MSCI: AA

S&P Global: featured in the '2024 Sustainability Yearbook'

Sustainalytics: 'Low ESG Risk'

ISS: 'Prime' B

FTSE4Good: Included since 2012

Latest scores as of 2023/24.



FTSE4Good



To lead the way in sustainability *continued*

Now & Next Sustainability Strategy

Our Now & Next Sustainability Strategy helps guide us as we lead the transition to the circular economy. It has been developed to respond to the sustainability-related risks and opportunities identified in our double materiality assessment, described on page 35.



Circularity



Designing out waste and pollution and keeping materials in circulation

We are designing out waste and pollution through circular design and helping our customers replace, reduce or avoid plastic with alternative fibre-based solutions.

We are keeping materials in circulation by manufacturing 100 per cent recyclable or reusable packaging and we are working towards launching up to five new innovative reusable packaging pilots by 2025.

We optimise fibre for individual supply chains so that our packaging is tailored to our customers' unique supply chain conditions.

Our long-term ambition is for all our packaging to be recycled or reused and to achieve zero waste to landfill by 2030.

In 2023/24, we...

- Achieved our 2025 plastic replacement target, replacing over one billion pieces, improving recyclability for our customers with corrugated solutions.
- Continued to optimise packaging specifications uniquely optimised for individual supply chains.
- Reduced waste sent to landfill by 19 per cent compared to last year.

In 2024/25, we will...

- Explore new non-fibre innovations to ensure our fibre-composite solutions are fully recyclable.
- Improve the availability of supply chain data to fully optimise all packaging solutions for all supply chains.
- Continue to use our Circular Design Metrics to help our customers reduce the impact of their packaging through more sustainable design decisions, such as increased recycled content.



Carbon



Decarbonising our operations and our value chain

We are working towards decarbonising our business and value chain to meet our 1.5°C science-based target, which has been validated by the Science Based Targets initiative (SBTi).

By 2030, reduce Scope 1, 2 and 3 greenhouse gas (GHG) emissions 46 per cent compared to 2019 and reach Net Zero GHG emissions by 2050¹.

We are encouraging 100 per cent of our strategic suppliers to set their own science-based targets by 2027².

In 2023/24, we...

- Announced a €90 million investment to transition Rouen mill from coal to biomass (saving c. 99,000 tonnes CO₂e).
- Published our inaugural Net Zero Transition Plan, setting out key actions to achieve our science-based target.
- Achieved CDP 'A-List' status for our 2023 Climate Change response.

In 2024/25, we will...

- Progress decarbonisation initiatives, such as the Aschaffenburg mill waste-to-energy plant (saving c. 50,000 tonnes CO₂e) and roll-out of solar generation capacity.
- Set a FLAG (Forest, Land and Agriculture) science-based target to validate our Net Zero by 2050 commitment with the SBTi.
- Continue to use our Circular Design Metrics to help our customers reduce their packaging impact.

1. Target wording per SBTi website: 'DS Smith commits to reduce absolute Scope 1, 2 and 3 GHG emissions 46.2% by FY 2030 from a FY 2019 base year.'

2. Target wording per SBTi website: 'DS Smith commits that 76% of its suppliers by emissions covering purchased goods and services will have science-based targets by FY 2027.'



People & Communities



Creating safe and inclusive workplaces, respecting human rights and engaging our people and communities

We are committed to reducing the accident frequency rate (AFR) each year and improving the diversity of our workforce to reflect the communities in which we operate. This includes all leadership teams completing inclusivity workshops for 2025 and by 2030, increasing gender diversity to 40 per cent female representation in senior leadership, improving gender and ethnic diversity across our overall workforce year-on-year and to set an aspiration for other protected characteristics by 2030. We continue to strengthen our human rights due diligence.

We are playing an active role in our local communities and are equipping our people to lead the transition to a circular economy.

In 2023/24, we...

- Reduced the AFR³ to an all-time low.
- Achieved our target for 100 per cent of our sites to complete the Sedex SAQ⁴, strengthening human rights due diligence.
- Maintained 100 per cent of our sites participating in community activities⁵, including delivering circular economy lessons and a new biodiversity lesson plan.

In 2024/25, we will...

- Continue emphasising the role of leadership within health and safety, enhancing front-line capabilities, and streamlining our systems and processes to be more efficient and supervisor focused.
- Deliver new community initiatives that bring all our colleagues together under a common cause.



Nature



Protecting and regenerating forests and biodiversity and managing water responsibly

We are protecting nature by measuring and improving biodiversity in our own forests, in addition to implementing biodiversity programmes at our paper mills.

Our ambition is to elevate our nature-related commitments by taking a science-based approach to regenerate nature.

We have set a new target to develop water management and water scarcity plans for 100 per cent of our paper mills and packaging plants by 2025⁶.

We are reducing the water withdrawal per tonne of production for the water used in our own process by 10 per cent by 2030 for our paper mills located in regions at risk of water stress.

In 2023/24, we...

- Continued to develop our biodiversity programmes, with 14 mills completing biodiversity activities.
- Began to assess how our business interfaces with nature to set targets to regenerate nature, taking a science-based approach.
- Began EU Deforestation-Free Regulation (EUDR) preparation, including assessing our obligations and a risk analysis exercise.

In 2024/25, we will...

- Complete our impacts and dependencies assessment to produce our Taskforce on Nature-related Financial Disclosures (TNFD).
- Set targets to regenerate nature.
- Implement a due diligence system to fulfil the EUDR requirements, meeting our traceability and transparency obligations.



Alignment with international frameworks

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

- 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.
- United Nations Global Compact (UNGC).
- United Nations (UN) Sustainable Development Goals (SDGs).

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

3. Accident frequency rate (AFR).

4. The Sedex SAQ (Supplier Ethical Data Exchange Self-Assessment Questionnaire) is a set of questions relating to business practices, management systems, policies and worker information. The scope includes manufacturing sites.

5. Sites in scope includes sites with >50 FTEs.

6. Sites in scope includes manufacturing sites with >5,000m³ annual water withdrawal, identified at current or future water stress risk with the WRI Aqueduct Tool.

To lead the way in sustainability *continued*

Now & Next progress summary

Circularity

In 2023/24, we achieved our target to replace one billion pieces of plastic with alternative fibre-based solutions 16 months in advance of our 2025 target, with over 1.2 billion replaced, avoided or removed since 2020/21. We maintained our target to manufacture 100 per cent recyclable or reusable packaging and we continued to investigate corrugated packaging reuse pilots.

We continued to use our Circular Design Metrics to help our customers to compare the sustainability performance of different packaging designs. The metrics encourage our customers to replace plastic, increase recycled content and optimise fibre use, combining customer, operational and industry data to design leaner packaging that maintains important properties, such as strength, resistance and recyclability. We continued to explore solutions for hard-to-recycle packaging and engage with brand owners and industry peers, through our trade associations, on best practice in design for recyclability.

We optimised fibre for individual supply chains in 90 per cent of our new packaging solutions (2022/23: 64 per cent) at 74 of our packaging plants where we measure the board performance, driving improvements to the packaging's dimensions, shape and materials used that can be multiplied over thousands of units.

We achieved a 19 per cent reduction in waste to landfill compared to last year, sending 165,840 tonnes* of waste to landfill (2022/23: 204,637 tonnes*). This was predominantly as a result of exceptional events in the previous year.

Carbon

In 2023/24, GHG emissions across all three scopes totalled 6,985,269 tonnes CO₂e (2022/23: 7,391,418 tonnes CO₂e), a 5 per cent reduction compared to last year and 19 per cent compared to the base year (2019/20: 8,645,693 tonnes CO₂e).

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 Aschaffenburg (c. 14,000 tonnes CO₂e), alongside other smaller projects, and a strengthened focus on energy efficiency initiatives (c. 27,000 tonnes CO₂e).

A 6 per cent reduction in Scope 3 was primarily the result of methodology improvement, in particular using updated emission factors from the CDP supply chain programme to begin capturing supplier emissions. In contrast to last year, changes in production volumes did not have a significant impact, other than the closure of Pazardzhik (Trakia) mill and several other non-core operations resulting in a reduction of c. 50,000 tonnes CO₂e.

Our organic investment programme continued, with upgrades to corrugators, boilers and LED lighting contributing reductions. Several major projects progressed, including the transition from coal to biomass at Rouen, anticipated to contribute a 99,000 tonne CO₂e reduction, and other new projects were announced, including upgraded machinery at Ghimbav and Columbia packaging plants, with energy savings created through steam optimisation and energy recovery technologies. We continued to develop our roadmap, assessing future projects and optimising the plan for best cost solutions. We progressed our energy efficiency efforts and ISO 50001:2018 certification, with the most energy-intensive plants undertaking 'deep dives' to investigate savings opportunities.

We estimate that in 2023/24, c. 42 per cent of our purchased goods and services emissions were from suppliers who have set, or are in the process of setting, a science-based target (2022/23: 32 per cent).

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.

Finally, we published our first Net Zero Transition Plan alongside DS Smith Sustainability Report 2024, describing how we are delivering and plan to progress our science-based target.

People & Communities

In 2023/24, we achieved our target for 100 per cent of our in-scope (manufacturing) sites to complete the Sedex Self-Assessment Questionnaire (SAQ), enabling the identification of opportunities to strengthen our human rights due diligence.

We engaged 76 per cent of our people on the circular economy (2022/23: 57 per cent) and contributed to our 9.8 million cumulative total wider engagement figure since 2020/21 (2022/23: 8.4 million), engaging the public on the circular economy and circular lifestyles.

For the fifth year running, 100 per cent of the sites included in our Community Programme (those with greater than 50 full time employees) had undertaken community activities aligned to our strategic themes of biodiversity, design and education.

The accident frequency rate reduced to a new record low of 1.65 (2022/23: 1.82) and inclusive leadership workshops were completed by 25 per cent of our managers (new target). Our gender diversity for women in senior leadership positions was 31.1 per cent* (2022/23: 34.5 per cent). See pages 26 to 29 for more information about how we are realising the potential of our people.

Nature

In 2023/24, 14 of our paper mills (2022/23: 13) continued to develop their biodiversity programmes, which include multi-year initiatives with actions to improve local biodiversity.

For example, Dueñas mill recently supported biodiversity and landscape recovery in the local community through planting trees that are native to the area, improving natural habitats for local wildlife.

We began a new project to assess our dependencies on nature as one of the first steps to setting targets to regenerate nature, taking a science-based approach, with reference to the Taskforce on Nature-related Financial Disclosures (TNFD) recommendations. This includes an assessment of our supply chain, direct operations and a downstream product screening assessment, comprehensively locating the interfaces with nature and prioritising sensitive locations.

Alongside this project, as part of our EU Deforestation-Free Regulation (EUDR) preparation, we began screening exercises, a risk assessment and the development of a deforestation policy to meet the upcoming EUDR requirements.

In 2023/24, 10 per cent of our in-scope paper mills and packaging plants developed water management plans (a new target), which includes the identification of water reduction opportunities and awareness-raising and training on water conservation. Water abstracted for use in own process per tonne of production decreased by 10 per cent compared to last year to 7.52m³/t nsp (2022/23: 8.4m³/t nsp), driven by the closure of Trakia mill during the period and changes to the energy set up at Aschaffenburg mill which involves exporting water withdrawn to a third party.

DS Smith Sustainability Report 2024 describes the progress made towards our Now & Next targets in greater detail.

* Independent assurance obtained for the metrics marked with an asterisk '*'. See the summary independent assurance statement on page 76.

Risk management

Sustainability-related risks and opportunities are integrated with and inform our overall risk management processes. Our processes to identify, assess, prioritise and monitor sustainability-related risks and opportunities are described in the Risk management section (pages 49 to 58), in particular the ‘Sustainability commitments’ principal risk. In the context of climate-related risk management, there are processes in place for evaluating transition and physical risks, described on pages 74 and 75. These are embedded into the Group’s overall risk management framework and the processes are unchanged compared to the previous reporting period.

The processes and related policies in relation to climate-related risks and opportunities are described in the context of climate change on page 74 as part of our IFRS S2 Climate-related Disclosures and Task Force on Climate-related Financial Disclosures (TCFD) reporting.

Double materiality assessment

We conduct a regular materiality assessment to identify sustainability-related risks and opportunities, ensuring that our Now & Next Sustainability Strategy fits with the priorities of our stakeholders, enabling us to develop strategy and leverage our resources in prioritised areas. The assessment is refreshed every two years, ensuring that our strategy remains responsive to changes in stakeholder sentiment and priorities.

In our most recent assessment, conducted in 2022/23, we adopted a ‘double materiality’ approach, capturing ‘impact’ and ‘financial’ materiality. This evaluated the 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’).

Our materiality assessment includes inputs and parameters such as:

- A topics long-list, informed by a range of sources, covering our entire operations and the value chain.
- Quantitative rankings and prioritisation, by importance, determined by surveying:
 - Internal stakeholders (e.g. employees, at a range of seniority).
 - External stakeholders (e.g. customers, investors, trade bodies).
- Semi-structured interviews, exploring (financial and sustainability) material topics and:
 - Key (sustainability, climate and wider) risks and opportunities.
 - Expectations for how we should respond to these.
 - Implications for the future strategic direction, prioritisation and ambition for the Now & Next Sustainability Strategy.

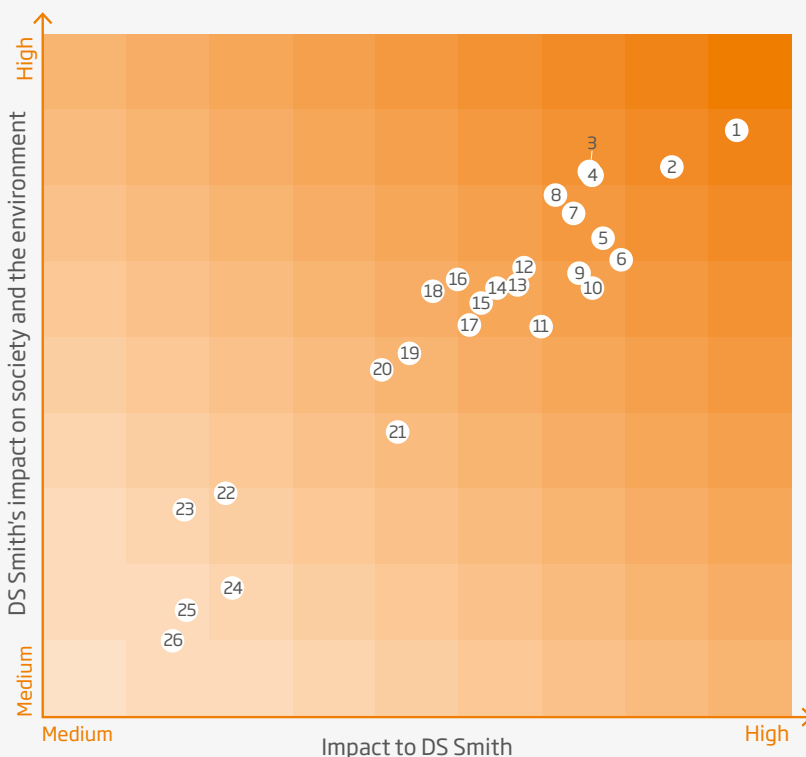
The most recent assessment concluded that the circular economy and climate change should remain our top priorities, being of critical importance for the business and for people and the environment.

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, in addition to the prioritisation of other activities, such as ESG reporting considerations.

The findings are presented visually in the materiality matrix below.

Materiality matrix






List of sustainability topics:

1. Climate action
2. Energy use and efficiency
3. Product design for optimal resource use
4. Recyclability
5. Transitioning to a circular economy
6. Biodiversity and regeneration of nature
7. Business ethics, ESG governance and transparency
8. Post-consumer waste and recycling infrastructure
9. Responsible sourcing
10. Community engagement and impact
11. Data privacy and security
12. Diversity, equity and inclusion
13. Fair wages and labour
14. Human rights in the value chain
15. Physical and mental wellbeing
16. Product health and safety
17. Public policy and advocacy
18. Sustainable consumer choices
19. Sustainable forest management
20. Waste in operations
21. Water efficiency and quality
22. Water scarcity
23. Education development and upskilling
24. Employee engagement
25. Health and safety
26. Reuse business models

To lead the way in sustainability *continued*

Metrics and targets

The table below contains the metrics used to measure and monitor Now & Next Sustainability Strategy progress and capture the identified sustainability-related risks and opportunities arising from our double materiality assessment.

Now & Next Sustainability Strategy target		2023/24	2022/23	Status
 Circularity	Design out waste and pollution By 2025, optimise fibre for individual supply chains in 100 per cent of new packaging solutions ¹ Metric: Percentage of fibre use optimised for individual supply chains	90%	64%	✓ On track
	By 2030, optimise every fibre for every supply chain	Ongoing	Ongoing	✓ On track
	By 2025, help our customers to replace one billion pieces of plastic with alternative fibre-based solutions Metric: Number of pieces of plastic replaced, avoided or reduced	Over 1.2 billion cumulative total since 2020/21		→ Achieved
	By 2030, send zero waste to landfill Metric: Total waste landfilled (tonnes)	165,840* tonnes	204,637 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 ² 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 ³ Metric: Total GHG emissions (tonnes CO ₂ e)	6,985,269 tonnes CO₂e	7,391,418 tonnes CO ₂ e	✓ 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 ⁴ Metric: Percentage of purchased goods and services emissions from suppliers with science-based targets	42%	32%	✓ On track
	By 2050, reach Net Zero GHG emissions	Ongoing	Ongoing	✓ On track
	Engage people and communities By 2025, engage 100 per cent of our people on the circular economy Metric: Percentage of our people engaged on the circular economy By 2030, engage 10 million people on the circular economy and circular lifestyles Metric: Number of people engaged on the circular economy 100 per cent of our sites engaged in community activities each year ⁵ Metric: Percentage of sites participating in community activities	76%	57%	✓ On track
 People & Communities	Provide a safe and inclusive workplace Reduce the Accident frequency rate (AFR) every year Metric: Accident frequency rate (AFR) Strive to achieve Vision Zero	1.65	1.82	✓ On track
	By 2025, inclusive leadership workshops completed by all leadership teams across all sites Metric: Percentage of managers who have completed inclusive leadership workshops	Ongoing	Ongoing	✓ On track
	By 2025, inclusive leadership workshops completed by all leadership teams across all sites Metric: Percentage of managers who have completed inclusive leadership workshops	25%	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 ⁶ Metric: Percentage of senior leadership, female employees	31.1%*	34.5%	✓ On track
	Respect human rights By 2025, complete SEDEX SAQ roll out to all sites and perform appropriate auditing of SAQs ⁷ Metric: Percentage of sites completed SEDEX SAQ Continue to improve human rights due diligence each year	100%	56%	→ Achieved
		Ongoing	Ongoing	✓ On track
	Protect and regenerate forests and biodiversity By 2025, measure and improve biodiversity in our own forests and assess our dependencies on nature By 2025, biodiversity programmes in place at each of our paper mills Metric: Number of our paper mills with biodiversity programmes in place Set targets to regenerate nature taking a science-based approach	Ongoing	Ongoing	✓ On track
Water management By 2025, 100 per cent of our paper mills and packaging sites to have water management plans ⁸ Metric: Percentage of sites with water management plans By 2030, 10 per cent reduction in water withdrawal intensity at mills at risk of water stress compared to 2019 Metric: Water abstracted for own process (m ³ /t nsp) ⁹	10%	New target	✓ On track	
	7.52 m³/t nsp	8.4 m ³ /t nsp	→ Achieved	

1. This figure represents c. 74 of our conventional packaging sites for which BSIR (Board Strength Index Rating) data is available. It does not capture all packaging designs and specifications and excludes board purchased externally and sheet board sales. See DS Smith Sustainability Report 2024, page 17.

2. In 2023/24, 99.6% (2022/23: 99.7%) of our packaging volume met our 100 per cent recyclable and reusable standard. For the remaining 0.4 per cent volume that is presently not either recyclable in practice or at scale, such as some barrier coatings and foam, we continue to push for alternatives.

3. DS Smith commits to reduce absolute Scope 1, 2 and 3 GHG emissions 46.2% by FY2030 from a FY2019 base year.

4. DS Smith commits that 76% of its suppliers by emissions covering purchased goods and services will have science-based targets by FY 2027.

5. Sites with greater than 50 full time employees.

6. Defined in accordance with the requirements of the FTSE Women Leaders Review as those on our four Executive Committees and their direct reports.

7. The Sedex SAQ (Supplier Ethical Data Exchange Self-Assessment Questionnaire) is a set of questions relating to business practices, management systems, policies and worker information. The scope includes manufacturing sites, as defined in our Basis of Preparation and the 100 per cent figure refers to the Sedex SAQ roll out.

8. Sites in scope includes manufacturing sites with >5,000m³ annual water withdrawal at current or future water stress risk (WRI Aqueduct Tool).

9. Metric updated to reflect the water that is abstracted for own process, which is water withdrawals less water exported to a third party for their own use.

* Independent assurance obtained for the metrics marked with an asterisk '*'. See the summary independent assurance statement on page 76.

Industry-specific metrics

This table contains Sustainability Accounting Standards Board (SASB) Containers & Packaging industry standard disclosures. The standard provides investors and other report users with consistent, comparable and reliable ESG information. Disclosures can be located directly in the table, with associated information on the pages referenced. 'AR' refers to Annual Report 2024, 'SR' refers to Sustainability Report 2024, 'NZ' refers to Net Zero Transition Plan 2024, and 'DB' refers to ESG Databook 2024, which can be obtained from the ESG Reporting Hub.

Industry-specific metrics (SASB Standard Index (Containers & Packaging))

Topic	Accounting metric	Unit	Code	Disclosure	Ref
Greenhouse gas emissions	Gross global Scope 1 emissions; percentage covered under emissions-limiting regulations	Tonnes CO ₂ e: %	RT-CP-110a.1	1,340,272*; 70*	AR 76-77
	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	Discussion and analysis	RT-CP-110a.2	Narrative	NZ
Air quality	Air emissions of the following pollutants:(1) NO _x (excluding N ₂ O), (2) SO _x , (3) volatile organic compounds (VOCs) and (4) particulate matter (PM)	Tonnes	RT-CP-120a.1	4,170; 248; 0; 0	
Energy management	(1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable and (4) total self-generated energy	MWh; %	RT-CP-130a.1	14,058,435*; 12; 29*; 5,669,066	DB 7
Water management	1) Total water withdrawn and (2) total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress	m ³ ; %	RT-CP-140a.1	52,477,496*; 15,851,351*; 29*	DB 10-11
	Description of water management risks and discussion of strategies and practices to mitigate those risks	Discussion and analysis	RT-CP-140a.2	Narrative	AR 70-71
	Number of incidents of non-compliance associated with water quality permits, standards and regulations	Number	RT-CP-140a.3	3	SR 69
Waste management	Amount of hazardous waste generated; percentage recycled	Tonnes; %	RT-CP-150a.1	3,958; 65	DB 12
Product safety	Number of recalls issued; total units recalled	Number	RT-CP-250a.1	0; 0	SR 67
	Discussion of process to identify and manage emerging materials and chemicals of concern	Discussion and analysis	RT-CP-250a.2	Narrative	SR 67
Product lifecycle management	Percentage of raw materials from: (1) recycled content, (2) renewable resources and (3) renewable and recycled content	%	RT-CP-410a.1	82; 100; 100	
	Revenue from products that are reusable, recyclable and/or compostable	£ '000	RT-CP-410a.2	6,797	SR 6
	Discussion of strategies to reduce the environmental impact of packaging throughout its lifecycle	Discussion and analysis	RT-CP-410a.3	Narrative	SR 14-21
Supply chain management	Total wood fibre procured; percentage from certified sources	Tonnes; %	RT-CP-430a.1	4,545,648; 100	
	Total aluminium purchased; percentage from certified sources	Tonnes; %	RT-CP-430a.2	Not applicable	

Responding to the evolving ESG reporting landscape

We continue to monitor the evolving ESG reporting landscape, which has continued to mature over the past year. We are preparing new disclosures and developing our existing disclosures to meet the needs of our stakeholders and regulatory requirements.

Corporate Sustainability Reporting Directive (CSRD)

The EU's CSRD requires companies to disclose information about the risks and opportunities arising from social and environmental issues and the impact of business activities on people and the environment. These disclosures aim to help investors, civil society, consumers and other stakeholders to evaluate the sustainability performance of companies as part of the European Green Deal. We have begun preparation to report against material European Sustainability Reporting Standards (ESRS), informed by our double materiality assessment and Now & Next Sustainability Strategy.

International Sustainability Standards Board (ISSB)

The IFRS Foundation, through the ISSB, is developing standards that aim to result in a high-quality, comprehensive global baseline of sustainability disclosures focused on investor needs. We have prepared pages 30 to 37 with reference to IFRS S1 'General Requirements for Disclosure of Sustainability-related Financial Information' and pages 60 to 77 with reference to IFRS S2 Climate-related Disclosures. These are consistent with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, with some additions. We continue to monitor the development and release of future IFRS sustainability disclosure standards.

UK Transition Plan Taskforce (UK TPT)

The UK TPT has published the Transition Plan Taskforce Disclosure Framework, which aims to provide a set of recommendations for effective reporting on climate transition plans. We have prepared our inaugural DS Smith Net Zero Transition Plan with reference to the TPT disclosure recommendations and guidance. A short summary of our transition plan is presented within the 'strategy' section of our climate-related disclosures, on pages 64 to 68.

Taskforce on Nature-related Financial Disclosures (TNFD)

The TNFD consists of disclosure recommendations that aim to encourage and enable businesses to assess, report and act on their nature-related dependencies, impacts, risks and opportunities. As part of our commitment to assess our impacts and dependencies on nature for 2025, we have begun to assess the interfaces our operations and value chain have with nature, in alignment with the TNFD 'LEAP' (Locate, Evaluate, Assess and Prepare) approach. We plan to report against TNFD in DS Smith Annual Report 2025.

Alongside these developments, we maintain our GRI-aligned Sustainability Report, SASB (Sustainability Accounting Standards Board) standard disclosures and ESG ratings submissions.

Our strategy



To double our size and profitability



£6,822m

Revenue

33.1p

EPS

£701m

Adjusted operating profit

Operating review

Resilient performance

The macro-economic environment has remained challenging with overall market demand continuing to be weak, leading to a decline in like for like box volumes of 2 per cent⁴ compared to 2022/23. Customers are starting to increase promotional activity and stock levels, with like for like volumes in the second half of the year showing positive growth. The medium-term target for box volume growth of 1.8 per cent (GDP+1 per cent) was significantly impacted by inflation in addition to lower production volumes.

The largest decline in volume was in Northern Europe, which includes the UK and Germany, where we have a greater weighting to industrial and e-commerce customers, respectively. Southern Europe was relatively resilient and our Eastern Europe and North American divisions delivered strong volume growth for the year.

For the 12-month period, revenue was £6,822 million (2022/23: £8,221 million), down 16 per cent on a constant currency basis and 17 per cent on a reported basis with the decline in box volumes (£129 million) and lower selling prices (£1,173 million). Packaging prices were down £647 million, approximately 10 per cent, with the balance reflecting lower external paper, recyclate and energy sales. Packaging prices have been relatively resilient, reflecting our strong customer relationships, ongoing innovation and continued focus on high service levels.

Adjusted operating profit declined 18 per cent on a constant currency basis and 19 per cent on a reported basis to £701 million (2022/23: £861 million). The impact of box and other volume declines led to a £35 million reduction in adjusted operating profit. The decline in sales price was mostly offset by a reduction in raw material costs and cost mitigation actions, which led to an overall decrease in costs, excluding the impact of volume declines, of £1,059 million versus the comparable period with a reduction in raw materials costs of £661 million and cost mitigation initiatives and reduced other costs totalling £398 million.

Group return on sales was 10.3 per cent (2022/23: 10.5 per cent), and within our medium-term target range of 10 to 12 per cent reflecting the robust operating profit.

Basic earnings per share from continuing operations declined 20 per cent on a constant currency basis to 28.0 pence. Adjusted basic earnings declined by 22 per cent on a constant currency basis to 33.1 pence per share, reflecting the decline in profitability.

Return on average capital employed decreased by 360 bps to 10.7 per cent reflecting the lower profitability and below our medium-term target range of 12 to 15 per cent.

Cash flow and net debt

As previously announced, free cash flow⁸ was impacted in the period by a number of one-off items and led to an outflow of £175 million versus a cash inflow of £354 million in 2022/23. The cash outflow included a working capital outflow of £417 million including a net outflow of £137 million (2022/23: net benefit of £69 million) in respect of the reversal of prior period cash collateralisation of energy hedges which we undertook to limit our counterparty exposure. The underlying working capital outflow was principally driven by lower paper and energy prices reducing trade payables. In September 2023 we paid the final amount of £103 million for the remaining outstanding shareholding in Interstate Resources, the majority of which we acquired in August 2017.

Cash generated from operations before adjusting cash items of £566 million (2022/23: £1,092 million) was used to invest in net capex of £506 million (2022/23: £526 million).

Cash conversion^{7,8}, as defined in our financial KPIs (note 32) was 39 per cent (2022/23: 101 per cent), below our target of being at or above 100 per cent.

Net debt as at 30 April 2024 was £2,230 million (30 April 2023: £1,636 million), principally due to the increased working capital outflow and capital expenditure described above. Our net debt/EBITDA⁶ ratio (calculated in accordance with our banking covenant requirements) is 2.1 times (2022/23: 1.3 times), substantially below our banking covenant of 3.75 times and just above our medium-term target of at or below 2.0 times. The Group remains fully committed to maintaining its investment grade credit rating.

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 and have built our Now & Next Sustainability Strategy around ambitious near and long-term targets that confirm our commitment to the Circular Economy and our Purpose of Redefining Packaging for a Changing World.

Replacing one billion units of plastic by 2025 was one of these targets and we are proud to have achieved this target 16 months ahead of schedule. We have replaced over 1.2 billion units of plastic with a range of new and innovative fibre-based solutions. Everyday plastic items that have been replaced on supermarket shelves include ready-meal trays, fruit and vegetable punnets, plastic carriers and shrink-wrap that is commonly found on soft drink bottles.

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 total greenhouse gas (GHG) emissions by 5 per cent in the year (19 per cent compared to 2019), strengthened our human rights due diligence having achieved our target to roll out Sedex SAQs (Supplier Ethical Data Exchange Self-Assessment Questionnaire) to all sites and maintained 100 per cent of our sites engaging in community activities.

We are delighted that our progress on climate change was recently recognised with our CDP A List position (achieving A grade for Climate Change, alongside A- for Forests and Water Security) with continuing high ratings from EcoVadis, MSCI, S&P Global and Sustainalytics.

Dividend

The Board considers the dividend to be an extremely important component of shareholder returns. In June, we announced a final dividend of 12.0p per share, taking the total dividend for this year to 18.0 pence per share, in line with 2022/23.

Subject to approval of shareholders at the AGM to be held on 3 September 2024, the final dividend will be paid on 4 October 2024 to shareholders on the register at the close of business on 6 September 2024.

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. Performance against our financial key performance indicators and medium-term targets has been described 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 9 per cent to 1.65, reflecting our ongoing commitment to best practice in health and safety. We are proud that 262 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, maintaining the same level as the prior year (96 per cent). Management remains fully committed to our target of 97 per cent on-time, in-full 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.

Combination with International Paper

DS Smith is a high-quality business with an excellent customer focus and exceptional people and this has been recognised by the strong interest we have seen in the Company.

In April the boards of International Paper Company and DS Smith recommended an all-share combination of International Paper with DS Smith. The combination will bring together complementary businesses to create a truly global sustainable packaging solutions leader, with industry leading positions in two of the most attractive geographies of Europe and North America. The combined business will enhance our global proposition to customers, create opportunities for colleagues and drive value for shareholders who can remain fully invested in such an exciting business. Both parties are working together to satisfy the offer conditions as described in the rule 2.7 announcement on 16 April 2024 and bring about the successful completion of the recommended all-share combination.

Further details on the proposed transaction can be found at www.dssmith.com

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

	Year ended 30 April 2024	Year ended 30 April 2023	Change - reported	Change - constant currency
Revenue	£6,822m	£8,221m	(17%)	(16%)
Adjusted operating profit ¹	£701m	£861m	(19%)	(18%)
Operating profit	£604m	£661m	(18%)	(17%)

Revenue declined 16 per cent due to lower box volumes and lower selling prices for both paper and packaging as well as lower recycle and energy sales. Adjusted operating profit declined 18 per cent due to the impact of revenue decline partly offset by a reduction in raw material costs and cost mitigation actions.

Northern Europe

	Year ended 30 April 2024	Year ended 30 April 2023	Change - reported	Change - constant currency
Revenue	£2,598m	£3,132m	(17%)	(16%)
Adjusted operating profit ¹	£199m	£212m	(6%)	(5%)
Return on sales ²	7.7%	6.8%	90bps	90bps

In Northern Europe, like for like corrugated box volumes across the region declined more than the Group average due to a greater weighting of industrial and e-commerce customers which have seen the biggest sectoral declines over the year.

Revenues decreased by 16 per cent in the region due to a combination of the decrease in box volumes, reductions in sales prices for packaging and externally sold paper as well as volumes of recycled fibre. Adjusted operating profit decreased less than revenue, with return on sales increasing to 7.7 per cent, reflecting resilient pricing in packaging, due to a higher proportion of indexed pricing, and benefits from restructuring announced in 2022/23.

Southern Europe

	Year ended 30 April 2024	Year ended 30 April 2023	Change - reported	Change - constant currency
Revenue	£2,532m	£3,150m	(20%)	(19%)
Adjusted operating profit ¹	£373m	£501m	(26%)	(25%)
Return on sales ²	14.7%	15.9%	(120bps)	(120bps)

Southern Europe saw a like for like decline in box volumes approximately in line with the Group average with France weaker than Iberia and Italy, reflecting the weaker overall consumer market in France.

Revenue declined 19 per cent, due to the impact of decreases in both packaging and external paper pricing. Adjusted operating profit declined by 25 per cent compared to the prior period, due largely to the decrease in the volume and price of paper sold externally, although margins continued to remain significantly above the Group's target range.

Eastern Europe

	Year ended 30 April 2024	Year ended 30 April 2023	Change - reported	Change - constant currency
Revenue	£1,106m	£1,275m	(13%)	(13%)
Adjusted operating profit ¹	£72m	£76m	(5%)	(4%)
Return on sales ²	6.5%	6.0%	50bps	60bps

Like for like corrugated box volumes in Eastern Europe grew over the period, with revenues declining 13 per cent, principally reflecting reduced paper and packaging prices. Return on sales improved during the period, as adjusted operating profit was down only slightly as the lower pricing was partially offset by lower raw material costs and efficiency improvements, together with costs of £19 million relating to the decision to close our Trakia paper mill in Bulgaria in the prior year comparative.

North America

	Year ended 30 April 2024	Year ended 30 April 2023	Change - reported	Change - constant currency
Revenue	£586m	£664m	(12%)	(8%)
Adjusted operating profit ¹	£57m	£72m	(21%)	(16%)
Return on sales ²	9.7%	10.8%	(110bps)	(100bps)

Like for like packaging volumes grew during the period, reflecting excellent customer traction and our recent investments in additional capacity. However, revenue in the region declined, reflecting pricing reductions in paper and packaging.

Adjusted operating profit declined by 16 per cent, principally reflecting the decline in paper profitability as the region produces more paper than it currently utilises for our own packaging production and hence retains some exposure to the paper export market. Despite this, return on sales margins remain attractive and the expected continued volume growth will reduce this exposure going forward.

Outlook

The positive trends in packaging volumes from the second half of last year have continued into the current financial year and we remain focused on pricing, operational efficiency and tight cost control. The increasing demand is resulting in higher paper and other input costs, including OCC. We anticipate this will be reflected in packaging price rises, with the benefits expected to be weighted to the second half of our current financial year and provide further momentum into FY26.

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, and they are applied in the Group's financial and debt covenants, as well as 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.

- Adjusted operating profit (adjusted EBITA) is before adjusting items (as set out in note 4) and amortisation of £98 million.
- Operating profit before amortisation and adjusting items as percentage of revenue.
- 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.
- Corrugated box volumes on a 12-month basis (based on area (m²) of corrugated box sold), adjusted for working days, on an organic basis.
- GDP growth for rolling 12 months (year-on-year) for the countries in which DS Smith operates, weighted by our sales by country = 0.8%. Source: Eurostat (15 May 2024) and ONS.
- 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 on non-GAAP measures for reconciliation.
- 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.
- 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



“Robust profitability in a challenging market”.

Richard Pike
Group Finance Director

Overview

2023/24 has seen the Group deliver robust adjusted operating profit in the context of a challenging macroeconomic environment, characterised by soft demand, low paper prices and higher inflation impacting input costs. We continued to be responsive to our customers’ needs and invested in our strong relationships, while delivering innovative packaging solutions.

The business saw revenue decline by 17 per cent (constant currency 16 per cent) as the market price of paper and packaging reduced, coupled with a marginal decline in packaging volumes of (2 per cent). Adjusted operating profit reduced by 19 per cent (constant currency 18 per cent) from the record level recorded in the previous year, reflecting the enormous effort by our colleagues across the business to offset the external headwinds.

Whilst the above mentioned efforts ensured that the return on sales of the business remained relatively flat at 10.3 per cent (2022/23: 10.5 per cent) and within our target range, return on average capital employed (ROACE) for the year was 10.7 per cent (2022/23: 14.3 per cent), which was below the target range of 12 to 15 per cent. The headline results can be summarised as:

- Organic corrugated box volume reduced by 2 per cent (2022/23: a decrease of 5.8 per cent).
- Revenue decreased 16 per cent on a constant currency and 17 per cent on a reported basis to £6,822 million (2022/23: £8,221 million).
- Adjusted operating profit of £701 million, a decline of 18 per cent on a constant currency basis and 19 per cent on a reported basis (2022/23: £861 million).
- 18 per cent reduction in operating profit to £604 million on a reported basis; 16 per cent decrease on a constant currency basis (2022/23: £733 million).

- Statutory profit before tax of £503 million, a 23 per cent reduction on a constant currency basis and 24 per cent decrease on a reported basis (2022/23: £661 million).
- Adjusted return on sales at 10.3 per cent (2022/23: 10.5 per cent).
- Adjusted return on average capital employed of 10.7 per cent (2022/23: 14.3 per cent).
- Net debt to EBITDA ratio of 2.1 times (2022/23: 1.3 times).
- Cash conversion 39 per cent (2022/23: 101 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 decreased by 17 per cent on a reported basis to £6,822 million (2022/23: £8,221 million). Packaging prices continued to fall across the year, reflecting ongoing soft demand, and paper selling prices remained weak through the year before starting to recover as we approached year end. Lower selling prices reduced revenue by £1,173 million, with packaging and other volume reductions reducing revenue by a further £142 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 £84 million of adverse foreign exchange translation impact. On a constant currency basis, revenues decreased by 16 per cent.

Corrugated box volumes reduced by 2 per cent (2022/23: 5.8 per cent reduction) as a result of softness in demand in our end markets. However, there was improvement in the demand environment across the year and in the second half we saw a marginal improvement over the prior year comparative period as sentiment began to improve.

Adjusted operating profit of £701 million on a reported basis is a decrease of 19 per cent (2022/23: £861 million). This is largely attributable to reducing prices (£1,173 million) and volume reduction of £35 million, offset by input cost reductions of £1,059 million. Constant currency decline was 18 per cent with adverse foreign exchange translation impact to adjusted operating profit of £11 million. As the Group exited the year, market prices began to rise following the price reductions experienced over the past year.

Operating profit at £604 million is a decline of 16 per cent on a constant currency basis and 18 per cent on a reported basis (2022/23: £733 million), as lower amortisation and adjusting items offset the decline in adjusted operating profit.

On a reported basis, depreciation increased to £323 million (2022/23: £312 million), reflective of the continued investments in the Group's operating assets.

Amortisation decreased to £98 million (2022/23: £113 million) due to the full year effect of intangibles arising on earlier acquisitions completing their amortisation term.

The key measure of return on average capital employed reduced by 360 basis points to 10.7 per cent (2022/23: 14.3 per cent), due to the reduction in adjusted operating profit and higher capital employed. This performance is below the Group's medium-term target of 12 to 15 per cent.

The Group's adjusted return on sales was broadly comparable to the prior year with a 20 basis points reduction to 10.3 per cent (2022/23: 10.5 per cent), reflecting the robustness of our business model and continued focus on costs. It remains within the medium-term target of 10 to 12 per cent.

Income statement - from continuing operations (unless otherwise stated)	2023/24 £m	2022/23 £m
Revenue	6,822	8,221
Adjusted operating profit ¹	701	861
Operating profit	604	733
Adjusted return on sales ¹	10.3%	10.5%
Adjusted net financing costs ¹	(103)	(74)
Share of profit of equity-accounted investments, net of tax	2	2
Profit before income tax	503	661
Adjusted profit before income tax¹	600	789
Adjusted income tax expense ¹	(145)	(197)
Adjusted earnings¹	455	592
Profit from discontinued operations, net of tax		11
Adjusted basic earnings per share ¹	33.1p	43.0p
Profit for the year attributable to owners of the parent (including discontinued operations)	385	502
Basic earnings per share from continuing and discontinued operations	28.0p	36.6p
Basic earnings per share from continuing operations	28.0p	35.8p

1. Adjusted to exclude amortisation and adjusting items (see note 32).

Adjusting items

Adjusting items before tax and financing costs were £1 million (2022/23: £15 million loss) which relates to a gain from the disposal of the Group's associate in Ukraine of £10 million offset by acquisition and other adjusting costs of £9 million.

Interest, tax and earnings per share

Net finance costs were £103 million (2022/23: £74 million). The increase of £29 million over the prior year is a function of the higher interest rate environment coupled with the refinancing of prior year bonds. The employment benefit net finance expense of £1 million is in line with the prior year.

The share of profits of equity-accounted investments remained at £2 million (2022/23: £2 million).

Profit before tax decreased by 24 per cent on a reported basis to £503 million (2022/23: £661 million), driven by the decrease in operating profit and increased financing costs offset by a reduction in amortisation. Adjusted profit before tax of £600 million (2022/23: £789 million) decreased by 24 per cent on a reported basis, again due to the decrease in the underlying adjusted operating profit.

The tax charge of £118 million (2022/23: £169 million) reflects the lower profits versus the prior year. The Group's effective tax rate on adjusted profit, excluding amortisation, adjusting items and associates, was 24.2 per cent (2022/23: 25.0 per cent).

Reported profit after tax, amortisation and adjusting items for continuing and discontinued operations was £385 million (2022/23: £503 million). The decrease in operating profit led to a reduction of 22 per cent in basic earnings per share from continuing operations on a reported basis to 28.0 pence (2022/23: 35.8 pence), with adjusted earnings per share from continuing operations 23 per cent lower at 33.1 pence (2022/23: 43.0 pence) on a reported basis, 22 per cent lower 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 the year the Group acquired Basis d.o.o., a high-quality packaging company in Serbia, for €20 million (net of cash and cash equivalents), complementing the Group's existing regional packaging activity in Eastern Europe.

The acquisition of the final 10 per cent holding in Interstate Resources was completed in the year with a final payment of \$129 million.

Cash flow

Reported net debt of £2,230 million (30 April 2023: £1,636 million) has increased from the prior year, with a reduction in EBITDA from the record performance in the previous year and a net working capital outflow of £417 million, due largely to the decline in energy prices and paper raw material purchase prices during the financial year, net capital expenditure of £506 million and higher tax payments. The working capital outflows were mitigated by maintaining focus on cash management, in particular cash collection and inventory management, but these were insufficient to offset the commodity price moves. In order to manage counterparty credit risk of the Group's energy derivatives, the Group agreed resets of certain derivatives with the counterparties to reduce the risk. The unwind in the current year of prior year resets contributed to a net working capital outflow of £137 million, compared to an inflow of £69 million in the prior year.

Trade receivables factoring is £9 million higher than April 2023 at £369 million. This remains a reduction of some 34 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 decreased by £20 million to £506 million in the year. The Group continued to focus on growth and efficiency capital projects, the most significant elements of which related to the replacement paper making line in Italy, the replacement recovery boiler in Portugal and the new biomass boiler in France. Proceeds from the disposal of property, plant and equipment were £41 million (2022/23: £19 million), which included assets becoming surplus as a result of the prior year restructuring, including UK recycling sites, the Berlin packaging site and other non-core assets.

In the year, the remaining cash payment of \$129 million occurred relating to the acquisition cost of the Interstate Resources acquisition following the settlement of the put option, and the acquisition of Basis d.o.o. in Serbia was completed for €20 million.

Tax paid of £169 million is £33 million higher than the prior year, driven by increasing levels of profit in the prior year.

Net interest payments of £66 million decreased by £10 million with higher interest costs being offset by the timing of payments on the Eurobond that was issued during the year.

Cash outflows associated with adjusting items decreased by £3 million to £11 million as programmes which commenced in previous years concluded.

Disposal proceeds of £5 million related to the first tranche of the cash flow from the sale of the Group's associate in Ukraine.

Financial review *continued*

Cash generated from operations before adjusting cash items was an inflow of £566 million (2022/23: £1,092 million inflow). Net cash flow was an outflow of £543 million, a £592 million decrease on the prior year. This reflects the effect of working capital outflows in the current year, increased tax payments and the outflow relating to the payment of the put option for the final consideration of Interstate Resources. Cash conversion at 39 per cent was lower than the previous year (2022/23: 101 per cent) due to the lower adjusted operating profit and cash outflow relating to working capital.

	2023/24 £m	2022/23 £m
Cash flow from continuing operations		
Cash generated from operations before adjusting cash items	566	1,092
Capital expenditure (net of disposal of fixed assets)	(506)	(526)
Tax paid	(169)	(136)
Net interest paid	(66)	(76)
Free cash flow	(175)	354
Cash outflow for adjusting items	(11)	(14)
Dividends	(247)	(289)
Acquisitions and disposals of businesses, net of cash and cash equivalents	(108)	-
Other	(2)	(2)
Net cash flow	(543)	49
Issue of share capital	7	4
Foreign exchange, fair value and other movements	(58)	(205)
Net debt movement	(594)	(152)
Opening net debt	(1,636)	(1,484)
Closing net debt	(2,230)	(1,636)

Statement of financial position

At 30 April 2024, shareholder funds were £3,949 million, a decrease from £4,084 million in the prior year. The key movements are profit attributable to shareholders was £385 million (2022/23: £502 million, together with an actuarial loss on employee benefits of £2 million (2022/23: £11 million gain) and foreign currency translation loss of £147 million (2022/23: gain of £194 million), with a net reduction in the cash flow hedge reserve of £211 million (2022/23: £645 million reduction) driven by the significant reduction in the underlying value of our commodity hedge positions as energy prices fell. Dividends paid in the year were £247 million (2022/23: £289 million).

Equity attributable to non-controlling interests was Enil (2022/23: £3 million positive).

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 increased to 2.1 times, with a reduction in adjusted EBITDA and an increase in adjusted net debt. This represents an increase from the previous year-end position of 1.3 times. The ratio remains well inside the covenant requirements, which across all banking debt is 3.75 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 2024, 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.

	30 April 2024 £m	30 April 2023 £m
Statement of financial position		
Intangible assets	2,811	2,927
Property, plant and equipment	3,743	3,529
Right-of-use assets	237	224
Inventories	591	619
Trade and other receivables	1,134	1,257
Cash and cash equivalents	499	472
Derivative financial instruments	79	319
Employee benefits	50	24
Other	110	86
Total assets	9,254	9,457
Bank overdrafts	(89)	(104)
Borrowings	(2,437)	(1,816)
Trade and other payables	(1,850)	(2,287)
Provisions	(68)	(65)
Employee benefits	(82)	(79)
Lease liabilities	(239)	(224)
Derivative financial instruments	(193)	(368)
Other	(347)	(427)
Total liabilities	(5,305)	(5,370)
Net assets	3,949	4,087
Net debt	2,230	1,636
Net debt to EBITDA ratio	2.1x	1.3x

Energy costs

Production facilities, in particular paper mills, are energy intensive resulting in significant costs for the Group. In 2023/24, costs for gas, electricity and other fuels, net of periodic local incentives, were £601 million (2022/23: £669 million). The year saw significant reductions in prices in the first half year, which eased into the second half, with energy costs for the first half year of £309 million decreasing to £292 million in the second half year (2022/23: H1 £400 million, H2 £269 million). The Group's energy sales reduced compared with the prior year. 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 positive 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. A further extension was agreed in June 2024, such that the new facility of £1.25 billion matures in May 2027.

In July 2023 the Group issued two inaugural Green Bonds, to a value of €1.5 billion (€850 million due 2027 and €650 million due 27 July 2030), significantly lengthening our maturity profile and securing long-term committed financing for the business. The net proceeds of the issuance will be used to finance or refinance eligible activities in accordance with DS Smith's Green Finance Framework. The undrawn £500 million term loan facility signed in April 2023 was cancelled upon issuance of the Green Bonds.

Available cash and debt facilities are reviewed regularly to ensure sufficient funds are available to support the Group's activities. At 30 April 2024, the Group's committed facilities totalled £3.9 billion, of which £1.5 billion remained undrawn and £3.5 billion matures beyond one year or more. Undrawn committed borrowing facilities are maintained to provide protection against refinancing risk.

At 30 April 2024, the committed borrowing facilities had a weighted average maturity of 2.7 years (30 April 2023: 2.4 years). Additional detail on these facilities is provided below. Total gross borrowings at 30 April 2024 were £2,437 million (30 April 2023: £1,816 million). The committed borrowing facilities described do not include the £427 million of committed factoring facilities, which allow the sale of receivables without recourse. Given the 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. There was no issued commercial paper at 30 April 2024.

Facilities	Currency	Maturity date	£m equivalent
Syndicated RCF 2018	Various	2024-25	1,400
Euro medium-term notes	EUR	2024-30	2,182
Euro RCF 2020	EUR	2025	51
Sterling bond medium-term note	GBP	2029	250
Euro term loan	EUR	2025	9

Committed facilities at 30 April 2024 **3,892**

Impairment

The net book value of goodwill and other intangibles at 30 April 2024 was £2,811 million (30 April 2023: £2,927 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 (2022/23: 9.5 per cent), plus a blended country risk premium for each group of assets. Asset values were tested at 30 April 2024, 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 at 30 April is as follows:

	30 April 2024 £m	30 April 2023 £m
Aggregate gross assets of schemes	820	848
Aggregate gross liabilities of schemes	(852)	(903)
Balance sheet deficit	(32)	(55)
Deferred tax assets	7	14
Net balance sheet deficit	(25)	(41)

The net deficit has decreased versus prior year mainly due to an increase in discount rate assumptions at 30 April 2024 partially offset by a fall in the asset valuations.

The 2022 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 decrease of c. 9 per cent in the valuation of the scheme liabilities. No changes were made to the previously approved funding plan following the triennial valuation.

Total cash contributions paid into the Group pension schemes, reported within cash generated from operations in the cash flow, were £24 million in 2023/24 (2022/23: £25 million), which primarily constitute the agreed contributions under the UK defined benefit scheme deficit recovery plan.

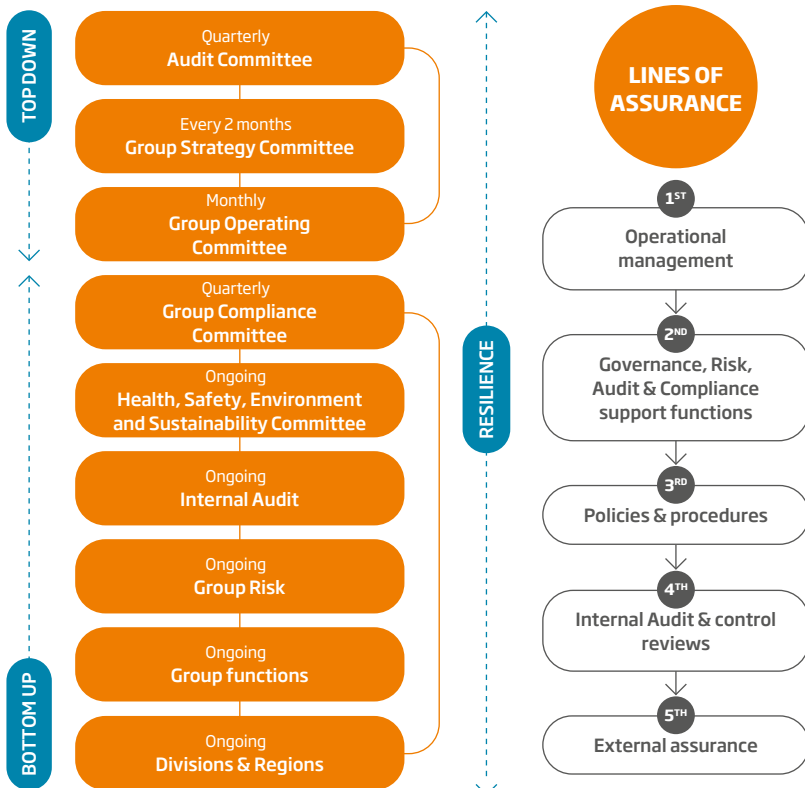
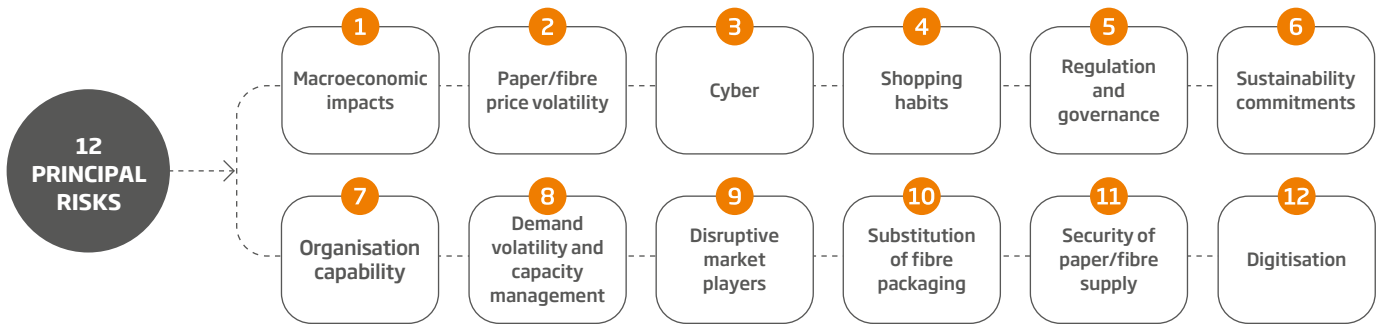
Risk management: Protecting for tomorrow

Our Group risk policy continues to provide the framework for effective governance forums from Board and Audit Committee level down to operational teams to ensure there is a common understanding of risk management practices across all parts of the Group. This is fully integrated with our annual corporate planning process and reflected in regular management meetings and performance monitoring. We use these practices to evaluate 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. We actively target potential opportunities for growth and development by considering the risks and take appropriate action to ensure confidence that our chosen strategy will deliver successful and sustainable results.

During financial year 2023/24 we continued to manage our business by recognising the future uncertainty and sought ways to leverage our investments in our key defences and mitigations across our 12 principal risks by reinforcing our skills capabilities and resources across our business networks. Our procedures helped to identify and assess key emerging risk themes that have the potential to materially disrupt our plans. These are set out in our emerging risk summary on page 56. The result of these activities in protecting our business for today and tomorrow is summarised in both our Chair's statement on pages 4 and 5 and our Group Chief Executive's review on pages 6 and 7.

Oversight of our principal risks

Enterprise risk management framework, policies, standards and governance

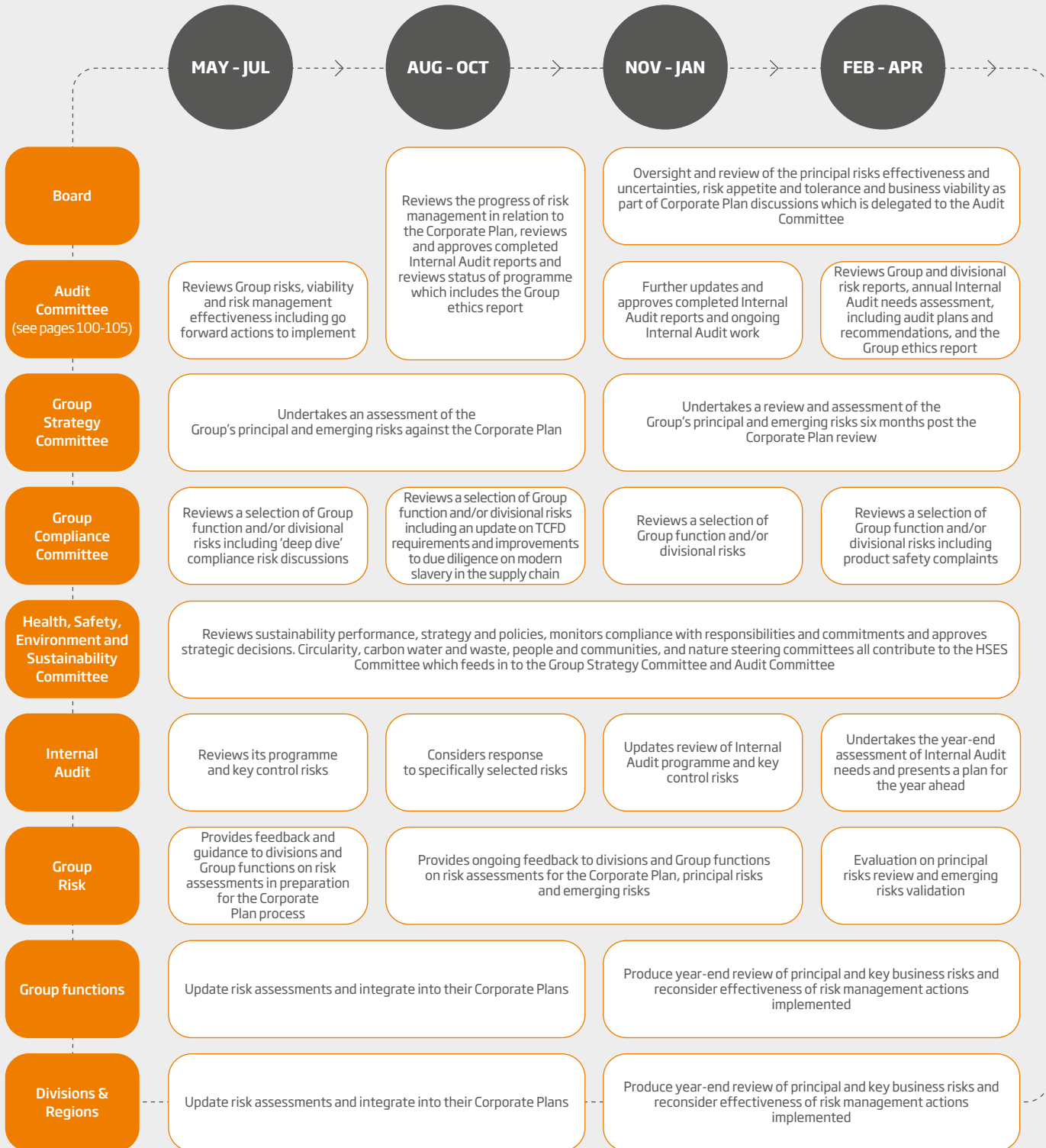


Our risk perspective

The Group's investment in business growth to support its ambition to be the leading supplier of sustainable packaging solutions has coincided with a prolonged disruptive period meaning that the Group is faced with a number of key risks from the normal course of business that may be exacerbated by extraordinary levels of turbulence across global, regional and country events that could have a noticeable impact on its reputation, operations and financial performance.

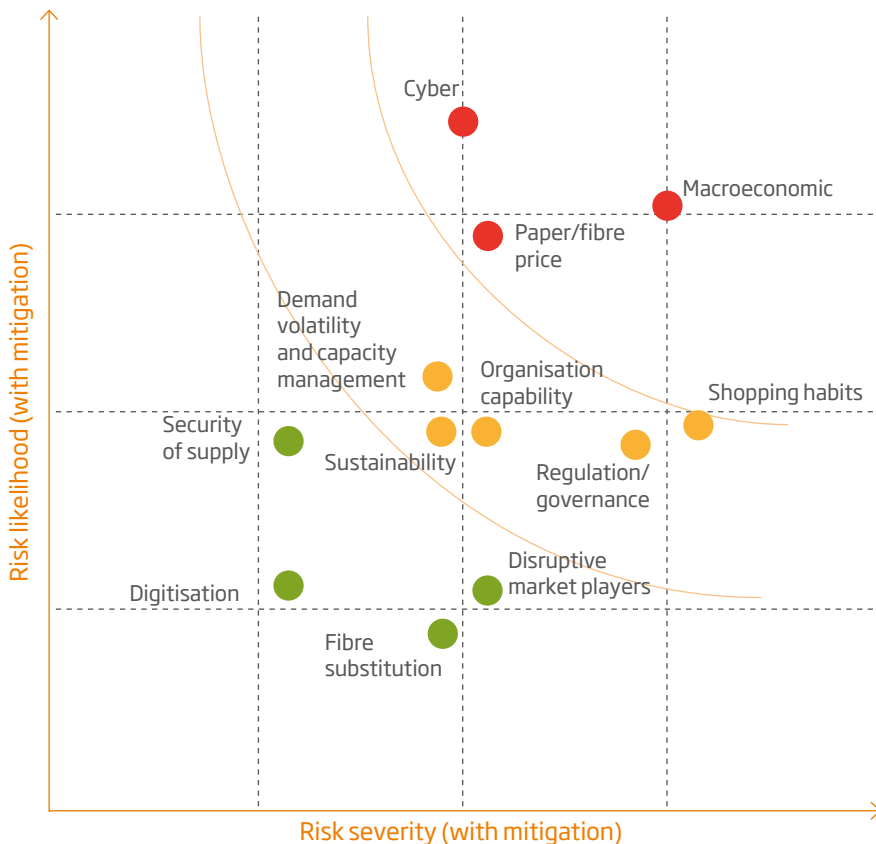
A number of challenges we referred to in our 2023 Annual Report continued to influence our risk outlook (such as inflation, cost of living crises, supply chain, the competitive landscape, geopolitical tensions and macroeconomic uncertainty). During the year we anticipated that some risks are likely to be more severe and more likely (such as supply chain vulnerabilities, cyber events and increasing scrutiny and regulation). Our Group has built a robust business model over the years that has shown that these familiar and more invasive risks can be managed through both disciplined allocation of resources, unwavering attention to meeting the needs of our customers and ensuring that key decisions are made at the right level of the organisation with the right level of risk information to ensure the resilience of the Group's business strategy, key priorities and delivery on our targets for today and tomorrow.

Annual risk reporting cycle



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



Bubble colour reflects risk relative priority

- highest risk
- second level priority
- third level priority

We consider climate change a systemic risk influencing both negatively and positively on the principal risks and uncertainties faced when executing the Group's Corporate Plan.

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 70 to 73

Climate-related risk		Type	Link to principal risk
Transition	Increased spend on carbon taxes	Policy and legal	<ul style="list-style-type: none"> • Regulation and governance • Paper/fibre price volatility
	Increased cost of raw materials or threat to supply	Market	<ul style="list-style-type: none"> • Security of paper/fibre supply • Paper/fibre price volatility
Physical	Increased severity of extreme weather events	Acute physical	<ul style="list-style-type: none"> • Security of paper/fibre supply • Paper/fibre price volatility
	Increased likelihood of water stress	Chronic physical	<ul style="list-style-type: none"> • Regulation and governance
Climate-related opportunity			
	Growth in demand for sustainable packaging	Products and services	<ul style="list-style-type: none"> • Shopping habits • Demand volatility • Organisation capability • Fibre substitution
	Greater resource efficiency	Resource efficiency	<ul style="list-style-type: none"> • Paper/fibre price volatility • Sustainability
	Use of lower-emission energy sources	Energy source	<ul style="list-style-type: none"> • Sustainability

Risk management *continued*

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

24/25	1
23/24	1
22/23	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 to capture sustainable growth trends in sustainable packaging using 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

24/25	2
23/24	2
22/23	3

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 cost-efficient, strategically located and integrated CCM production and recovered paper sourcing balanced 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 stock keeping units through using technology innovations, performance packaging and striking a balance between those contracts indexed and those which are freely negotiated. Ultimately, supporting 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

24/25	3
23/24	3
22/23	2

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.

Continued 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.

Increased 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

Continued 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

24/25	3
23/24	3
22/23	2

Net risk tolerance key

Unacceptable Re-assess Acceptable



Risk outlook

Increasing Stable Decreasing



Shopping habits

24/25	4
23/24	4
22/23	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 with a well-located converting network 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


Risk rank change by year key
Principal risk example 1 - highest 12 - lowest

24/25	3
23/24	3
22/23	2

Regulation and governance

24/25	5
23/24	5
22/23	6

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!' programme 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.

External advisory checks in parallel to trade associations (FEFCO, CEPI, AF&PA, FPA).

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


Net risk tolerance key

Unacceptable	Re-assess	Acceptable
		

Sustainability commitments

24/25	6
23/24	6
22/23	4

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.

Effective governance model focused on the Now & Next Sustainability Strategy and the development of new programmes to address developments such as science-based targets.

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 CO₂e per tonne of production.

Risk tolerance


Risk outlook


Risk outlook

Increasing	Stable	Decreasing
		

Risk management *continued*

Organisation capability

24/25	7
23/24	7
22/23	5

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 Group HR Corporate Plan focusing on productivity, capability development, employee development and engagement, talent and strengthening our HR function. 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 at 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



Demand volatility and capacity

24/25	8
23/24	8
22/23	8

Definition

Risk of low volume growth and high inflation impacting our ability to meet changes in demand patterns and capacity outlook profitably, whilst servicing customer agreements, needs and contract service levels.

Key defence/mitigations


We have an agile Corporate Plan and integrated business planning process designed to manage out material variations between demand 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.

Enhanced commercial negotiations, mix and pipeline to ensure profitability.

Continued focus upon labour productivity improvements, cost reduction, development of external sales and export opportunities, product diversification and footprint/integration.

Targeted capital investments aligned with mid and long-term business needs and a capital plan with the purpose of boosting revenue, profit and/or operational efficiency through the rationalisation of existing capacity via a highly compatible customer and production geographical footprint.

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

24/25	9
23/24	9
22/23	10

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

24/25	10
23/24	10
22/23	11

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 and quality standards whilst leveraging our proven innovation capabilities.

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



Risk outlook



Security of paper/fibre supply

24/25	11
23/24	11
22/23	7

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 end-to-end 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



Risk outlook



Digitisation

24/25	12
23/24	12
22/23	9

Definition

Risk of failing to effectively leverage digital technologies and strategies to meet key business priorities, resulting in missed opportunities for growth, innovation and operational efficiency. The inadequate alignment of digital initiatives with strategic business priorities leading to inefficiencies in resource allocation and a lack of focus on high impact areas such as customer experience enhancement and service proposition development.


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.

Prioritisation of foundational digital initiatives (brilliant basics) to establish a robust digital infrastructure and operational framework. The central digital centre of excellence enables guidance and steering around prioritisation and continuous monitoring.

Implementation of a structured governance framework that evaluates and prioritises new technology opportunities, balancing the need for innovation with risk management considerations and ensuring optimal resource allocation and investment decisions.

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 product offerings.

Key risk indicator

Customer satisfaction surveys and website visitor traffic.

Risk tolerance



Risk outlook



Risk rank change by year key

Principal risk example 1 - highest 12 - lowest

24/25	3
23/24	3
22/23	2

Net risk tolerance key

Unacceptable Re-assess Acceptable



Risk outlook

Increasing Stable Decreasing



Emerging risks

Our risk management programme reviews emerging risks, defined as those not currently impacting the Group but with potential significant future impact due to rapid or indirect evolution. These risks, often with longer-term effects, require immediate attention to mitigate adverse outcomes. Regular monitoring of external trends, combined with internal insights, helps identify potential future risks. We compile a list of key emerging risks from both internal and external sources, reviewed biannually with the Group Strategy Committee alongside principal risks. Notably, three emerging risks are gaining increased attention due to their potential for high impact.

Geopolitical risks

Description

The rise of nationalism globally poses a potential risk, as certain groups prioritise national identity over global cooperation. This trend exacerbates geopolitical risks, particularly in regions like the Middle East and Russia/Ukraine, where conflicts persist.

Impact

The rise of nationalism may lead to trade barriers and protectionist policies, potentially hindering our exports. It could also trigger political instability, disrupting supply chains, and pose challenges navigating evolving regulations, impacting operations and profitability.

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

Unforeseen and prolonged extreme weather events, including heatwaves, droughts, floods and storms, may disrupt supply chains and transportation, leading to delays, damage and increased costs.

Impact

Extended extreme weather may affect energy and water supply to our facilities, impacting operations and productivity. Infrastructure disruptions, like power outages and road closures, could disrupt our operations and supply chain.

Action

Our business continuity plans incorporate contingencies for extreme weather and infrastructure disruptions, including diversifying transportation routes, investing in backup systems for energy and water, and exploring alternative sources of recycled materials.

Potential in AI integration risks

Description

AI technologies have the potential to improve and transform significant areas of the Group's business including decision-making, operational efficiency, technology and end-product and service innovation, analytics and financial systems.

Impact

The risk of missing out on emerging opportunities due to inadequate oversight and investment poses significant consequences for the Group, competitors and industry transformation. Key areas of exposure include the inability to establish a secure data infrastructure essential for AI implementation, requiring ongoing investment and resourcing, hindering the transformative potential of AI within the Group and the industry.

Action

A comprehensive approach to inform and realise the potential of AI, addressing the benefits, opportunities and alignment presented by alternative AI models. Data governance, trust, security, privacy and compliance to safeguard information and results must be an embedded part of this.

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 pages 3 and pages 8 and 9, and our risk management framework is described on pages 49 and 50. 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 uncertain economic environment experienced in 2023/24, impacted by a downturn in paper pricing, and the ongoing impact of the wider economic consequences of the war in Ukraine and conflict in the Middle East. The forecast process for 2024/25, conducted subsequent to the Corporate Planning process, reflected an updated view of the market dynamics, which anticipate improving paper sales prices, increased volume demand and input price rises relating to fibre and 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 forecast 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 2027, 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 49 and 51, 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 52 to 55 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.

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.

In reaching this conclusion the Directors have also considered the implications in a viability context of the proposed acquisition of the Group by International Paper which was announced on 16 April 2024. As set out in the Rule 2.7 Announcement, the Boards of Directors of both International Paper and DS Smith believe there is a compelling strategic and financial rationale for the Combination, including the complementary nature of their geographic footprints and the significant synergies expected post transaction. On this basis, the Board of DS Smith believes this supports its viability assessment, in the event the transaction proceeds. The transaction is expected to close during the fourth quarter of 2024, subject to the approval of International Paper shareholders and DS Smith shareholders, as well as customary closing conditions, including regulatory clearances in Europe and the U.S., all substantive conditions.

The Group's borrowings and facilities are subject to change of control provisions which allow for lenders to request repayment of the amounts owed but only in the event of a downgrade of the Group's credit rating to below investment grade. In light of the announcements by a credit rating agency, in their Research Update issued on 18 April 2024, that they view the transaction as positive from a credit perspective (and the credit rating agency signalling their intention to upgrade the Group's credit rating as a result of an acquisition by International Paper), the Board considers the risk arising as a result of these change of control clauses to be remote. Even in the remote event that the Group's borrowings are required to be repaid, the Board has also evaluated the ability of the enlarged group to settle any repayment requests and, based on the latest publicly available information, is satisfied that the available cash and facilities of the combined group would be sufficient to do so.

The scenarios modelled in the viability assessment were based on the Group remaining an independent entity and, therefore, remain appropriate should the proposed acquisition not proceed. Accordingly, the Directors believe the conclusion that the Group and Company is viable remains appropriate in the circumstances of the proposed acquisition completing.

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 and reactivation of Middle East conflict.

At 30 April 2024 there was significant headroom on the Group's committed debt facilities, at a level of c. £1.6 billion. The going concern assessment included the period to 31 October 2025.

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 FY24, 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 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 foreseeable future. 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 debt facilities at 30 April 2024 were £3.9 billion, of which £2.5 billion is publicly listed debt with no attached covenants. In addition, the Group had access to c. £1.5 billion bank facilities, which were undrawn at 30 April 2024. Group facilities totalling £0.4 billion are due to expire within the going concern period. Subsequent to the year end, the Group successfully amended its revolving credit facility, extending its maturity to May 2027 for an amount of £1.25 billion replacing the existing facility for £1.4 billion. This means that the Group will have access to at least £3.35 billion of facilities for the duration of the going concern period to 31 October 2025. 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 2024/25 forecast 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. These are:

- The base case is derived from the 2024/25 full year forecast as presented to the Board. 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 forecast.
- The downside case assumes European packaging volumes largely stagnating at 2023/24 levels, reflecting no future growth and double 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 a stable operating performance throughout FY24 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 36 per cent from FY24 levels for a breach of the net debt/EBITDA covenant to occur. The Board considers this scenario to be a remote possibility based upon the Group's historical performance.

Going concern basis

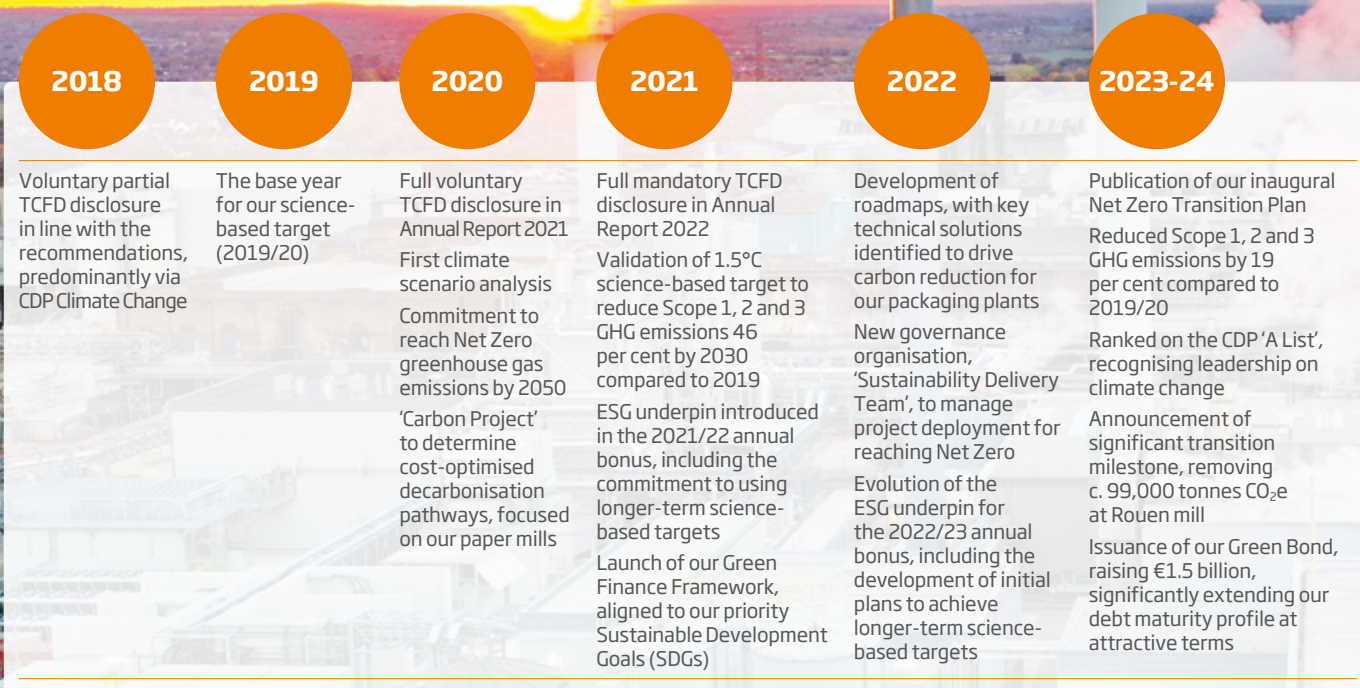
Based on the forecast and the scenarios modelled, together with the performance of the Group in the current year, the Directors consider that the Group and Company has significant covenant and liquidity headroom in its borrowing facilities to continue in operational existence for the length of the going concern period until 31 October 2025.

In reaching this conclusion the Board has also considered the implications in a going concern context of the proposed acquisition of the Group by International Paper which was announced on 16 April 2024. As set out in the Rule 2.7 Announcement, the Boards of Directors of both International Paper and DS Smith believe there is a compelling strategic and financial rationale for the Combination, including the complementary nature of their geographic footprints and the significant synergies expected post transaction. On this basis, the Board of DS Smith believes this supports its going concern assessment, in the event the transaction proceeds. The transaction is expected to close during the fourth quarter of 2024, subject to the approval of International Paper shareholders and DS Smith shareholders, as well as customary closing conditions, including regulatory clearances in Europe and the U.S., all substantive conditions.

The Group's borrowings and facilities are subject to change of control provisions which allow for lenders to request repayment of the amounts owed but only in the event of a downgrade of the Group's credit rating to below investment grade. In light of the announcements a credit rating agency, in their Research Update issued on 18 April 2024, that they view the transaction as positive from a credit perspective (and the credit rating agency signalling their intention to upgrade the Group's credit rating as a result of an acquisition by International Paper), the Board considers the risk arising as a result of these change control clauses to be remote. Even in the remote event that the Group's borrowings are required to be repaid, the Board has also evaluated the ability of the enlarged group to settle any repayment requests and, based on the latest publicly available information, is satisfied that the available cash and facilities of the combined group would be sufficient to do so.

The scenarios modelled in the going concern assessment were based on the Group remaining an independent entity and, therefore, remain appropriate should the proposed acquisition not proceed. Accordingly, the Board believes the conclusion that the Group and Company is a going concern for the period to 31 October 2025 remains appropriate in the circumstances of the proposed acquisition completing.

Our response to climate change



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.

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.

Our near-term 2030 target has been validated by the Science Based Targets initiative (SBTi) and we are in the process of setting a FLAG (Forest, Land and Agriculture) target and no deforestation commitment in order to obtain Net Zero validation from the SBTi.

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 Intergovernmental Panel on Climate Change (IPCC) Sixth Assessment Report (AR6) and the IPCC Special Report on Global Warming of 1.5°C (SR1.5).

We first included the TCFD recommendations in our 2018 Annual Report. Since then we have developed our reporting, reaching disclosure of all recommendations a year ahead of mandatory disclosure in 2022. The timeline above demonstrates how we have used the TCFD recommendations to accelerate climate action.

Voluntary IFRS S2 'Climate-related Disclosures' and UK Transition Plan Taskforce disclosures

For the DS Smith Annual Report 2024, we have enhanced our TCFD disclosures with reference to IFRS ISSB (International Sustainability Standards Board) S2 and UK TPT disclosures.

The requirements of IFRS S2 Climate-related Disclosures integrate, and are consistent with, the TCFD's four core recommendations and 11 disclosures, with some additions.

IFRS S2 Climate-related Disclosures require the disclosure of information about any climate-related transition plan the entity has and how the entity plans to achieve climate-related targets.

This is consistent with the TCFD's guidance on metrics, targets and transition plans (2021) and the UK TPT framework, which sets out good practice for robust and credible transition plans.

These disclosures are therefore included in this integrated section of the DS Smith Annual Report 2024.

This early voluntary application of IFRS S2 is accompanied by IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information on pages 30 to 37.

We will continue to develop these disclosures as the IFRS sustainability disclosure standards and UK TPT are expected to become endorsed by the UK Government's framework to create UK Sustainability Reporting Standards (UK SRS).

A climate disclosures content index is presented on page 83 to sign post where relevant disclosures are located.

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 the DS Smith Annual Report 2024, pages 61 to 77.

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 reviewed by the Board, and the Board makes significant strategic decisions, for example, the adoption of the science-based target.

The Board considers any trade-offs associated with climate-related risks and opportunities by evaluating climate matters as part of setting the strategic direction of the Group, strategy implementation and resourcing and leadership. The terms of reference of the Audit Committee document the Committee responsibilities. These were updated to incorporate TCFD disclosures last year.

Upon appointment to the Board, Directors undertake an induction programme, receiving a broad range of information about the Group, including information about sustainability and climate-related matters, tailored to their previous experience.

Directors are given training and receive presentations to keep their knowledge current, including on TCFD and transition planning, and take responsibility for identifying and satisfying their own specific training requirements.

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 2023/24 to discuss, amongst other topics:

- GHG emissions forecasts.
- Plans to deliver the science-based target.
- 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 Carbon, Water and Waste Steering Committee, which is the primary thematic steering committee handling climate-related matters, including the delivery of the science-based target.

Comprising leaders from across the business, the Committee maintains a portfolio of projects to allocate resources, coordinate delivery and propose solutions to critical trade-offs related to addressing climate-related risks and opportunities. These Committees draw on subject matter experts from Risk and Insurance, Strategy, Sustainability, Finance and Procurement teams. They report progress updates and escalate decisions to executive management on an ongoing basis.

Project deployment and the maintenance of Net Zero roadmaps are carried out by a technical sustainability delivery team. This team is responsible for driving carbon/energy, water and waste reduction and coordinating, through the steering committee, the design, planning and implementation of our commitment to reach Net Zero.

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 monthly, and this is monitored by the HSES Committee on a quarterly basis, with progress presented to the Board annually.

Sustainability governance framework



Strategy

The strategy for managing climate-related risks and opportunities is integrated into our overall corporate strategies, including our strategic goal 'to lead the way in sustainability' and our Now & Next Sustainability Strategy.

We have identified seven key climate-related issues that are described in this section as climate-related risks and opportunities.

This strategy section then goes on to explain our primary strategy for mitigating climate change, which is articulated within the 'Carbon' pillar of our Now & Next Sustainability Strategy, supported by our Net Zero Transition Plan.

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

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 impact

Climate-related risk	Type	Time horizon	Likelihood		Potential financial impact as indicated by reference to climate scenarios and our analysis*	
			1.5°C scenario	>2°C scenario		
Transition	 Increased spend on carbon taxes	Policy and legal	Short term	•••••	•	£45-107 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	•••	•••••	£26-87 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	••	•••••	£8-90 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	••	•••••	£1-2 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						£80-286 million*

Summary of climate-related opportunities and their potential future impact

Climate-related opportunity	Type	Time horizon	Likelihood		Potential financial impact as indicated by reference to climate scenarios and our analysis*
			1.5°C scenario	>2°C scenario	
 Growth in demand for sustainable packaging	Products and services	Short term	•••••	•••	£420-637 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	•••••	•	£12-37 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 efficiency opportunities are exploited.
 Use of lower-emission energy sources	Energy source	Medium - long term	•••••	•	Zero-£77 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					£432-751 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 presented have changed compared to last year owed to changes in revenues, costs, currency exchange rates and emission values used for the analysis. The values 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.

There are already changes occurring in our business model and value chain in response to climate change. We anticipate that these will continue over the timescales mentioned on the previous page and accelerate towards 2050.

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.

Capital investment

In our operations, our asset renewal strategies and decisions relating to capital investment 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).

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.

For example, in 2022 we opened our Fibre and Paper Development Laboratory at Kemsley mill, as part of our £100 million five-year R&D package announced in 2021, 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.

Strategy and decision-making

Our primary strategy for responding to the effects of climate change is articulated in the 'Carbon' pillar of our Now & Next Sustainability Strategy, which includes our commitment to reach Net Zero GHG emissions by 2050.

This is supported by our Net Zero Transition Plan, which documents the targets, actions and resources deployed to enable the transition, supporting and guiding our decision-making.

The impact of climate-related risks and opportunities has been considered in the development of our Net Zero Transition Plan, which is a 'living' document, meaning that it is flexible and responsive to new information and developments in the external environment.

Key assumptions and external factors

Our transition plan looks into the future, and as such, assumptions have to be made to support decisions, often made with limited information. There are significant external factors that we depend on to deliver our plan. For example, to achieve science-based Scope 3 reductions, we are reliant on our suppliers, particularly those that are most energy-intensive (e.g. of paper, starch and chemicals), to reduce their emissions in line with a 1.5°C trajectory.

Our plan is dependent on market factors, including continued demand for recyclable packaging with a low carbon footprint, and national investment in recycling infrastructure and renewable energy systems to increase resource efficiency and ensure secure long-term supply.

Our plan will benefit from stable long-term energy policy, strategies and incentives that encourage investment, particularly between 2030 to 2050, in terms of future availability of quality bioenergy feedstocks and technological development.

We remain responsive to changes in our assumptions and the external environment, for example, reacting to new policy measures and seeking to benefit from incentives.

Our complete Net Zero Transition Plan report, which documents key assumptions and external factors in greater detail, can be downloaded from the [ESG Reporting Hub on the DS Smith website](#).

A summary of our Net Zero Transition Plan

Our transition plan includes a roadmap of projects to deliver our 1.5°C validated science-based target 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.

Our plan sets clear actions and milestones in our own operations (Scope 1 and 2)



Reduce

Reducing energy consumption

- We are identifying ways to continuously improve energy efficiency.

Reducing material consumption

- We keep material use at a minimum through circular design.

Reducing waste generation

- We are finding ways to minimise operational waste by focusing on greater resource efficiency, yield improvement and higher-quality 'right first time' output to reduce energy consumption.



Switch

Switching to renewable energy

- We are investigating opportunities to transition from fossil to renewable fuels, such as biomass and energy generated from waste, where viable.
- We will purchase electricity generated from certified renewable sources, such as wind and solar, where viable.



Adopt

Adopting new technologies

- We are exploring modernising how we generate and consume energy, from new efficient combined heat and power (CHP) plants, boilers and corrugators, to future fuel and technological innovations such as hydrogen, when available.

Our plan aims to engage and influence in our value chain (Scope 3)

Upstream emissions

Downstream emissions



Suppliers

Scope 3 Categories 1, 4, 5 and 9

Engaging our suppliers to set their own science-based targets Purchased goods and services

We are working with our suppliers to encourage them to set science-based targets, collaborating on projects and building capacity to reduce supply chain emissions.

Transportation and distribution

We are partnering with our logistics suppliers to optimise transportation and distribution, increasing truck-fill, improving mileage and switching to low emission fuels.

Waste generated in operations

We work with our waste management suppliers to divert materials from landfill to recovery, extracting energy from waste and keeping materials in use for longer.



Customers

Scope 3 Category 10

Supporting our customers to reduce downstream product emissions Processing of sold products

We are helping our customers to identify reduction opportunities, increasing recyclability, optimising supply chains and promoting the adopting of science-based targets.

Our plan is supported by

- Strong governance.
- Transparent reporting.
- Robust assurance.

As we continue to develop our internal roadmap and plans to reach Net Zero, we will explore the best ways to utilise each of these decarbonisation levers, in addition to others that may be developed between now and 2050. We will reduce greenhouse gas emissions urgently and cost effectively, taking into consideration the likely future availability and viability of options.



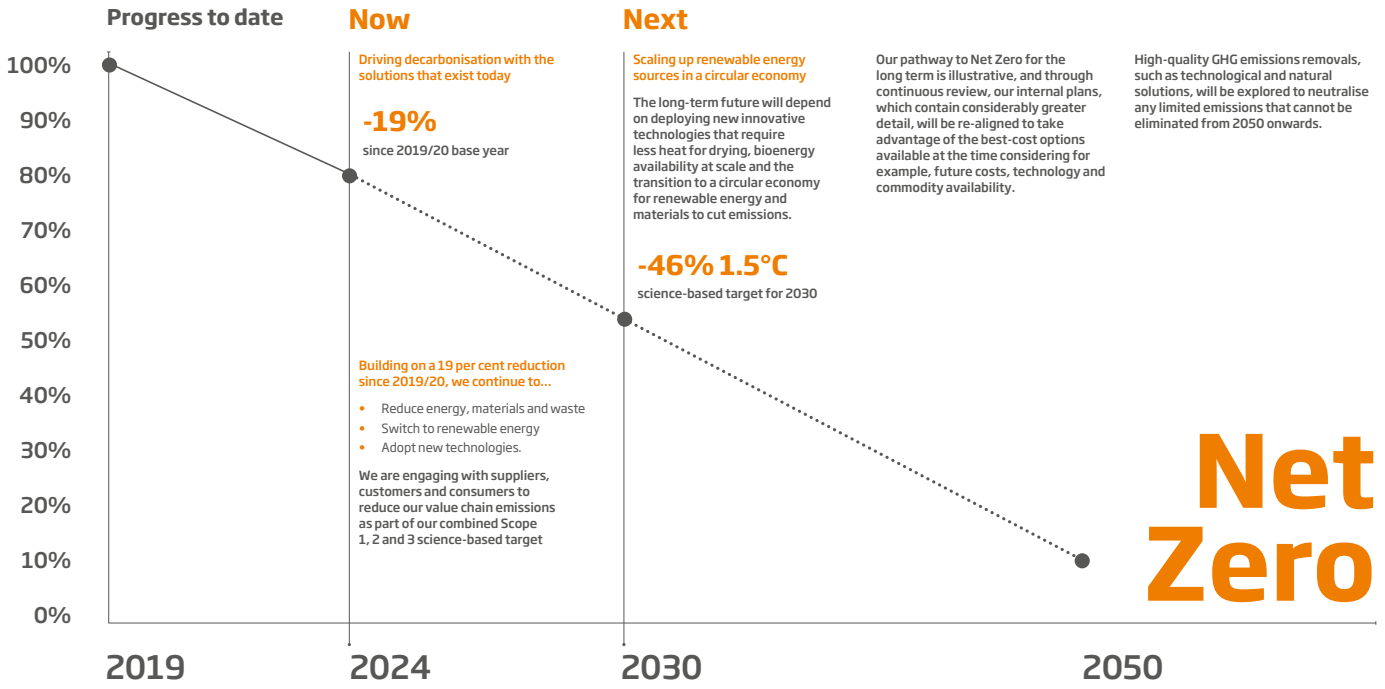
Consumers

Scope 3 Category 12

Enabling consumers to recycle more End of life treatment of sold products

We will promote recycling towards increasing the average recycling rate for 2030, advocating for source segregation, consistent collections and greater clarity to enable consumers to recycle more.

Our anticipated pathway to Net Zero GHG emissions



There are inevitable uncertainties relating to the precise timings of the deployment and delivery of our plan, which predominantly stem from planning far into the future. Actual future emissions are likely to vary as it is challenging to predict the future availability and cost of commodities, policy environment and timings of project delivery. Our internal plans take into consideration assumptions relating to future growth, which will impact emissions.



Rouen mill transition from coal to biomass

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

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

It is anticipated that by 2025/26, this will reduce emissions by c. 99,000 tonnes, reflecting a significant transition delivery milestone alongside those at Kemsley and Aschaffenburg mills.

Practical considerations in our planning

With the support of our energy transition expert partners, we are continuing to evaluate the practical considerations associated with energy transition projects, as part of our planning.

This includes in-depth studies of potential transition changes to be made to some of our most energy-intensive assets, including our paper mills and largest packaging operations.

These assessments consider practical factors, such as regional availability of biomass and renewable certificate supply to meet future energy demand.

We have evaluated local issues, such as site space availability, permitting and the impact on site operations and local communities, such as increased traffic and site-level production growth.

As part of these assessments, assumptions have been made relating to discount rates, investment years and technical lifetimes, as well as future costs (e.g. carbon and commodity price forecasts).

The disclosures within this section of our TCFD disclosures have been prepared with reference to the UK Transition Plan Taskforce (UK TPT) framework, which aims to set the gold standard for private sector transition plans.

Our complete Net Zero Transition Plan, which describes our key actions and initiatives in greater detail, can be obtained from our [ESG Reporting Hub](#) on the DS Smith website.

Transitioning our own operations to Net Zero

Around one-third of our total greenhouse gas emissions are Scope 1 and 2 emissions, meaning that they are either direct emissions related to the use of fuels in our own operations (Scope 1) or indirect emissions relating to the electricity and steam we import to consume in our own operations (Scope 2).

We have identified the primary decarbonisation levers described on page 64. Within these levers is a roadmap of projects, at varied stages of project progression, with quantified costs and anticipated emission reductions.

Predominantly for our own operations, these projects include upgrades to physical assets, production processes and equipment, contractual changes and energy efficiency initiatives.

Often, changes made to one part of the process have a range of implications, for example, upgrading a waste water treatment plant, bringing improvements in water quality and biogas generation.

Products and services

We anticipate that as society transitions to a 1.5°C future, demand for sustainable packaging will continue to rise as consumers are more conscious of their impact on the planet, necessitating greater recycling.

We are adapting our products and services strategies in response to this, realising our identified climate-related opportunities.

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'.

Crucially, as we implement our Net Zero Transition Plan in our own operations, we expect that the product carbon footprint will decrease.

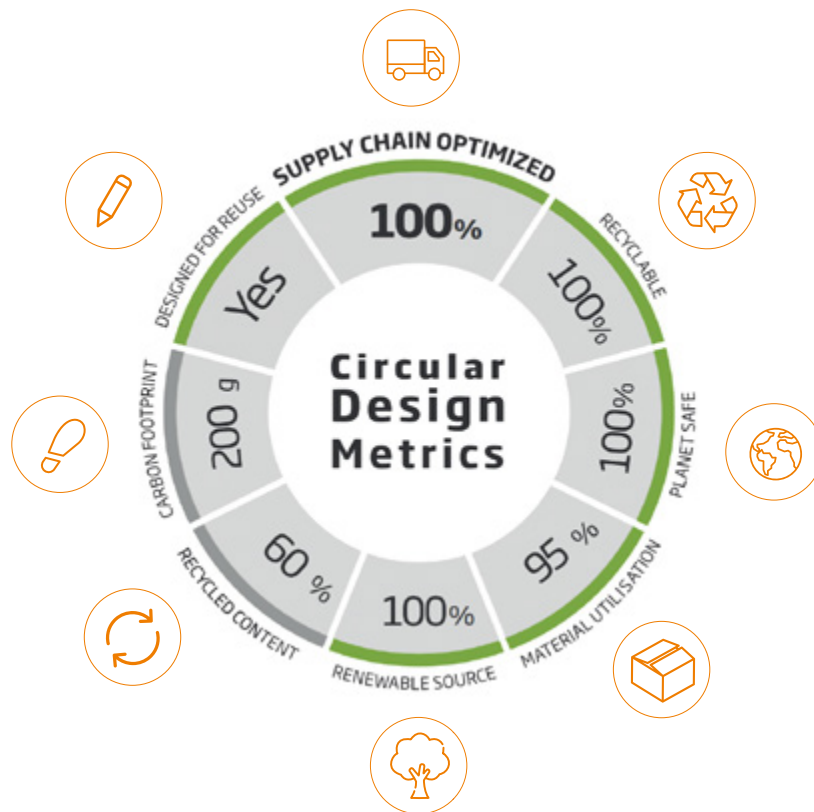
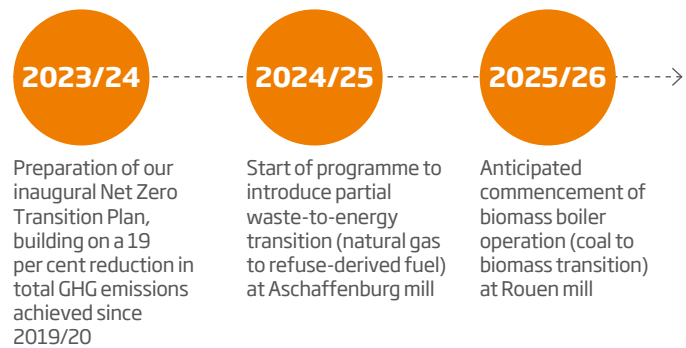
Circular Design Metrics

We engage our customers using innovative tools such as our Circular Design Metrics, which help our customers compare the industry-average 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.

* Carbon footprint calculation is based on industry-average data from the FEFCO cradle to grave life cycle assessment. The life cycle inventory data and methodology can be obtained from <https://www.fefco.org/lca/>.

Examples of milestones in our transition plan

There are milestones within our plan that tackle our most significant emission sources. These build on the progress delivered at Kemsley mill, where one third of the steam demand is met by the neighbouring 'K3' waste-to-energy combined heat and power (CHP) generating facility and the remainder of the steam demand and electricity demand is met by a modernised E.ON owned and operated 'K4' plant.



Policies and conditions

We have a range of policies in place, from Carbon and Energy Efficiency to Sustainable Forest Management and Fibre Sourcing, that promote the necessary conditions to guide decision-making and actions that support the implementation of our transition plan. These are explored in our full Net Zero Transition Plan report, which can be downloaded from our [ESG Reporting Hub on the DS Smith website](#).

The DS Smith Sustainability Report 2024 includes further information on climate-related topics, such as sustainable forest management, energy management and procurement.

Engagement strategy

Although we are not directly responsible for generating Scope 3 emissions, understanding our value chain emissions presents opportunities to influence decarbonisation. This involves engaging with stakeholders to identify reduction opportunities and encourage the deployment of initiatives to reduce emissions at scale.

Our engagements prioritise the business activities that generate the greatest emissions to maximise their contribution towards achieving our science-based target of reducing Scope 1, 2 and 3 greenhouse gas emissions 46 per cent by 2030 compared to 2019.

As part of setting the science-based target and calculating the base year Scope 3 emissions, we conducted a screening exercise to determine significant value chain emission sources.

The most significant emission sources include:

Upstream emissions

- Emissions from the manufacture of production-related goods (e.g. paper, starch), generated by suppliers.
- Well-to-tank emissions from natural gas, generated by energy suppliers.
- Emissions from waste sent to landfill, generated by waste management suppliers.

Downstream emissions

- Emissions from the manufacture of new recycled paper from paper for recycling sold to our customers.
- Emissions from waste that decomposes in landfill from consumer end of life disposal.

Reflecting these emission hotspots, our engagement efforts prioritise suppliers (e.g. strategic suppliers of paper and other production-related goods that have energy-intensive manufacturing processes) and customers (e.g. large global FMCG brands).

Further to this, we engage widely with industry, government, public sector and civil society to support the delivery of our transition plan.

Engaging our suppliers

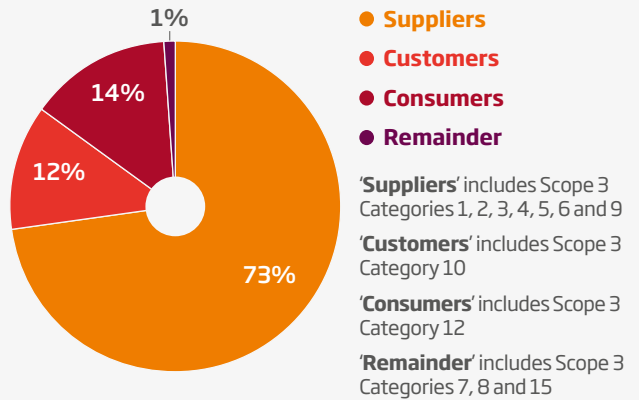
We engage our strategic suppliers to set science-based targets, deploying bespoke engagement mechanisms depending on supplier maturity, towards delivering our Now & Next supplier engagement target, 'by 2027, encourage 100 per cent of our strategic suppliers to set their own science-based targets'*.

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. In 2023/24, we categorised 110 of our suppliers as strategic. We typically have large amounts of annual spend with these suppliers, meaning that we have the greatest 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 these suppliers to review their decarbonisation progress, discuss their plans and identify opportunities to share knowledge.

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.

Scope 3



In 2023/24, we estimate that c. 42 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 (2022/23: 32 per cent).

Over the next year, we plan to engage a greater number of suppliers as a member of the CDP Supply Chain programme, building on our first CDP cycle in 2023. This enables us to collect data to understand the progress made in our supply chain.

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

* Within our base year Scope 3 inventory, we estimate that these companies generate c. 76 per cent of emissions in Scope 3 Category 1: Purchased Goods and Services. In 2023/24, we categorised 110 of our suppliers as 'strategic'. The percentage of emissions figure may change as we adopt supplier-specific emission factors in our greenhouse gas inventory.

Engaging our customers

We engage with our customers on a range of topics relating to Net Zero, including decarbonisation plans, product life cycle assessments and bespoke carbon data requests.

These engagements tend to prioritise our largest global FMCG brands, that have relatively mature sustainability strategies, comprehensive plans and advanced data requirements. They are typically pan-European brands with whom we have long-term significant relationships and from whom we generate significant revenues. These customers purchase significant volumes and work with us as their packaging strategists and circularity experts. Our value chains have become integrated and interdependent, increasing the degree of leverage to influence actions in our operations, our customers' operations and the value chain more widely.

This included, for example, purchasing renewable electricity via Energy Attribute Certificates (EACs) estimated to represent the electricity consumption associated with the production of packaging supplied to a global FMCG customer in certain markets.

It is difficult at this stage to accurately quantify the expected contributions of specific activities, but collective actions with many customers could contribute meaningful reductions.

Engagement with industry

We engage with industry peers predominantly through our trade association memberships. This includes participating in and/or chairing committees, sub-committees and working groups on specific topics.

These industry platforms provide an appropriate engagement mechanism as they tend to involve industry counterparts and other relevant adjacent industries, in well-governed, collaborative and consensus-driven environments.

Engagement activities are prioritised based on the perceived opportunity to build capacity and transfer knowledge (either to/from DS Smith and industry counterparts, within the industry and/or associated industries), build consensus and develop mutually beneficial capabilities that contribute towards achieving the strategic ambition of the transition plan.

Our current and planned engagement activities include engagements with:

- FEFCO (European Federation of Corrugated Board Manufacturers).
- Capi (Confederation of European Paper Industries).
- EUROOPEN (The European Organisation for Packaging and the Environment).
- 4evergreen.

We also engage through national trade associations, including:

- CPI (The Confederation of Paper Industries).
- The Packaging Federation.
- The Recycling Association.

Driven by significant issues from circularity to carbon, technical experts from across our business are involved in providing inputs to these engagements, aiming to actively influence climate change-related policy and related activities.

For example, 4evergreen, a cross-industry initiative to drive the recycling rate of paper products in Europe to 90 per cent by 2030, is a significant opportunity to reduce downstream (Category 1.2) Scope 3 greenhouse gas emissions.

Our Government Affairs function coordinates our approach to trade associations, monitoring that contributions and outcomes are in accordance with a 1.5°C future and that the engagements maintain alignment with the goals of the transition plan. This includes monthly internal briefings, policy monitoring and factsheets, disseminated to a wide cross-functional group, whose responsibilities are linked to the deployment of our transition plan.

Engagement with government, public sector, communities and civil society

Our engagement activities with government, public sector, communities and civil society are prioritised based on the perceived opportunity to influence policy towards a favourable legislative and policy landscape for the success of the Company, including in our ability to deliver our transition plan.

Government and public sector

This includes progressing and securing significant policy issues in the UK and the EU that involve key external factors that the delivery of our transition plan is dependent on, such as enabling greater recycling and decarbonising our industry in a predictable policy environment, ensuring a successful and smooth transition to Net Zero.

Crucially for the deployment of the transition plan, we call upon policymakers to remove uncertainty through a predictable policy environment that enables long-term planning and investment to achieve the aim of the Paris Agreement under the United Nations Framework Convention on Climate Change.

Policy priorities

Our policy priorities include:



Decarbonisation of heat

We call on governments to provide increased support for low carbon energy sources and to set out clear deployment timelines to enable industry to plan and invest for the future timely and efficiently



Reuse and recycling

We call on policymakers to promote packaging solutions that deliver the best outcome for the environment based on transparent and robust scientific evidence, whereby in a circular economy, both multi-use and recyclable single-use packaging have a role



Extended producer responsibility

We call on extended producer responsibility (EPR) systems to fund improvements in recycling infrastructure and investment in separate waste collection to achieve increased recycling rates

Specific policies, laws and regulations related to Net Zero

In 2023/24, our policy engagement specifically focused on:

- Revision of the Packaging and Packaging Waste Directive (via trade associations FEFCO and Capi, and direct engagement).
- Delegated acts supplementing the EU Deforestation Regulation (via trade association Capi).
- Revision of the Emissions Trading System Directive (via trade association Capi).
- Revision of the EU Carbon Border Adjustment Mechanism (via trade association Capi).
- Implementation of the UK Packaging Waste Regulations, including UK EPR (via trade associations CPI and Packaging Federation).
- Proposal for a UK Carbon Border Adjustment Mechanism (CBAM) (via trade association CPI).

Our strategic engagement and advocacy in these priority areas are helping to minimise risk and amplify opportunities in these areas for our business, maximising their contribution towards achieving the strategic ambition of our transition plan.

Our current and planned engagement activities include ensuring support and incentives for the decarbonisation of our industry, campaigning for high-quality recycling infrastructure and raising our profile amongst prominent politicians in the United Kingdom and the European Union. An example of this can be found in our recent publication, 'Wasted Paper: A Path to Better Recycling'.

Communities and civil society

One of our most prominent stakeholder relationships is with the Ellen MacArthur Foundation (EMF), of whom we are a strategic partner.

The EMF aims to promote the circular economy to eliminate waste and pollution, regenerate nature, minimise new resources and create an economy that benefits all. Significant areas of engagement activity with the EMF include initiatives relating to product design, policy events and policy goals.

We have worked together to develop our Circular Design Principles and Circular Design Metrics with experts in circular design from the EMF. We have collaborated to educate EU policy audiences on the circular economy and design for circularity at key events and we have contributed to the development of EMF's universal circular economy policy goals, enabling governments and businesses to benefit from the circular economy.

All of these activities contribute to our transition plan at the interface of circular economy and climate change.

Our engagements with communities and civil society tend to be highly localised and context specific. We are committed to engaging with our communities and civil society, particularly in instances where the deployment of this transition plan impacts these stakeholders.

It is difficult to quantify the expected principal contributions of this type of engagement as these engagements tend to address long-term, systemic issues. If left unaddressed, issues of a systemic nature could present risk to the delivery of our transition plan.

We therefore use our engagement to influence significant actors in government, parliamentary bodies, public sector, communities and civil society to help create the optimal external conditions in which to deliver our transition plan.

[See the stakeholder engagement section of the DS Smith Sustainability Report 2024 for further examples of how we engage with our stakeholders](#)

Wasted Paper: A Path to Better Recycling

Our comprehensive report, which can be downloaded from the [DS Smith website](#), delves into the recycling rates for paper and cardboard packaging across Europe and the opportunity we have to achieve an aspirational 90 per cent target recycling rate by 2030.

We make four key recommendations, including the introduction and enforcement of long-lasting, consistent recycling legislation to realise the benefits of keeping resources in use for longer in the circular economy.



Financial position, performance and cash flows

We consider the impact of climate change in preparing our consolidated financial statements, including the effect upon the application of our accounting policies, judgements, estimates and assumptions. In making our assessment of the impact, we consider climate-related risks and opportunities identified through our risk management processes as set out in our TCFD disclosures and in our Now & Next Sustainability Strategy.

These considerations, which are core to our strategy, do not have a material impact on any accounting estimates and judgements, including the estimated future cash flows used in the impairment assessment of goodwill; the assessment of residual values and useful economic lives of property, plant and equipment; or the adequacy of provisions for liabilities.

As we continue to identify the actions proposed to be taken to achieve our 1.5°C science-based target, we will continue to identify the capital projects, investments and other decarbonisation levers needed to achieve the strategic ambition of the transition plan.

These projects are considered over the time periods referred to on page 62 and will be prioritised with consideration for a range of factors, including asset retirement, technology availability and investment cost.

These factors are evaluated through annual budget reviews, informed by the corporate and capital planning processes. Any capital expenditure or project costs are anticipated to be funded through the existing or similar replacement financing structures of the Group.

Climate resilience

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

Our identified 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 are lower.



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

Increased operating costs (e.g. higher compliance costs)

The scenarios explore a range of potential future carbon taxes.

For example, if the cost per European Union Allowance (EUA) increased to €130 per tonne and if, as described by the IEA ETP 2°C scenario, a North American carbon tax was introduced, rising to \$93 per tonne by 2030, this could amount to a cost of £107 million.

Alternatively, with a lower cost of carbon estimated at €71 and \$64 per tonne, this could amount to a cost of £45 million, which is more likely in a >2°C scenario with lower 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 was 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 £87 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 £26 million.

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 £90 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 £8 million.

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 £2 million.

Were this incident only to occur for seven days, in a 1.5°C scenario, this would be valued at less than £1 million.

Key actions in our strategies that mitigate the risk

- Hedge the cost of fuel, energy and carbon with our suppliers and financial institutions.
- Factor the cost of carbon into our net zero transition planning and analysis and optimisation of project deployment, alongside scenarios and forecasts of future growth and fuel availability.
- Deploy actions in our Net Zero Transition Plan to deliver our 1.5°C science-based target, including switching from fossil to renewable fuels that reduce our GHG emissions and therefore limit exposure to carbon taxes.

- 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.

- 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.

- Invest in closed-loop solutions that recycle water and other water efficiency measures, from optimising the configuration of processes to modernising water intensive equipment.
- Maintain localised water stress mitigation measures (water management and water scarcity plans) at sites with greater than 5,000m³ water withdrawal, with business continuity planning, regular contact with relevant stakeholders (e.g. the water authority and local community) and monthly performance review.

Climate-related opportunities

Climate-related opportunity



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: predominantly our Packaging business, with implications for our Paper, Paper Sourcing and Recycling operations

Description

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

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. £637 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. £420 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.

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. 2 per cent per year to 2030, as described in the IEA NZE 2050 scenario, this would result in a saving of c. £37 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. £12 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.

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 £77 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.

Key actions in our strategies that realise the opportunity

- 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 (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, including capitalising on opportunities brought about by regulatory changes, e.g. the Single Use Packaging Directive and Packaging and Packaging Waste Regulation (PPWR).

- 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.
- 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.

- 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.
- Deploy actions in our Net Zero Transition Plan, which includes initiatives relating to switching to lower-emission energy sources so that our business can grow without increasing emissions, realising the benefits of harnessing renewable energy.

Climate scenario analysis methodology

In order to increase the utility of our climate scenario analysis, we draw on industry-specific reference scenarios.

Industry-specific reference scenarios:

- Provide data that fits with our business and industry data.
- Address some of the decarbonisation challenges and climate-related risks and opportunities that we face.
- Align with the latest international agreement on climate.

They include information to 2030 and 2050, the same time horizon as our science-based target and Net Zero commitment.

The selected scenarios, developed for the pulp and paper sector, predominantly focus on our paper businesses because these are our most energy-intensive operations.

IEA NZE 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 by 2050 trajectory.

We supplement these with non industry-specific scenarios that reflect a range of warming trajectories, including greater than 2°C by 2100 compared to pre-industrial levels, presenting a range of contrasting futures, including an alternative to the 1.5°C scenario. They address cross-industry issues, such as carbon taxes.

The scope includes our packaging and paper businesses.

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.

In each scenario, we assume 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 the analysis.

We model the most relevant reference points from the scenarios and use financial data to assess potential future effects on financial metrics. The primary potential financial impact figures given are illustrative estimates, given within the context of each scenario. The analysis was updated in May 2024 and some of the estimates have changed compared to last year, due to changes in the inputs to our climate scenario analysis model. For example, revenues, costs and currency exchange rates have changed compared to those used previously. For water stress, the latest version of the WRI Aqueduct tool has updated inputs to the hydrological model, providing more accurate baseline data, as well as future projection data for 2030, based on the latest climate models. The estimates provided may therefore be incomparable to those previously given.

Resilience based on climate scenario analysis

The results obtained from 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.

The strategic ambition of our Net Zero Transition Plan, including our science-based target, guides us towards maximising the identified opportunities arising from the transition to a 1.5°C world.

Our transition plan helps to mitigate climate-related risk through the deployment of roadmap projects, combined with appropriate risk management practices, increasing resilience.

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.

Significant areas of uncertainty

The scenarios used in our analysis explore a range of assumptions about how climate change and variables such as carbon taxes, rates of energy efficiency and river basin water demand may develop far into the future. Inevitably, there is inherent uncertainty relating to these variables and how they would likely develop towards 2030.

We consider these uncertainties to be acceptable, as the results from this analysis are used to assess resilience at a high-level to inform strategic responses, such as the decision to commit to a 1.5°C science-based target.

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 analysis through a 'double materiality' lens, considering financial materiality (e.g. the impact of climate change on the Group) and impact materiality (e.g. the impact of the Group on climate change). This is described in detail on page 35.

The results 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 the business and for the planet and society. These topics, considered of 'critical importance', are captured within our climate-related risks and opportunities.

These results, alongside a range of other credible sources such as industry research, 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.

Our physical climate risk assessment includes inputs and parameters:

- Site location, with engineering and behavioural considerations.
- Third-party climate exposure data and intelligence, including:
 - Environmental mapping (e.g. wind and flood maps).
 - Satellite imagery.
 - Data models for temperatures and consecutive dry days.
 - Data models for maximum one day and five day precipitation.
 - Standardised Precipitation Index.
 - Statistics relating to sea level rise and wind.

This includes the identification of specific event-driven risks, combining engineering visits, natural hazard maps and global climate model data to produce recommendations that maximise resilience to climate-related risk.

Climate scenario analysis is used to identify acute and chronic physical risk at our locations, according to a range of scenarios, in the long term (to 2030 and 2050), specified by peril.

This includes scenarios relating to a range of potential future outcomes, covering:

- Extreme precipitation.
- Wind.
- Temperature.
- Drought.
- Sea level rise.

This insight identifies the locations with the greatest exposure to these perils, with financial metrics including property value and business interruption value at risk.

These analytics include ongoing monitoring, covering all our operations, and are used to inform our insurance and resilience policies.

Climate-related opportunities are predominantly identified and assessed by the Group Sustainability team, who lead the sustainability materiality analysis and propose the strategic direction of the Group for sustainability by way of the Now & Next Sustainability Strategy, which sets the strategic ambitions to realise climate-related opportunities, as well as respond to climate-related risks.

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 51 to 55), 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. This situates climate-related risks and opportunities alongside, and integrates climate-related risks and opportunities with, other types of risks and opportunities.

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

Our process for managing, including monitoring and prioritisation of, 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 Group functions (e.g. energy procurement), Sustainability Steering Committees (e.g. nature) and working groups (e.g. those deploying our Net Zero Transition Plan) work across the divisions and functions to implement mitigation measures through the delivery of our Now & Next targets that address climate-related risks and opportunities. These teams 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, as part of implementing our Net Zero Transition Plan.

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

Climate-related risks and opportunities are integrated into our principal risk assessments and corporate planning, evaluated using the Group's common risk language, where such risks could significantly affect the business during the 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 significant climate-related 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 working groups and teams, with the sponsorship of the Carbon, Water and Waste Steering Committee 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 working group, project teams and site teams, with accountability for delivery with Divisional and Functional leadership. Management performance, including challenges and opportunities relating to deploying mitigating actions, is reviewed alongside the wider review of sustainability performance and strategy progress. Any material risks to deployment are captured in our regular operational risk reviews (see pages 49 and 50).

Our processes for identifying, assessing, prioritising and monitoring climate-related risk are unchanged compared to the prior period.

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

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

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

Metric	Unit of measure	2023/24	2022/23	2019/20 (base year)	Compared to last year	Compared to base year
Direct (Scope 1) GHG emissions	tonnes CO ₂ e	1,340,272*	1,542,250*	2,181,890	-13%	-39%
Indirect (Scope 2 market-based) GHG emissions	tonnes CO ₂ e	944,921*	833,759*	792,275	13%	19%
Indirect (Scope 2 location-based) GHG emissions	tonnes CO ₂ e	922,923*	891,267*	875,544	4%	5%
Indirect (Scope 3) GHG emissions	tonnes CO ₂ e	4,700,076	5,015,409	5,671,528	-6%	-17%
Total GHG emissions	tonnes CO ₂ e	6,985,269	7,391,418	8,645,693	-5%	-19%
Gross Scope 1 and 2 (market) GHG emissions	tonnes CO ₂ e	2,285,193*	2,376,009*	2,974,165	-4%	-23%
GHG emissions from energy export	tonnes CO ₂ e	488,604*	529,699*	791,810	-8%	-38%
Net Scope 1 and 2 (market) GHG emissions	tonnes CO ₂ e	1,796,589*	1,846,310*	2,182,355	-3%	-18%
Energy consumption	MWh	14,058,435*	14,407,601*	15,707,667	-2%	-10%
Energy exported	MWh	1,525,376*	1,739,186*	1,977,616	-12%	-23%
Total production	tonnes	9,874,853*	10,164,657*	10,222,065	-3%	-3%
GHG emissions (net) per tonne of production	kg CO ₂ e / t nsp	182*	182*	213	0%	-15%
Outside of scopes GHG emissions	tonnes CO ₂ e	1,022,400*	1,018,232*	911,659	0%	12%

UK reporting: 4 per cent of Scope 1 emissions and 29 per cent of Scope 2 (market-based) generated by UK-based operations in 2023/24.

12 per cent of energy consumption consumed by UK-based operations in 2023/24.

Group Indirect (Scope 3) value chain greenhouse gas (GHG) emissions

Scope 3 category	Unit of measure	2023/24	2022/23	2019/20 (base year)	Compared to last year	Compared to base year
1: Purchased goods and services	tonnes CO ₂ e	2,233,164	2,341,614	2,562,626	-5%	-13%
2: Capital goods	tonnes CO ₂ e	141,634	161,217	96,891	-12%	46%
3: Fuel- and energy-related activities	tonnes CO ₂ e	480,239*	471,063	425,243	2%	13%
4: Upstream transportation and distribution	tonnes CO ₂ e	363,900	377,052	407,883	-3%	-11%
5: Waste generated in operations	tonnes CO ₂ e	101,192*	119,671*	252,834	-15%	-60%
6: Business travel	tonnes CO ₂ e	3,102	3,912	4,173	-21%	-26%
7: Employee commuting	tonnes CO ₂ e	4,903	5,390	7,992	-9%	-39%
8: Upstream leased assets	tonnes CO ₂ e	4,037	4,110	4,507	-2%	-10%
9: Downstream transportation and distribution	tonnes CO ₂ e	104,621	109,260	109,381	-4%	-4%
10: Processing of sold products	tonnes CO ₂ e	581,463*	693,418	943,600	-16%	-38%
12: End of life treatment of sold products	tonnes CO ₂ e	654,726*	693,027	780,090	-6%	-16%
15: Investments	tonnes CO ₂ e	27,095	35,675	76,308	-24%	-64%
Total Indirect (Scope 3) GHG emissions	tonnes CO₂e	4,700,076	5,015,409	5,671,528	-6%	-17%

Scope 3 Categories 11, 13 and 14 are excluded on the basis of irrelevance to our value chain, as described in our Basis of Preparation.

GHG emissions are reported in accordance with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (Revised), under a financial control boundary. Department for Business, Energy & Industrial Strategy (BEIS) 2022 emission factors are applied, unless emission factors from other sources are deemed more appropriate. See our Basis of Preparation, available from our ESG Reporting Hub.

* Independent Assurance has been obtained for 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 the DS Smith Annual Report 2024, DS Smith Sustainability Report 2024, DS Smith Net Zero Transition Plan 2024 and DS Smith ESG Databook 2024.

Deloitte's full unqualified assurance opinions, which include details of the selected information assured in 2023/24, 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>.

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 2023/24, the three elements of the ESG underpin were met, including the roll out of an updated Now & Next Sustainability Strategy, which includes our approach to the delivery of science-based targets.

When considering the application of discretion to override the formulaic outcome for the 2024/25 annual bonus, the Remuneration Committee will take into account, alongside other ESG factors, continued delivery of the updated Now & Next Sustainability Strategy and of progress towards our science-based targets, taking account of updated actual performance and current customer/regulatory requirements. For more information, see page 119.

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

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

Climate-related risk or opportunity	Metric	Unit of measure	2023/24	2022/23	2021/22	Trend
Increased spend on carbon taxes	Gross global Scope 1 emissions	tonnes CO ₂ e	1,340,272*	1,542,250*	2,023,278*	↓
	Percentage covered under emissions-limiting regulations	Per cent	70*	73*	79	↓
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 ¹	Per cent	90	64	26	↑
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	52,477,496*	53,802,571*	54,644,995*	↓
	Percentage of water withdrawn from areas at risk of water stress	Per cent	29*	38	31	↓
	Percentage of paper mills and packaging sites with a water management plan in place	Per cent	10	-	-	-
Now & Next target: By 2025, 100 per cent of our paper mills and packaging sites to have water management plans ²						
Growth in demand for sustainable packaging	Number of pieces of plastic replaced	Million units	Over 1.2 billion (cumulative to the end of 2023/24)			↑
Now & Next target: By 2025, help our customers to replace one billion pieces of plastic with alternative fibre-based solutions						
Greater resource efficiency	Total energy consumption	MWh	14,058,435*	14,407,601*	15,324,120*	↓
	Water withdrawals at mills in areas at risk of water stress	m ³ /t nsp (tonne net saleable production)	7.9*	8.9*	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						
Use of lower-emission energy sources	Percentage of overall energy consumption from renewable sources	Per cent	29*	26	21	↑
	Percentage of electricity consumed that was generated from renewable sources	Per cent	11*	15	13	↓
Now & Next target: Reach Net Zero GHG emissions by 2050						

Selected information marked with an asterisk (*) has been independently assured by Deloitte - see the Independent Assurance Statement on page 76.

1. This figure represents c. 74 of our conventional packaging sites for which BSIR (Board Strength Index Rating) data is available. It does not capture all packaging designs and specifications and excludes board purchased externally and sheet board sales. See DS Smith Sustainability Report 2024, page 17.
2. Target updated from 'Maintain water stress mitigation plans at 100 per cent of our sites in current or future water stressed areas'. Scope includes manufacturing sites with >5,000m³ annual water withdrawal.

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 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 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.

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 percentage 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.

Evolution of our voluntary disclosure

We are continuing to evolve our Taxonomy Regulation disclosure, with this Annual Report being the third year of voluntary disclosure.

DS Smith Annual Report 2022	First year of Taxonomy Regulation 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 percentage of total Group turnover, capital expenditure and operating expenditure relating to EU taxonomy-eligible activities.
DS Smith Annual Report 2023	Second year of Taxonomy Regulation disclosure	We reviewed our activities and extended the list of those activities which we assessed as eligible and aligned based on information obtained from the 'Taxonomy Navigator' tool, provided by the European Commission.
DS Smith Annual Report 2024	Third year of Taxonomy Regulation disclosure	For 2023/24, we refreshed our analysis to include the new set of activities and criteria introduced with the Delegated Regulation 2023/2486 (the 'Taxonomy Environmental Delegated Act').

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 Regulation on a voluntary basis.

Our industry and primary economic activity (paper and packaging manufacturing) presently fall 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 eligible activities

We have identified 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 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.

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

Our recycling operations manage 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 waste water 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.

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 Regulation-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.

These figures are summarised in the table below.

A more detailed disclosure, set out in the provided EU Taxonomy Regulation templates, including methodologies, can be obtained from the DS Smith ESG Reporting Hub at 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 0.03%	0	2	0	0	0
Collection and transport of non-hazardous waste in source segregated fractions (E38.11)	2.41	2.41	1.50	1.50	0.83	0.83
Construction, extension and operation of waste water collection and treatment (E37.00)	Less than 0.002%	0	Less than 0.4%	0	-	-
Forest management (A2)	Less than 1%	-	Less than 0.5%	-	0	0
Installation, maintenance and repair of energy efficiency equipment (C16, C17)	0	0	13	Less than 0.1%	0	0
Totals	3	2	17	2	1	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 60-77 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 ²	Task Force on Climate-related Financial Disclosures	60-77
Environmental matters	Group Sustainability policy ²	Our sustainability approach, strategy, focus and targets	3, 9, 23, 30-37
		Our sustainability performance	10, 30-37
		Our differentiators	6-21
		Risk - sustainability commitments	53
Employees	Code of Conduct ² 'Speak Up! ² Group Health and Safety policy ² 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	Task Force on Climate-related Financial Disclosures	60-77
		What we create for our people	22, 26-29
		Diversity and inclusion	28-29
		To realise the potential of our people - performance	8, 10, 26-29
		Health, safety and wellbeing	10, 27
		Risk - organisation capability	54
		Gender pay gap reporting	29
Our Purpose	3		
Human rights	Code of Conduct ² Anti-Slavery and Human Trafficking policy ²	Governance of sustainability	31
		People and communities	33
		Risk - regulation and governance	49-50, 53
Social matters	Code of Conduct ² Gifts and Hospitality policy ² Group Sustainability policy ²	People and communities	22-23, 33-34
Compliance	Corporate Criminal Offence (Anti-Facilitation of Tax Evasion) policy ² Anti-Bribery and Anti-Corruption policy ² Competition Law Compliance policy ¹ Commercial Agents policy ¹ Conflicts of Interest policy ¹	Risk - regulation and governance	49-50, 53
Business model		Our business model	14-15
Non-financial KPIs		Employees: Accident frequency rate	10
		Customers: On-time in-full deliveries (OTIF)	10
		Sustainability: Greenhouse gas (GHG) emissions	10, 34, 76
		Climate change: TCFD metrics and targets	76-77

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, that they have cascaded the policies 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 and additional commentary relating to sustainability can be found in DS Smith Sustainability Report.

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 sphere of influence in the 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 annual Modern Slavery statement sets out the policies and due diligence processes we have across the Group, together with the steps taken since our last statement to ensure that human rights violations are not occurring within our operations or our supply chain. 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.
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.

Non-financial and sustainability information statement (NFSI) *continued*

Policy	Description
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 unwelcome, 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	We are committed to providing healthy and safe working conditions for the prevention of work-related injury and ill health to ensure that all our employees work in an environment where they, our contractors, site visitors and the public are healthy and safe. DS Smith actively strives for the continuous improvement of health and safety in the workplace by maintaining and developing our processes and systems in accordance with our values. This policy sets out our approach and arrangements with regards to health and safety, including our health, safety and wellbeing strategy, evaluation of risk and hazard assessments as well as health and safety training, engagement programmes and communication to raise awareness. The Health, Safety, Environment and Sustainability Committee meets monthly to oversee the management processes, targets and strategies designed to manage health and safety and environmental and sustainability risks and opportunities. The ultimate responsibility for health and safety rests with the Board members, the Group Chief Executive and the executive management team. This responsibility is cascaded through the organisation via the managing directors of each business unit, including their leadership teams. All staff collectively share responsibility for ensuring the workplace is a healthy and safe place to work.
Group Sustainability policy	Our Now & Next 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 Management, 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 is supported by four steering committees linked to the pillars of our Now & Next Sustainability Strategy that oversee the processes for addressing sustainability-related issues and set and monitor 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.

Climate disclosures index

For this 2024 Annual Report, we have voluntarily enhanced our required Task Force on Climate-related Financial Disclosures (TCFD) reporting with reference to the IFRS S2 'Climate-related Disclosures' standard. Accompanying IFRS S1 'General Requirements for the Disclosure of Sustainability-related Financial Information' disclosures can be located on pages 30 to 37. A complete set of disclosures prepared with reference to the UK Transition Plan Taskforce guidance can be located in our standalone Net Zero Transition Plan, which can be obtained from the ESG Reporting Hub on the DS Smith website.

Task Force on Climate-related Financial Disclosures (TCFD)	International Sustainability Standards Board (ISSB) IFRS S2 Climate-related Disclosures	UK Transition Plan Taskforce (UK TPT)	Location
Governance			
Describe the Board's oversight of climate-related risks and opportunities	Governance, Governance body(s)	Accountability, Governance, Board oversight and reporting	61
Describe management's role in assessing and managing climate-related risks and opportunities	Governance, Management's role	Accountability, Governance, Management roles, responsibility, and accountability	
Strategy			
Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term	Strategy, Climate-related risks and opportunities		62
Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning	Strategy, Business model and value chain, Strategy and decision-making, Financial position, financial performance and cash flows	Action, Implementation strategy Engagement strategy	63-69
Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	Strategy, Climate resilience		70-74
Risk management			
Describe the organisation's processes for identifying and assessing climate-related risks			
Describe the organisation's processes for managing climate-related risks	Risk management	N/A	74-75
Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management			
Metrics and targets			
Describe the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	Metrics and targets, Climate-related metrics		
Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	Metrics and targets, Climate-related targets	Metrics and targets	76-77
Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	Metrics and targets, Climate-related metrics		

Statement of approval

This Strategic Report, on pages 1 to 83, was approved by the Board of Directors on 20 June 2024 and is signed on its behalf by

Miles Roberts
Group Chief Executive

20 June 2024