DS SMITH GROUP PENSION SCHEME
ANNUAL REPORT
FOR THE YEAR ENDED 30 APRIL 2024

Scheme Registration Number: 10092390

DS Smith Group Pension Scheme

Annual Report for the year ended 30 April 2024

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DS Smith Group Pension Scheme

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Trustee, Principal Employer and Advisers

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*Gallagher Benefit Services is a trading name in the UK for Gallagher Risk & Reward Limited (Company Number: 3265272), Gallagher Communication Ltd (Company Number: 3688114), Gallagher Actuarial Consultants Limited (Company Number: 1615055), Gallagher (Administration & Investment) Limited (Company Number: 1034719), and Gallagher Consultants (Healthcare) Limited (Company Number: 172919), which all have their registered offices at The Walbrook Building, 25 Walbrook, London EC4N 8AW. All the companies listed are private limited liability companies registered in England and Wales. Gallagher Risk & Reward Limited, Gallagher (Administration & Investment) Limited and Gallagher Consultants (Healthcare) Limited are authorised and regulated by the Financial Conduct Authority.

Chairman's Report

I am pleased to present the Annual Report for the year ended 30 April 2024.

The Trustee has worked hard over the year to monitor and maintain the security of members' benefits and I am pleased to confirm that we have reached full funding on the Technical Provisions basis as at 30 April 2024. We are also making good progress against the more prudent Long Term Funding Target ("LTFT" - see funding update below).

Another large focus has been to improve the quality of the DS Smith Group Pension Scheme (the "Scheme") data held and make progress on the Guaranteed Minimum Pension ("GMP") equalisation project, the aim of these projects is to ensure the benefits you and your dependants receive are accurate.

There remains a large degree of uncertainty in markets and the Trustee and DS Smith Plc have worked closely throughout the year to manage risk and monitor the Scheme's funding position.

International Paper
You may be aware of media coverage in relation to a potential All-Share Combination between DS Smith Plc (the "Group") and International Paper. The Trustee is working with the Group and will maintain ongoing open dialogue with the Group and International Paper to understand the implications of any proposed combination. In particular, the Trustee has considered the impact that this could have on the support available to the Scheme and we are receiving advice in relation to this matter from our covenant adviser PwC.

Based on the information International Paper has provided to the Trustee so far, and the representations International Paper have made to date, we have no reason to believe that the Combination would have a material adverse effect on the employer covenant or likelihood of benefits being received. International Paper have also committed to maintain the existing contribution arrangements into the Scheme.

We will continue to work with the Group and International Paper to understand the implications for the Scheme.

Governance and sub-committee structure
I am pleased to confirm that P Doust and L McCallum have been re-appointed to serve as Member Nominated Trustee Directors, following a selection process over the year. Both bring a considerable amount of experience and expertise to the Trustee Board.

In March 2024 the Government published their General Code of Practice, which sets out revised expectations for the Governance structure of pension schemes. Following this the Trustee has been working closely with our advisers to review its Governance structure. The Trustee is aware of the expectation to have an "effective system of governance ("ESOG") in place. The Trustee has carried out an analysis to review its current governance structure and identify any areas which may require additional policies and procedures to be documented. To assist with this, the sub-committee structure is being amended to include a "Risk & Governance Committee" who will oversee compliance with the new requirements. The Trustee is also aware of the requirement to complete an "own risk assessment" ("ORA") to assess how well its ESOG is performing and will carry out this within the required timescales."

This revised sub-committee structure also includes the introduction of a "Member Experience" Committee, which will replace the current Administration and Governance sub-committee with a refined focus on member experience. This will cover the administration of Scheme benefits as well as consider how best we communicate to members.

Scheme funding
The Trustee continue to monitor Scheme funding in particular through the Investment Sub-committee who meet on a monthly basis. Additionally, the LTFT funding is monitored on a bi-monthly basis to consider whether deficit contributions are required from the Group, as it has been agreed that these will cease once the Scheme is fully funded on this low risk measure.

As at 30 April 2024, the Scheme had reached full funding on a Technical Provisions basis and the LTFT funding check showed that the LTFT funding level was 95% at the same date. Since this date funding has continued to improve and this means the security of members' benefits has further strengthened.

The Trustee are digesting the implications from the new Defined Benefit funding code and the impact this will have on the Scheme's funding strategy. Given the strong funding position and the work carried out to date we are confident that we will continue to satisfy all the Pension Regulator's expectations.

Scheme administrator update
The Administration and Governance sub-committee (soon to become the "Member Experience" Sub-Committee) continue to monitor the administration services provided by Gallagher Benefit Services (formerly known as Buck). The quality of administration services provided to the Scheme by Gallagher continues to be overseen and reviewed on at least a monthly basis. Gallagher has achieved strong service level agreements over the period and have increased the support available to the Scheme to ensure this continues.

The Committee also monitor progress against a data journey plan agreed with Gallagher to improve Scheme data, including consideration of the most efficient way in which to review historic files for various projects (including the Pensions Dashboards, GMP equalisation and historic Cash Equivalent Transfer Value GMP equalisation).

We hope that you have had a positive experience in any dealings you may have had with Gallagher, and we are always happy to receive feedback on the service provided.

Investment strategy

In the year leading up to 30 April 2024, growth markets remained strong despite high interest rates and inflation. Initially, there were expectations of a gradual decrease in inflation, but it remained higher than anticipated at the beginning of 2024. This led to revised expectations of rate cuts from central banks, which are now expected to happen later in 2024 to address the elevated inflation levels. Geopolitical tensions in the Middle East also introduced uncertainty in the markets. However, equity markets performed well throughout the year, driven by optimism about the impact of AI on productivity and resilient corporate earnings in the US.

After the Scheme's 2022 Actuarial valuation, the long-term funding target and the investment strategy was reviewed. In August 2023, there was a 3% reduction in holdings of high-risk growth assets (such as equity) and an increase in holdings of lower-risk assets like Liability Driven Investment ("LDI") and credit. Certain investment portfolios that focused on generating income were sold to fulfil the financial needs of private market assets. Additionally, there was an inflow of £4.5m from excess cash from the Trustee Bank Account, which was invested in the LDI portfolio in October.

Throughout most of the year, the Scheme followed a de-risking trigger framework, managed by Mercer. When a certain funding level is reached, higher-risk assets are sold and replaced with lower-risk assets that more closely match the Scheme's liabilities. This strategy aims to capture funding gains and reduce risk in the investment strategy.

The Trustee regularly reviews the integration of Environmental, Social, and Governance (ESG) considerations in the Scheme's investments. Mercer evaluated the Scheme's activities using its Responsible Investment Total Evaluation (RITE) assessment tool at the beginning of 2024. Positive actions taken by the Scheme included completing a climate report in collaboration with the Task Force on Climate-Related Financial Disclosure ("TCFD"), which involved analysing climate scenarios and measuring climate-related metrics. Mercer also updated its sustainable investment and engagement policy documents as the fiduciary manager. The Trustee has also set a carbon reduction target for its credit portfolio. The TCFD report can be found here:
https://urldefense.com/v3/__https://www.dssmith.com/company/our-leadership/ds-smith-group-pension-trustees__;!!BJ2_YcsjxIX-!YxGywyLs3ZdtJjajmFCxAuT4JmWYhw-3b4xdJNauBbvZ7jtUEi039-tshOIgLy3qxqFAdJiY5eGIugxWmb4E6ZP-$

Final thoughts

The improvements in Scheme funding are a testament to the hard work and strategy that has been put in place for the Scheme. The Trustee will continue to work hard to ensure members' benefits are secure and paid accurately and on time. The new Member Experience Sub-Committee will also work to ensure members have the best possible experience when dealing with the Scheme.

We are well placed to react to recent changes in legislation/requirements and will continue to work with the Group and International Paper to understand any implications of a potential combination.

Neil Brougham resigned as the Scheme Actuary on 10 April 2024 and was replaced by Damian McClure (also from Mercer), and I would like to thank Neil for his work over the years and look forward to working with Damian in the future.

As ever I would like to take this opportunity to thank the management and administration teams for their hard work in looking after the Scheme during the year.

Gary Saunders
Chairman of the Board of DS Smith Pension Trustees Limited

Trustee's Report

Introduction

The Trustee of the DS Smith Group Pension Scheme (the "Scheme") is pleased to present its report together with the audited financial statements for the year ended 30 April 2024.

The Scheme is a defined benefit ("DB") scheme with a small number of members invested in a defined contribution ("DC") fund, previously disclosed within additional voluntary contributions ("AVC's"). The DB Section of the Scheme aims to provide pension and lump sum benefits at retirement and pension benefits for members' spouses and dependants. The Scheme has been closed to new employees joining DS Smith plc (the "Group") since 1 May 2005 and to future service benefits since 30 April 2011.

Constitution

The Scheme is currently governed by a Deed of Variation and Consolidation dated 11 March 2022, as amended from time to time (the "Trust Deed and Rules").

Amendments include:

- A Deed of Amendment dated 10 March 2022 agreeing a long-term funding target ("LTFT") with the Principal Employer.
- A Deed of Amendment dated 14 October 2022 for a power to borrow between the Principal Employer and the Trustee in order to provide liquidity following recent market uncertainty should it be required.

Copies of the current Trust Deed and Rules of the Scheme and amending deeds are available for inspection, upon written request to the Trustee at the Scheme Administrator, Gallagher Benefit Services (previously known as Buck) (address shown on page 3).

Management of the Scheme

Trustee

The Scheme is set up as a trust fund and is governed by trust law. Consequently, the Scheme's finances are completely separate from those of the Group. For the protection of members and their dependants, the Trustee has control of the Scheme's assets. The Trustee is responsible for ensuring that the Scheme is run in accordance with the Trust Deed and Rules and is legally bound to protect the interests of the members. Independent professional advisers are engaged to assist the Trustee in the monitoring of the Scheme. The amount of employer deficit contributions required to fund the benefits are set by the Trustee acting on the advice of the Scheme Actuary, together with agreement by the Group. Trustee meetings are held, as a minimum, on a quarterly basis.

Under the Pensions Act 2004 at least one third of the total number of Trustee Directors must be nominated and selected by the Scheme membership or an organisation which adequately represents them (although it is not a requirement for deferred pensioner members to be included in the process). The Trustee has made the necessary arrangements to fulfil its obligations under the Act and the current arrangements are as follows:

a) There will be up to six Directors on the Board of the Trustee.

b) Of these, two will be 'Member Nominated Directors' ("MND's"). They will be selected by a process of seeking nominations from the pensioner members of the Scheme and all deferred members who are employed by the Group ("Deferred Active Members"). A nomination must be supported by two other members eligible to participate in the nomination process.

   If there are more nominations than vacancies, potential nominees will be required to complete a questionnaire explaining broadly why they wished to be a Trustee Director, and what they think they will bring to the Trustee Board.

Management of the Scheme (continued)

c) They will then all be interviewed and the appointments are determined in the light of those interviews. The interview panel will include some Scheme members.

If there are fewer nominees than vacancies, the Trustee will open the nomination and selection process again one year after the last date on which nominations could have been made for that vacancy.

MNDs will hold office for a period of five years. A MND who has completed his or her term of office will be eligible for re-nomination at the end of his or her term of office. The MND's in place were reappointed for a further five year term from January 2024 following a re-selection.

d) The other Directors (Employer Appointed Directors) may be appointed and removed by DS Smith Holdings Limited (the shareholder of the Trustee).

e) Casual vacancies which arise, for example if a Trustee Director resigns or leaves, will be filled by appointments made by the Principal Employer (in the case of an Employer Appointed Director), or by running a nomination and selection procedure as described above for the remainder of the 5 year term of office (in the case of a MND) depending on who originally nominated the Trustee Director concerned.

f) The Chairman of the Board of the Trustee is selected by DS Smith Holdings Limited. The current Chairman is Mr Gary Saunders (who is an Employer Appointed Director). In the event of an equality of votes, the Chairman shall have an additional casting vote. Apart from this, the functions of the Directors will not differ and no special rules are proposed for any decisions to be made by particular Directors.

g) Regular training is provided for all Trustee Directors. Such training was being provided even before the Pension Act 2004 introduced the Trustee Knowledge and Understanding (TKU) requirements and training is tailored to the specific requirements of the Trustee Directors.

h) All new Trustee Directors receive induction training from the Scheme Secretary, the Actuary and the Investment adviser. Additionally, they are provided access to Diligent where Scheme documentation is available to them.

i) Trustee Directors are also required to complete the Regulator's Trustee Toolkit, which provides training for pension scheme trustees.

The names of the Trustee Board Directors who served during the year and at the date of approval of the Annual Report and Accounts are shown on page 1.

The Trustee held four (2023: four) meetings during the year. The Trustee also held four (2023: four) joint meetings with the Group referred to as Investment & Funding Committee meetings.

Additionally, the Trustee has agreed a sub-committee structure as outlined in the terms of reference agreed in December 2020. These sub-committees have more regular meetings to help the Trustee manage and monitor various aspects of the Scheme management. The current sub-committee structures are as follows:

Administration and Governance

Members with voting powers: Mrs L McCallum (Chair) & Mr N Hayter.

Investment

Members with voting powers: Mr G Saunders (Chair), Mr H Fisher & Ms W Ko (Group)**

**Investment responsibility and decisions ultimately lies with the Trustee.

Special Projects

Members with voting powers: Mr P Holland (Chair), Mr P Doust & Group representative as required for project*

*Group voting rights are agreed by the Trustee at the outset of the project.

GMP Sub-Committee

Established in Q2 2023. Members with voting powers: Mr P Doust (Chair), Mr P Holland, and includes representatives from Gallagher Benefit Services (previously known as Buck) and Mercer.

Trustee knowledge and understanding

The Pensions Act 2004 requires trustees to have sufficient knowledge and understanding of pensions and trust law and be conversant with scheme documentation. The Pensions Regulator has published a Code of Practice on Trustee Knowledge and Understanding to assist trustees on this matter which became effective from 6 April 2006 and which was revised and reissued in November 2009. The Trustee has agreed a training plan to enable it to meet these requirements.

Financial development

The financial statements on pages 27 to 45 have been prepared and audited in accordance with the Regulations made under Section 41 (1) and (6) of the Pensions Act 1995. They show that the value of the fund decreased from £791,838,000 at 30 April 2023 to £765,194,000 at 30 April 2024.

The decrease shown above comprised net withdrawals from dealings with members of £26,101,000 (2023: £25,474,000) together with net loss on investments of £543,000 (2023: loss on investments of £240,357,000).

Actuarial review

The latest formal actuarial valuation of the Scheme was carried out with an effective date of 30 April 2022. This was the sixth valuation carried out under the scheme specific funding requirements of the Pensions Act 2004. The main purpose of an actuarial valuation is to assess the financial adequacy of the Scheme in relation to benefits that have accrued to members. The purpose is also to assess an appropriate level of contribution by the Group to maintain the Scheme in a financially sound state.

The valuation was completed within the required timescale on 21 July 2023, at which time the Trustee ensured the following had been put in place:

- A statement of funding principles
- A schedule of contributions
- A recovery plan

The 30 April 2022 valuation was carried out in accordance with the standards as set out in the Pensions Regulator's Code of Practice in force from July 2014. Under the scheme funding regulations, the Trustee is required to adopt a prudent set of assumptions in valuing the Scheme's financial commitments (its liabilities).

The valuation of the Scheme as at 30 April 2022, and a further funding update as at 30 April 2023 showed the following:

	30 April 2022 Actuarial Valuation	30 April 2023 Actuarial Report
The Scheme’s liabilities were valued at	£1,081 million	£809 million
The Scheme's assets* were valued at	£1,055 million	£789 million
This means that there was an estimated shortfall of	£26 million	£20 million
This gave a funding level of	98%	98%

*excluding AVC investments

From 30 April 2022 to 30 April 2023, the shortfall decreased from £26m to £20m and the funding level remained unchanged at 98%. Both assets and liabilities have reduced materially over the period due to significant rises in gilt yields.

If the Group were to go out of business, or decided to stop contributing to the Scheme, the Scheme may be "wound up" and the Group could be required to pay additional money to buy all members' benefits with an insurance company.

The comparison of the Scheme's assets to the cost of buying the benefits with an insurance company is known as the "buy out position". A pension scheme's buy out position will often show a larger shortfall than the standard actuarial valuation, as insurers are obliged to take a very cautious view of the future and they also need to make a profit.

Actuarial review (continued)

The actuarial valuation at 30 April 2022 showed that the Scheme's assets would not have been enough to buy all members' benefits from an insurance company, as the "buy out position" at that date was:

The Scheme's liabilities assuming wind up were valued at	£1,331 million
The Scheme's assets were valued at	£1,055 million
This means that there was an estimated shortfall of	£276 million
This gave a wind up funding level of	79%

This does not mean that the Group is thinking of winding up the Scheme. The fact that there was a shortfall at the last valuation has not affected the pensions paid from the Scheme and all members who are receiving a pension have received the full amount of their pension.

It is worth remembering that a valuation is just a "snap shot" of the Scheme's funding position and it can change considerably if, for example, there are changes in share prices, gilt yields, or if expectations of how long members live change. The Trustee will continue to monitor the funding position and will provide annual updates to members.

Annuity policies

The Trustee holds insurance policies that secure pensions payable to specified beneficiaries. These policies remain assets of the Trustee, but, as the value of these policies is not material, under current regulations and accounting practice, the Trustee has decided that these policies need not be valued in the net assets statement.

Statement of Trustee's Responsibilities

The Statement of Trustee's Responsibilities is set out on page 23 and forms part of this Trustee's Report.

Pension increases

The Consumer Price Index (CPI) increase for the year to September 2023 (which is the reference month for pensioner increases) was 6.7% (September 2022: 10.1%). As such, the Trustee approved a 5.0% (2023 increase: 5.0%) increase with effect from April 2024 for pre 1 May 2005 service and an increase of 2.5% (2023 increase: 2.5%) for post 30 April 2005 service, for the majority of members. Former Containers Scheme members received a nil increase on pre 1997 pension in excess of GMP. Pensioners with a guaranteed 5% increase received this increase on 1 April 2024. Deferred pensions were increased in accordance with legislation and the Trust Deed and Rules. These increases were not to any extent discretionary.

For the majority of members, the inflation measure on which pension increases are based is determined by the Trustee on taking actuarial advice. Currently the Trustee has determined to use the Consumer Price Index, subject to annual review. For pre 1997 leavers of the ex JDS pension scheme, the Group has discretion over what index is to be used. Currently, the Group has agreed to maintain use of the Consumer Price Index in line with other Scheme members, subject to annual review.

Calculation of transfer values

All transfer values paid from 1 October 2008 have been calculated in accordance with methods and assumptions determined by the Trustee, after the advice of the Scheme Actuary. Discretionary benefits were not included in calculating transfer values. No transfer values paid during the year were reduced below the full cash equivalent under the Pension Schemes Act 1993.

Ownership of DS Smith Pension Trustees Limited

DS Smith Pension Trustees Limited has issued share capital of two £1 shares, held by DS Smith Holdings Limited.

There were no transactions in the year between DS Smith Holdings Limited and DS Smith Pension Trustees Limited.

Schedule of Contributions

The Pensions Act 2004 requires the Trustee to prepare and maintain a Schedule of Contributions. The Schedule must show the amounts to be paid and the dates by which the contributions are to be paid. The 2022 valuation Schedule of Contributions is shown on pages 48 to 50. The Actuarial Certificate in relation to this Schedule of Contributions is shown on page 51.

Contributions

Since the Scheme closed to future service benefits with effect from 30 April 2011, no member contributions were payable to the Scheme. The Group has continued to meet the shortfall in the Scheme by paying deficit contributions. In the year ended 30 April 2024, the Group paid in £20.6m (2023: £20.2m) of deficit funding contributions agreed as part of the 2022 formal actuarial valuation of the Scheme.

A Schedule of Contributions was agreed as part of the actuarial valuation carried out as at 30 April 2022, this was put in place on 21 July 2023. This set out that the following contributions would be paid:

To correct the shortfall as at 30 April 2022, the Group will pay contributions as follows:

Scheme Year	Amount £m
2022/23	20.2

The Group has also agreed to pay the following contributions above that required to meet the shortfall as at 30 April 2022:

Scheme Year	Amount £m
2023/24	20.6
2024/25	21.0
2025/26 (in respect of May to September 2025)	8.9

The revised contributions were expected to be sufficient such that the Scheme's long term funding target will be met by 2035. These contributions may be switched off should the long term funding target be met before 30 September 2025.

The Group also meets the costs of running the Scheme, including the payment of the annual Pension Protection Fund Levy but excluding any manager related investment fees.

Communications to Members

The updated “Pension Focus” newsletter was issued to members in December 2023, this contained details of the Trustee’s Annual Report as well as an update on the Scheme’s funding position. The Trustee will continue to communicate with members on an annual basis.

Financial Advice

The Trustee is not authorised to give financial advice. The Financial Services & Markets Act 2000 states who is able to provide financial advice and any queries relating to specific arrangements should always be referred to a Financial Adviser authorised to give such advice. Should a member have any queries that do not require the giving of financial advice they should contact the Scheme Administrator, Gallagher Benefit Services (address shown on page 3).

Free and impartial help with money, backed by the Government is also available at:

https://www.moneyhelper.org.uk/en.

Employer Covenant

The Trustee receives regular trading and performance updates from the Group on its financial performance and is kept informed of any significant developments that may affect the employer covenant enjoyed by the Scheme. In addition, as part of the formal actuarial valuations, the Trustee receives independent employer covenant advice on the affordability of deficit contributions. This advice determined that the deficit contributions agreed as part of the 2022 valuation were reasonably affordable, taking into account the competing interests of the Scheme (and the Group's other stakeholders) and the Group's strategies.

The Trustee will continue to regularly review the outcome of the independent covenant monitoring and will maintain an active dialogue with the Principal Employer to ensure that appropriate actions are taken to safeguard the funding position of the Scheme.

Governance

The Pensions Regulator (tPR) is very keen to promote the good governance of pension schemes and the Trustee keeps its procedures and controls under review to help maintain the good governance of the Scheme. The key for the Scheme is to ensure that the correct benefits are paid to the correct beneficiaries at the correct time in accordance with the Trust Deed and Rules. To help ensure the smooth running and risk management of the Scheme, the Trustee has a number of processes in place, including internal control procedures and a risk register. Both the aforementioned documents continue to be maintained and reviewed regularly to ensure they remain up to date. The Trustee also carries out an annual effectiveness review to ensure that all Trustee Directors have the relevant skills, this is then analysed to determine appropriate training and support for the Board going forwards.

Following the introduction of the new General Code of Practice, which came into force on 28 March 2024, the Trustee has been working closely with their advisers to review its Governance structure. The Trustee is aware of the expectation to have an “effective system of governance (“ESOG”) in place. The Trustee has carried out an analysis to review its current governance structure and identify any areas which may require additional policies and procedures to be documented. To assist with this, the sub-committee structure is being amended to include a “Risk & Governance Committee” who will oversee compliance with the new requirements. The Trustee is also aware of the requirement to complete an “own risk assessment” (“ORA”) to assess how well its ESOG is performing and will carry out this within the required timescales.

Complaints

If a member has a complaint it will be dealt with through the Internal Disputes Resolution Procedure and full details of this procedure are available on application to the Scheme Administrator, Gallagher Benefit Services (previously known as Buck). Alternatively, The Money and Pensions Service is available to assist members at any stage of a dispute. The Money and Pensions Service may be contacted at Borough Hall, Cauldwell Street, Bedford MK42 9AP. In the event of a complaint you should address your correspondence to the Pensions Administration Manager at the Scheme Administrator, Gallagher Benefit Services (previously known as Buck), (address shown on page 3).

Nomination of Beneficiary / Dependant(s) Forms

The recipients of any lump sum death benefits is at the discretion of the Trustee. It is important for members to inform the Trustee of the person(s) to whom they would like their death benefits to be paid on their death. This can be done by completing a Nomination Form online via Gallagher’s Pension Portal or alternatively a form can be posted out for completion by members before sending back to the Scheme Administrator, Gallagher Benefit Services, by post to the address shown on page 3.

If a member has not yet completed a form or a member's circumstances have changed, a new form can be obtained so that the member's wishes can be formally registered.

Anti Money Laundering

HM Revenue and Customs' anti money laundering regime requires certain service providers, including some paid Trustee Directors, to put systems in place that prevent money laundering and report any suspicious transactions to the National Crime Agency (formerly the Serious Organised Crime Agency). In July 2011, the Bribery Act also came into force. The Scheme's legal advisers have previously provided guidance to the Trustee on the regulatory requirements and the Trustee continues to comply with the anti money laundering and Bribery Act 2011 regulations.

Virgin Media vs NTL Pensions Trustees II Limited

On 16 June 2023, the High Court issued a ruling in respect of Virgin Media Ltd v NTL Pension Trustees II Limited (and others) calling into question the validity of changes made to benefits provided by contracted-out schemes between 1997 and 2016 where certain documentation under Section 37 of the Pension Schemes Act 2003 wasn't obtained. This decision was appealed to the Court of Appeal and, in July 2024, the Court of Appeal upheld the decision of the High Court. The Trustee is aware of this matter and mindful of any potential impact on Scheme liabilities. However, to date, given the legal and legislative uncertainty, any impact on liabilities has not yet been quantified.

Data Protection

For the purposes of administering the Scheme and paying benefits under it, the Trustee has a legal obligation under the Data Protection Act 2018 in processing data relating to members and people who may benefit as a result of their membership of the Scheme. This may include passing such data to the Scheme's employers, prospective employers, actuary, administrators, auditors, insurers, prospective insurers, legal adviser and medical advisers and any other such third parties as may be necessary for the operation of the Scheme. The Trustee is for those purposes a data controller under the Act.

A member is entitled to access their personal information under Section 7 of the Data Protection Act and this right is commonly referred to as subject access. It is most often used by individuals who want to see a copy of the information an organisation holds about them. However, the right of access goes further than this and an individual who makes a written request and pays a fee is entitled to be:

- Told whether any personal data is being processed;
- Given a description of the personal data, the reasons it is being processed and whether it will be given to any other organisations or people;
- Given a copy of the information comprising the data; and
- Given details of the source of the data (where this is available).

Following implementation of the General Data Protection Regulation (GDPR) on 25 May 2018, the Trustee continues to work with its professional advisers to ensure full compliance.

Conflict of Interest

The Conflict of Interest Policy details the Trustee Directors' responsibilities and a protocol for identifying any instance where their personal, business or other interests might come into conflict with their duties as Trustee Directors.

In addition, the Trustee receives a quarterly 'Reporting Register' detailing any declared Trustee Director related conflicts of interest plus any other general breaches (e.g. late contributions, unauthorised payments etc).

The Trustee has established policies to enable any Trustee Director, employee working within the Scheme, or adviser, to report any suspected fraudulent actions to the Board Chairman.

Change of Actuary

The Actuary, Neil Brougham, resigned on 10 April 2024 and was replaced by Damian McClure, FIA (also from Mercer). In Neil Brougham's letter of resignation, he stated:

"In accordance with Regulation 5(4) of the Regulations, I confirm that, in my opinion, there are no circumstances connected with my resignation as Scheme Actuary which significantly affect the interests of the members of, prospective members of, or beneficiaries under the Scheme".

Membership

The membership movements of the Scheme for the year are given below:

	Pensioner and dependant members	Deferred pension members	Total
At 1 May 2023	6,354	3,722	10,076
Adjustments	2	(9)	(7)
Retirements	176	(176)	-
Deaths	(157)	(10)	(167)
Transfers out	-	(6)	(6)
Spouses and dependants	91	-	91
Pensions commuted for cash	(4)	(8)	(12)
Pensions ceasing	(81)	-	(81)
At 30 April 2024	6,381	3,513	9,894

Pensioners include 1,239 beneficiaries (2023: 1,225) receiving a pension.

Adjustments relate to movements notified to the Administrator after the completion of the previous year annual renewal. These membership figures do not include movements notified to the Administrator after the completion of the annual renewal.

Investment report

Introduction

The Trustee has delegated day-to-day management of the DS Smith Group Pension Scheme's ("the Scheme") assets (excluding AVCs and DC assets) to Mercer Limited ("Mercer"). The Scheme's assets are invested in multi-client collective investment schemes ("Mercer Funds"). The Mercer Funds are domiciled in Ireland (for traditional asset classes) and in Luxembourg (for private markets assets). The Ireland-domiciled collective investment schemes are managed by a management company (Mercer Global Investments Management Limited ("MGIM")) and the Luxembourg-domiciled funds are managed by Mercer Alternatives (Luxembourg) S.à.r.l. and, respectively, these entities have appointed Mercer Global Investments Europe Limited ("MGIE") and Mercer Alternatives AG ("Mercer AG") as investment managers of the Mercer Funds. MGIE and Mercer AG are responsible for the selection, appointment, removal and monitoring of the underlying investment managers. The underlying investment managers have full discretion to buy and sell investments on behalf of the Scheme subject to constraints Mercer have agreed with the managers.

The Scheme's DC assets are held in respect of Special Benefit Account members and are accessed via an insurance policy issued to the Trustee by Utmost Life and Pensions. This arrangement provides the Trustee with access to a range of unitised pooled investment vehicles. The investment managers selected by Utmost are responsible for the day-to-day management of the Scheme's DC assets in accordance with the guidelines of the pooled funds. The Scheme also holds a policy of insurance with Scottish Friendly Assurance Society that offered a facility for members of the Scheme to pay additional voluntary contributions where benefits are held on a DC basis through investment in unitised pooled funds. The Scottish Friendly arrangement is administered by Aegon with investments being held on Mobius Life's investment platform.

The Trustee is accountable for the investment of the Scheme's assets. This includes setting investment objectives, establishing risk and return targets and setting the Scheme's strategic benchmark. However, the Trustee may delegate some aspects of the Scheme's investment arrangements to the Investment and Funding Committee (the "IFC") and Investment Sub-Committee (the "ISC") in order to manage the Scheme's affairs effectively. The Terms of Reference ("ToR") sets out the tasks which can be delegated to the IFC. Any decisions are ultimately the responsibility of the Trustee and therefore any proposed changes are discussed and where appropriate ratified at the Trustee meetings as well.

The Trustee sets the strategic investment strategy for the DB assets (i.e. split between Equity, Opportunistic, Income Focused, Liquid Credit and Liability Driven Investment portfolios) based on the level of investment risk and return it wishes to target. It has then delegated the implementation of this investment strategy to Mercer, in line with agreed guidelines and parameters. De-risking triggers are in place to indicate when it is affordable to de-risk. These triggers were suspended after December 2022, however they resumed once the actuarial valuation and investment strategy review were completed. The implementation of the investment strategy takes place where possible, within the Mercer Investment Fund 3 CCF with some less liquid investments held as standalone investments in other Mercer Funds.

The Trustee has obtained and considered the written advice of Mercer on the investment strategy, whom the Trustee believes to be suitably qualified to provide such advice. The advice received and arrangements implemented are, in the Trustee's opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended). The Trustee has also appointed an external investment consultant, Barnett Waddingham, to provide ongoing oversight and advice around Mercer's role as Fiduciary Manager of the DB assets.

Investment Principles

The Trustee has produced a Statement of Investment Principles (the "SIP") to comply with the requirements of the Pensions Act 1995 and associated legislation including the Occupational Pension Schemes (Investment) Regulations 2005 (as amended). The SIP is available on request and is also publicly available online here: https://www.dssmith.com/company/our-leadership/ds-smith-group-pension-trustees.

DB Investment Strategy

The following criteria have been applied in determining the DB investment strategy. The security of the accrued rights of members of the Scheme on both a continuing and termination basis is important. No strategy will be employed without first investigating its expected impact on the security of accrued pension benefits for Scheme members.

The investment strategy undertaken or principles applied should have regard to the following objectives:

- The need to protect the security of members' accrued rights.
- The desire to control the costs of benefits by preserving the Scheme's wealth.
- A desire to limit volatility in the contribution rate as a result of any failure of the investment strategy.
- Notwithstanding the above, a preparedness to take on risk in a controlled fashion in order to achieve incremental excess return, coupled with the desire to provide, if considered appropriate and prudent to do so at the time, pension increases above the guaranteed rates, if annual inflation exceeds some or all of those guaranteed rates.

Now that the Scheme is closed, in order to meet these objectives, the Trustee has established a long-term de-risking framework which aims to be fully funded on the Long Term Funding Target (LTFT) basis by 2035. The Scheme has invested in a number of mandates that are expected to provide income to support benefit payments, whilst retaining a high degree of hedging against interest rates and inflation risk.

The Scheme has a dynamic trigger based de-risking framework which is used to guide when to reduce risk. The framework is used to monitor the progress in the funding level and to capture improvements in the funding level promptly, if they arise. Responsibility for monitoring the Scheme's asset allocation and undertaking any de-risking activity is delegated to Mercer. Further details on the framework are set out in the Investment Policy Implementation Document (IPID), which accompanies the SIP and contains information relating to the day to day management of the investments.

DC Investment Strategy

The following criteria have been applied in determining the investment strategy for the DC assets. The Trustee's primary objective is to act in the best interest of its members and ensure that the members have a suitable range of funds available for investment. The investment profile of the funds available should be consistent with the needs of the members and are reviewed on a regular basis.

The Trustee also recognises that members may not believe themselves qualified to make investment decisions. As such, the Trustee makes available a default option, the "Utmost Life Money Market Fund". The Utmost Life Money Market Fund places the emphasis on preserving capital whilst aiming to provide a return in line with prevailing short term money market rates.

Risk and Return Targets

The Trustee understands that taking some investment risk, with the support of the Group, is necessary to improve the Scheme's Technical Provisions and LTFT funding positions. The Trustee recognises that equities and other growth assets (such as hedge funds, investment and sub-investment grade credit and asset-backed securities) will bring increased volatility of the funding level, but believes this risk is justified in the expectation of improvements in the Scheme's funding level through outperformance of the liabilities over the long term.

The primary investment objective is to achieve a long-term return above the change in the value of the Scheme's liabilities, while maintaining a prudent approach to meeting the Scheme's liabilities. Before deciding to take investment risk relative to the liabilities, the Trustee receives advice from the Fiduciary Manager and Scheme Actuary. In particular, the Trustee considers carefully the following possible issues:

- Over the short-term, the inclusion of investment risk will mean that the relative value of the assets and liabilities will be more volatile than if investment risk had not been taken. This will increase the likelihood of there being a shortfall of assets relative to the liabilities in the event of a discontinuance of the Scheme. This consequence is particularly serious if it coincides with the Group being unable to make good the shortfall.

Risk and Return Targets (continued)

- The increased volatility in the relative value of assets and liabilities from taking investment risk may also increase the short-term volatility of the Group's contribution rate.

The ability of the Scheme to take investment risk is dependent on the continuing financial strength of the Group and its willingness to contribute appropriately to the Scheme. Having regard to the above issues, the Trustee adopts investment arrangements that it believes offer an acceptable trade-off between risk and return.

The aim of the long-term de-risking framework is to identify opportunities to de-risk the Scheme's investment strategy, reducing the reliance upon the employer covenant over time, with the goal of reaching a fully funded position on the Long-Term Funding Target basis by the target date of 30 April 2035.

Environmental, Social and Corporate Governance, Stewardship and Climate Change

The Trustee believes that environmental, social, and corporate governance (ESG) factors may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.

As noted above and in the SIP, the Trustee has appointed Mercer to act as discretionary investment manager in respect of the Scheme's DB assets and these assets are invested in Mercer Funds managed by MGIE and Mercer AG. Within these funds, Mercer has provided all of the third party investment managers a copy of Mercer's Sustainable Investment Policy. Mercer also aims to invest in managers who take a more active approach to considering ESG in their investment decision making. The managers have been given discretion in evaluating ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code. However, Mercer expects all managers to vote and Mercer monitors the manager's commitment to voting and incorporating ESG factors into their decision making on a regular basis and discusses at length with the underlying investment managers their activity with regard to the above. Mercer also monitors the portfolios for UN Global Compact Breaches.

The Trustee receive regular reports and information from Mercer on their monitoring and the managers' compliance. This includes but is not limited to Mercer's ESG ratings for the underlying investment managers, analysis of carbon foot print and voting and engagement activity. Some of the voting and engagement information will be shared with the public on an annual basis. It has also reviewed the impact of climate change under various scenarios and updated the risk register to reflect climate considerations.

The United Nations' Sustainable Development Goals (SDGs) inform Mercer's long term investment beliefs and direct Mercer's and the Trustee's thinking when it comes to converting systemic risks into transformational investment opportunities as outlined in Mercer's Sustainability Policy, which can be found at:https://investment-solutions.mercer.com/content/dam/mercer-subdomains/delegated-solutions/CorporatePolicies/Sustainability Policy 2023.pdf.

The Scheme has an allocation to Sustainable Private Market Opportunities and ESG considerations integrated throughout the funds it invests in.

The Trustee will engage with Mercer where areas of concern are identified periodically. In practice, a formal documented review of ESG ratings and Mercer's integration of ESG into their and the underlying managers' investment decision making is undertaken at least annually.

The Trustee recognises the conflict of interest which may arise in the context of responsible investment. Mercer, MGIE and Mercer AG make investment decisions with the aim of improving long-term risk adjusted returns and assesses whether selected sub-investment managers have policies and procedures that manage conflicts in relation to stewardship.

The DC and AVC assets are invested in multi-client funds. The Trustee has given the Investment Managers full discretion when evaluating ESG factors and in exercising rights and stewardship obligations attached to the Scheme's investments. Where investments are made on a passive basis, whilst the manager has limited discretion over the selection of individual shares or bond issues (as the manager seeks to match the composition of the benchmark index as closely as possible), the Trustee expects the manager to vote in line with its own corporate governance policy.

Member views

To date member views have not been taken into account in the selection, retention and realisation of investments. However, the Trustee is keen to hear the views of members on ESG and climate change and requests this via the newsletter, it also shares via the implementation statement the Scheme's approach to ESG and climate change.

Investment Restrictions due to ESG, Stewardship and Climate Change Considerations

The Trustee has not set any investment restrictions to particular products or activities for ESG reasons, but may consider this in future. They are supportive of Mercer's decision to exclude any holdings in artic drilling, controversial weapons, the worst carbon emitters and tobacco from the Mercer Funds and the Credit Mandate has specific ESG exclusions and a climate reduction plan. The Trustee is also supportive of Mercer's engagement program with the managers and the areas that it covers.

Trustee's Policies with Respect to Arrangements with, and Evaluation of the Performance and Remuneration of, Asset Managers and Portfolio Turnover Costs

The Trustee is a long-term investor and is not looking to change its investment arrangements on an unduly frequent basis.

Mercer manages the Scheme's DB assets by way of investment in Mercer Funds. This includes multi-client collective investment schemes and the Mercer Investment Fund 3 CCF which is established only for the Scheme.

Within the Mercer Investment Fund 3 CCF the Trustee expects Mercer to manage the assets in a manner that is consistent with the Trustee's overall investment strategy as outlined in the SIP and as documented in the guidelines to the Fund agreed between the Trustee and Mercer. In particular, the Trustee expects the management of the assets to reflect the long-term nature of the Scheme. The Trustee has taken steps to satisfy themselves that Mercer has the appropriate knowledge and experience to do so and keeps Mercer's performance under ongoing review using external advice.

Where multi-client Mercer Funds are used the Trustee accepts that they do not have the ability to determine the risk profile and return targets of specific Mercer Funds.

Should Mercer fail to align its investment strategies and decisions with the Trustee's policies, it is open to the Trustee to disinvest some or all of the assets invested in Mercer Funds.

To evaluate performance of Mercer and the underlying third party managers, the Trustee receives, and considers, investment performance reports produced on a quarterly basis, which present performance information and commentary in respect of the Scheme's funding level and the Mercer Funds in which the Scheme is invested. The Trustee reviews the absolute performance and relative performance (over the relevant time period) on a net of fees basis. The Trustee's focus is on the medium to long-term financial performance of the Mercer Funds. The Trustee is also supportive of non-financial considerations being taken into account as highlighted in Section 11 of the SIP.

Mercer does not make investment decisions based on their assessment about the performance of an issuer of debt or equity. Instead, assessments of the medium to long-term financial and non-financial performance of an issuer are made by the underlying third party asset managers appointed by Mercer, MGIE or Mercer AG to manage assets within the Mercer Funds. Those managers are in a position to engage directly with such issuers in order to improve their performance in the medium to long term. The Trustee is, however, able to consider Mercer, MGIE or Mercer AG's assessment of how each underlying third party asset manager embeds ESG into their investment process. This includes the asset managers' policies on voting and engagement. The Trustee is also able to assess how Mercer's Sustainable Investment philosophy aligns with the Trustee's own responsible investment policy. This includes the asset managers' policies on voting and engagement. Section 11 of the SIP provides further details of the steps taken, and information available, to review the decisions made by managers, including voting history and the engagement activities of managers to identify decisions that appear out of line with a Mercer Fund's investment objectives or the objectives/policies of the Scheme.

The asset managers are incentivised as they will be aware that their continued appointment by Mercer, MGIE and Mercer AG will be based on their success in meeting Mercer, MGIE and Mercer AG expectations and those of its clients. If Mercer, MGIE and Mercer AG is dissatisfied then it will, where appropriate, seek to replace the manager.

Trustee's Policies with Respect to Arrangements with, and Evaluation of the Performance and Remuneration of, Asset Managers and Portfolio Turnover Costs (continued)

The Trustee monitors, and evaluates, the fees it pays for asset management services on an ongoing basis taking into account the progress made in achieving its investment strategy objectives as outlined in section 3 of the

Statement of Investment Principles. The fees for Mercer and MGIE are based on a percentage of the value of the Scheme's assets under management, which covers the advice, and investment management of the assets. In addition, the underlying third party asset managers of the Mercer Funds also charge fees based on a percentage of the value of the assets under management. In some instances, some of the underlying managers may also be entitled to charge fees based on their performance. The fees paid to Mercer and the underlying third party asset managers are reported separately.

Mercer AG fees are charged based on net commitment for the first four years following the final close and, thereafter, by reference to the Net Asset Value of the Mercer Fund.

Mercer reviews the fees payable to third party asset managers managing assets invested in the Mercer Funds on a regular basis with any negotiated fee savings passed directly to the Scheme. Mercer, and the third party asset managers', fees are outlined in a quarterly investment strategy report prepared for the Trustee, excluding performance-related fees and other expenses involved in the Mercer Funds not directly related with the management fee.

Details of all costs and expenses are included in the Mercer Funds' Supplements, the Report & Accounts and within the Scheme's annualised, MiFID II Personalised Cost & Charges statement. The Scheme's Personalised Cost & Charges statement also include details of the transaction costs associated with investment in the Mercer Funds.

The Trustee does not have an explicit targeted portfolio turnover range, but before significant restructuring the transaction costs are considered alongside the benefits. Performance is also reviewed net of portfolio turnover costs. Mercer (within its fiduciary duty) also considers the portfolio turnover of the underlying investment managers.

The performance of managers and costs incurred on investments in respect of the DC and AVC assets held by the Scheme is considered as part of the annual assessment of value for members and is reported within the Chairman's Statement regarding DC Governance later in this report.

Market Background

Investment Markets[1]

The second quarter of 2023 saw the orderly resolution of the second largest bank failure in US history and further distress among US regional banks, ongoing economic resilience, declining inflation, an equity rally led by seven stocks, and increased geopolitical tensions, including an attempted coup in Russia. Developed market central bank actions were mixed over the quarter, with some deciding to pause hiking interest rates, and others continuing to increase policy rates, but rhetoric remained hawkish. Headline inflation continued to slow and core inflation fell in most regions apart from the UK. Inflation expectations also continued to decline over the quarter.

Developed market central bank actions were mixed in Q3 2023, with some deciding to pause hiking interest rates, and others continuing to increase policy rates. Headline inflation continued to slow and core inflation fell in most regions. Inflation expectations also continued to decline over the quarter. US GDP growth estimates appear to have accelerated in the second quarter of 2023. China's economy expanded, largely due to favourable base effects but overall, the momentum has been weak, indicating subdued demand. The Japanese economy saw the strongest growth since the last quarter of 2020, on the back of strong exports growth. GDP growth has been modest for the Eurozone in Q2 2023. UK GDP is estimated to have increased in the second quarter of 2023.

[1] Statistics sourced from Refinitiv unless otherwise specified.

Market Background (continued)

Equity Markets

The fourth quarter of 2023 started off with low expectations owing to high long-term interest rates and renewed geopolitical tensions in the Middle East. Markets reached their lows near the end of October due to risk-off sentiment. However, in November, slowing inflation in the US and other regions raised hopes that interest rates may have peaked, thereby boosting investor confidence. Over the quarter, the US Federal Reserve kept rates unchanged, shifting towards a dovish tone. Inflation expectations also continued to decline over the quarter. US GDP growth accelerated in the third quarter of 2023. China's economy grew 4.9% (year-on-year) in Q3. Chinese policy makers remain committed to supporting the Chinese economy. Quarter on quarter GDP growth contracted in the eurozone in Q3 2023. UK GDP growth is estimated to have declined 0.1% in the third quarter of 2023.

The first quarter of 2024 was characterized by a repricing of interest rate expectations, especially for developed market (DM) central banks. The timing of potential rate cuts by the US Federal Reserve, ECB and BOE were pushed back to the second half of 2024 as growth and inflation data surprised to the upside. Despite rising bond yields, equity markets continued to rally driven by AI enthusiasm and strong corporate earnings. Japanese equities outperformed its peers on the back of solid earnings growth and a weaker yen. Emerging Market equities were held back by weakness in China, although Chinese equities did rally in the second half of the quarter.

At a global level, developed markets as measured by the FTSE World index, returned 22.5%. Meanwhile, a return of 6.2% was recorded by the FTSE All World Emerging Markets index.

At a regional level, European markets returned 13.8% as indicated by the FTSE World Europe ex UK index. At a country level, UK stocks as measured by the FTSE All Share index returned 8.4%. The FTSE USA index returned 27.3% while the FTSE Japan index returned 22.3%. The considerable outperformance of US equities is attributed to the index's large exposure to oil, gas and basic materials.

Equity market total return figures are in Sterling terms over the 12-month period to 31 March 2024.

Bonds

UK Government Bonds as measured by the FTSE Gilts All Stocks Index, returns were flat, while long dated issues as measured by the corresponding Over 15 Year Index had a return of -4.6% over the year. Yields at the longer end of the nominal yield curve rose less than the shorter end but this was offset by the duration impact on the longer-dated gilt returns. The yield for the FTSE Gilts All Stocks index rose over the year from 3.7% to 4.2% while the Over 15 Year index yield rose from 3.8% to 4.3%.

The FTSE All Stocks Index-Linked Gilts index returned -5.0% with the corresponding over 15-year index exhibiting a return of -11.9%. The combination of falling inflation expectations and increasing nominal yields led to a sharp rise in real yields and underperformance of index-linked gilts relative to nominal gilts.

Corporate debt as measured by the ICE Bank of America Merrill Lynch Sterling Non-Gilts index returned 6.1%.

Bond market total return figures are in Sterling terms over the 12-month period to 31 March 2024.

Property[2]

Over 12-month period to 31 March 2024, the MSCI UK All Property Index returned 0.3% in Sterling terms. Within the three main sectors of the UK Property market Retail and Industrial recorded positive returns over the period (retail: 1.1%; industrial 5.8%) while office sector saw negative returns of -11.5%.

Commodities

The price of Brent Crude Oil rose 9.6% from $79.76 to $87.42 per barrel over the one-year period. Over the same period, the price of Gold rose 12.0% from $ 1976.50 per troy ounce to $2214.30.

The S&P GSCI Commodity Spot Index returned -0.7% over the one-year period to 31 March 2024 in Sterling terms.

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[2] Statistics sourced from MSCI Investment Property Database.

Market Background (continued)

Currencies

Over the 12-month period to 31 March 2024, Sterling appreciated by 2.2% against the US Dollar from $1.24 to $1.26. Sterling appreciated by 16.2% against the Yen from ¥ 164.56 to ¥ 191.19. Sterling appreciated against the Euro by 2.8% from €1.14 to €1.17 per the same period.

Investment Review

Investment Performance to 30 April 2024 – DB assets

Portfolio	Inception Dates	Since Inception		3 Years		1 Year	
		Portfolio (% p.a.)	B'mark (% p.a.)	Portfolio (% p.a.)	B'mark (% p.a.)	Portfolio (%)	B'mark (%)
Equity - Insight Synthetic Equity	30/09/22	26.4	26.4	-	-	21.9	21.9
Opportunistic - UCITS Alternatives Strategies	07/09/22	4.2	6.6	-	-	6.4	5.2
Opportunistic - Global Evolution Frontier Markets Debt	20/09/22	6.6	2.7	-	-	15.7	8.8
Opportunistic - MGI UK Cash	31/08/22	4.5	4.4	-	-	5.3	5.2
Income Focused – Multi-Asset Credit	31/03/20	8.5	5.0	3.5	5.7	12.7	8.4
Income Focused – Insight Secured Finance	01/05/20	5.9	2.0	5.3	2.6	10.7	5.2
Income Focused – Schroders Secured Finance	01/05/20	5.3	2.0	4.8	2.6	9.7	5.2
Income Focused - Private Markets (PIP VI) Private Debt [a]	05/03/21	4.3	4.3	5.7	5.7	-	-
Income Focused - Private Markets (PIP VI) Credit Opportunities [a]	05/03/21	6.9	6.9	8.4	8.4	-	-
Income Focused - Private Markets (PIP VI) Sustainable Opportunities [a]	05/03/21	10.2	10.2	10.8	10.8	-	-
Income Focused - Private Markets (PIP VI) Infrastructure[a]	05/03/21	6.9	6.9	8.9	8.9	-	-
Income Focused - Private Markets (PIP VI) Senior Private Debt [a]	05/03/21	3.7	3.7	4.8	4.8	-	-
Liquid Credit – Tailored Credit [b]	10/06/20	-5.9	-	-7.6	-	3.4	-
Liquid Credit – Insight Buy & Maintain	03/04/23	4.6	4.6	-	-	4.6	4.6
LDI – Insight Liability Driven Investment	18/03/16	-9.3	-9.3	-33.3	-33.3	-17.0	-17.0

Total Portfolio	Inception Dates	Since Inception		3 Years		1 Year	
		Portfolio (% p.a.)	B'mark (% p.a.)	Portfolio (% p.a.)	B'mark (% p.a.)	Portfolio (%)	B'mark (%)
Total (Net of Fees) [c] [d]	18/03/16	0.2	-	-9.9	-10.9	-0.4	-2.2

Performance provided by State Street Fund Services (Ireland) Limited, Mercer estimates and Refinitiv.
Performance is in £ terms using unswung returns for the underlying Mercer portfolios; gross of Mercer and net of underlying manager fees; gross of hedging fees (where applicable); net of all other expenses including custody and administration costs.
Where the since inception track record is less than one year, performance shown is cumulative and not annualize.
Total returns use official (swung) prices. Where applicable, it includes performance of terminated mandates.

(a) *Figures quoted are estimated by Mercer and are the since inception net internal rates of return (IRR), shown in local currency for the fund, net of underlying manager fees and net of Mercer fee. Due to the long term nature of Private Markets investments it is not meaningful to quote shorter term returns. Returns reflect information available to Mercer at the time the returns were reported and may be adjusted to reflect subsequent information. In cases where investment managers submit historical performance data to Mercer or notify Mercer of a revision to historical performance data subsequent to the publication of Mercer's analysis, this new information will be reflected in subsequent updates of the analysis published by Mercer, but Mercer will not reissue previous analyses to allow for the change to the historical data.*

(b) *The portfolio is not managed relative to a benchmark index and instead aims to generate income sufficient to meeting investors' long dated liabilities by minimising the number of defaults and downgrades of underlying securities.*

(c) *Total returns are net of Mercer and of underlying manager fees; net of hedging fees (where applicable); net of all other expenses including custody and administration costs. Composite fund benchmark is a composite of relevant comparators for the underlying funds.*

(d) *Total returns include quarterly returns for Private Markets calculated by Mercer from Q1 2021 onwards (previously provided by State Street Fund Services (Ireland) Limited) using a Modified Dietz approach based on data provided by Mercer. Over the long term returns are geometrically chain linked using quarterly Total Scheme returns.3 year Private market return numbers are calculated using 31 March 2024 values, and accounting for any capital calls or distributions to 30 April 2024.*

Asset Allocation as 30 April 2024 – DB assets

The Scheme's DB investments are categorised within the "Equity", "Opportunistic", "Income Focused", "Liquid Credit" and "LDI" Portfolios. The current asset allocation within these portfolios is shown in the table below:

	Total Portfolio	Actual Asset Allocation				Benchmark Allocation at 30 April 2024 (%)	Long-Term Target Benchmark Allocation at 30 April 2024 (%)
		Start of Year (£m)	End of Year (£m)	Start of Year (%)	End of Year (%)		
Equity	Insight Synthetic Equity	51.9	32.1	6.6	4.3	4.0	4.0
Opportunistic	Mercer Select Alternatives Strategies	11.9	-	1.5	-	-	2.0
	Mercer UCITS Alternatives Strategies	5.0	11.7	0.6	1.5	1.0	
	Frontier Market Debt	6.7	7.7	0.9	1.0	1.0	
	MGI UK Cash Fund	0.0	0.0	0.0	0.0	0.0	
Income Focused	Multi-Asset Credit (Hedged)	59.9	45.1	7.6	6.0	5.7	4.5
	Insight Secured Finance	28.7	25.2	3.7	3.3	3.5	3.5
	Schroders Secured Finance	29.7	26.5	3.8	3.5	4.0	4.0
	Absolute Return Fixed Income (Hedged)	7.8	-	1.0	-	-	-
	PIP VI - Senior Private Debt	35.1	33.8	4.5	4.5	3.8	4.0
	PIP VI - Credit Opportunities	26.1	31.3	3.3	4.1	3.7	4.0
	PIP VI - Infrastructure	18.6	25.4	2.4	3.4	2.8	3.0
	PIP VI – Sustainable Opportunities	12.4	17.8	1.6	2.4	2.8	3.0
	PIP VI - Private Debt	21.6	30.8	2.8	4.1	3.7	4.0
Liquid Credit	RLAM Credit	0.1	-	0.0	-	0.0	-
	Tailored Credit	103.8	102.7	13.2	13.6	13.0	13.0
	Insight Buy and Maintain	130.5	145.2	16.6	19.2	18.0	18.0
LDI	Insight LDI	232.8	212.4	29.6	28.1	33.0	33.0
	Cash	2.7	7.3	0.3	1.0	-	-
	Total	**785.3**	**755.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: Mercer.
Figures may not sum to total due to rounding.
The source of the valuation used above is the custodian, State Street Fund Services (Ireland) Limited. These may differ to those used in the financial statements due to different pricing methodologies used by the underlying investment managers and the custodian. The cash figure includes £5m which was transferred from the Trustee Bank Account post year end. As the trade settled after the Scheme's year end, £5m, has been treated as having been deducted from the cash value for 30 April 2024 to avoid double counting.

Employer related Investment

The investments of the Scheme, during the year to 30 April 2024, were invested in accordance with the Occupational Pension Schemes (Investment) Regulations 2005 and subsequent legislation. In particular, the Scheme is required to look through any investments held in collective investment vehicles (except those held in life insurance policies) to ensure that the maximum level for employer related investments of 5% of the Scheme's assets is not breached.

The Scheme does not directly hold any shares in the Principal Employer. As at 30 April 2024, the proportion of the Scheme's assets in employer-related investments does not exceed 5% of the market value of the Scheme's assets, and therefore the Scheme complies with legislative requirements. This will continue to be monitored going forward.

Custodial arrangements

State Street Custodial Services (Ireland) Limited is the custodian and administrator of the pooled Mercer funds that the Scheme invests in order to implement its investment strategy, with the exception of the Private Investment Partners VI Fund where ING Luxembourg S.A. is the custodian. The Insight Investment Management (Global) Limited (Insight) Cash pooled fund which has the Northern Trust International Fund Administration Services (Ireland) Ltd as its custodian.

Where the Mercer funds invest in pooled funds, the portfolio of securities and cash which underlie the pooled fund units issued by the underlying investment managers are held by independent corporate custodians and are regularly audited by external auditors.

The custodians are responsible for the safe keeping, monitoring and reconciliation of documentation relating to the ownership of listed investments. Investments are held in the name of the custodians' nominee companies, in line with common practice for pension scheme investments.

Bases of investment managers' fees

The Investment Managers' fees during the year were based upon a percentage of funds under management and, depending on the manager, the rates ranged from 0.04% to 0.91% per annum.

The other investment fees paid relate to custody provided by the investment custodian and the investment advisers' fiduciary fees. The custody fees are based on the assets held within each market (per asset class). There are also fees charged per transaction within the funds where the transaction fee rates vary per security and location of the trade, therefore a portion of the custody fees are also based upon the level of transactions per month.

The Trustee's Report was approved on behalf of DS Smith Pension Trustees Limited and signed on its behalf by:

.... Trustee Director

.... Trustee Director

Date: 21 November 2024

Statement of Trustee's Responsibilities

The financial statements, which are prepared in accordance with UK Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK (FRS 102) are the responsibility of the Trustee. Pension scheme regulations require, and the Trustee is responsible for ensuring, that those financial statements:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of the Scheme year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

In discharging the above responsibilities, the Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgments on a prudent and reasonable basis, and for the preparation of the financial statements on a going concern basis unless it is inappropriate to presume that the Scheme will not be wound up.

The Trustee is also responsible for making available certain other information about the Scheme in the form of an Annual Report.

The Trustee also has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to it to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

The Trustee is responsible under pensions legislation for preparing, maintaining and from time to time reviewing and if necessary revising a Schedule of Contributions showing the rates of contributions payable towards the Scheme by or on behalf of the employer and the active members of the Scheme and the dates on or before which such contributions are to be paid. The Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and for adopting risk-based processes to monitor whether contributions are made to the Scheme by the employer in accordance with the Schedule of Contributions. Where breaches of the Schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to The Pensions Regulator and the members.

The Trustee is responsible for the maintenance and integrity of the pension and financial information included on the DS Smith Group Pension Scheme website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report to the Trustee of the DS Smith Group Pension Scheme

Opinion

We have audited the financial statements of the DS Smith Group Pension Scheme for the year ended 30 April 2024 which comprise the Fund Account and Statement of Net Assets (Available for Benefits) and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 30 April 2024, and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Scheme's Trustee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Scheme's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Scheme's Trustee with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Scheme's Trustee is responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent Auditor's Report to the Trustee of the DS Smith Group Pension Scheme

Responsibilities of Trustee

As explained more fully in the Trustee's responsibilities statement set out on page 23, the Trustee is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustee is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee either intends to liquidate the Scheme or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non- compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the environment, including the legal and regulatory framework that the Scheme operates in and how the Scheme is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected, or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are the Pensions Act 1995 and 2004 and regulations made under them and FRS 102, including the Financial Reports of Pension Schemes 2018 (the Pensions SORP). We performed audit procedures to detect non- compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures.

The audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures were performed to review cashbook transactions and external confirmation of investment transactions, and other procedures included but not limited to testing any manual journal entries and any other adjustments, evaluating the business rationale in relation to any significant, unusual transactions and transactions entered into outside the normal course of business and challenging any judgements and estimates.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report

Use of our report

This report is made solely to the Scheme's Trustee as a body, in accordance with Regulation 3 of the Occupational Pension Schemes (Requirements to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Scheme's Trustee those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme and the Scheme's Trustee as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP
Chartered Accountants and Statutory Auditor
Portland
25 High Street
Crawley
West Sussex
RH10 1BG

Date: 22 November 2024

Fund Account for the year ended 30 April 2024

	Note	2024 £'000	2023 £'000
Contributions and benefits			
Employer contributions	4	20,600	20,200
Other income	5	3	4
		20,603	20,204
Benefits paid or payable	6	(46,293)	(43,921)
Payments to and on account of leavers	7	(407)	(1,677)
Administrative expenses	8	(4)	(80)
		(46,704)	(45,678)
Net withdrawals from dealings with members		(26,101)	(25,474)
Returns on investments			
Investment income	9	26,556	36,141
Change in market value of investments	10	(26,769)	(276,805)
Investment management expenses	11	(330)	307
Net returns on investments		(543)	(240,357)
Net decrease in the fund during the Year		(26,644)	(265,831)
Net assets of the Scheme at 1 May		791,838	1,057,669
Net assets of the Scheme at 30 April		765,194	791,838

The notes on pages 29 to 45 form part of these financial statements.

Statement of Net Assets (available for benefits)

	Note	2024 £'000	2023 £'000
Investment assets:	10		
Bonds		734,335	702,448
DB Pooled investment vehicles	13	362,167	381,367
DC Pooled investment vehicles	14	142	147
Derivatives	15	82,129	144,146
Amounts receivable under reverse repurchase agreements	16	24,646	32,241
AVC investments	18	2,902	2,706
Cash	19	12,603	61,903
Other investment balances	20	5,095	4,309
		1,224,019	1,329,267
Investment liabilities:			
Derivatives	15	(85,598)	(143,480)
Cash	19	(2,550)	(49,590)
Obligation to return bonds		(5,067)	(31,951)
Amounts due under repurchase agreements	17	(367,425)	(313,992)
Other investment balances	20	(8,504)	(2,741)
		(469,144)	(541,754)
Total net investments		754,875	787,513
Current assets	25	10,936	5,217
Current liabilities	26	(617)	(892)
Net Assets of the Scheme at 30 April		765,194	791,838

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which takes into account such obligations, is dealt with in the actuarial review on pages 8 to 9 of the annual report and these financial statements should be read in conjunction with this report.

The notes on pages 29 to 45 form part of these financial statements.

The financial statements on pages 27 to 45 were approved on behalf of DS Smith Pension Trustees Limited and signed on its behalf by:

Trustee Director

Trustee Director

Date: 21 November 2024 ......

1. Identification of the financial statements

The Scheme is established as a trust under English law.

The Scheme was established to provide retirement benefits to certain groups of employees of DS Smith Plc. The address of the Scheme's principal office is Level 3, 1 Paddington Street, London, W2 1DL.

The Scheme had previously been reported as a defined benefit scheme, however, a historic review had highlighted that some of the reported additional voluntary contributions (AVC's) formed defined contribution (DC) benefits for members and were not AVC funds. The Scheme is now classed as a hybrid Scheme.

2. Basis of preparation

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 (FRS 102) - The Financial Reporting Standard applicable in the UK and Republic of Ireland, and the guidance set out in the Statement of Recommended Practice (SORP) (Revised June 2018).

The financial statements as at 30 April 2024 continue to be prepared on a going concern basis of accounting and no adjustments have been made to the financial statements. In reaching this conclusion, the Trustee has considered the current funding position of the Scheme, the strength of the covenant of DS Smith Plc and the ability of the participating employer to continue to make contributions as due.

3. Accounting policies

The principal accounting policies are set out below. Unless otherwise stated, they have been applied consistently year on year.

3.1 Accruals concept

The financial statements have been prepared on an accruals basis.

3.2 Currency

The Scheme's functional currency and presentational currency is Pounds Sterling (GBP).

Assets and liabilities in foreign currencies are expressed in Sterling at the rates of exchange ruling at the year end. Foreign currency transactions are translated into Sterling at the rate ruling at the date of the transaction.

Gains and losses arising on translation are accounted for in the change of market value of investments during the year.

3.3 Contributions

Employer deficit funding contributions are accounted for in the period to which they relate, in accordance with the Schedule of Contributions, or on receipt if earlier, with the agreement of the employer and Trustee.

3.4 Transfers

Individual transfers in or out of the Scheme are accounted for when member liability is accepted or discharged which is normally when the transfer amount is received or paid.

3.5 Other income

Income is accounted for in the period in which it falls due on an accruals basis.

3.6 Administrative and other expenses

Administrative expenses are accounted for in the period in which they fall due on an accruals basis. Investment management expenses are accounted for in the period in which they fall due on an accruals basis.

3.7 Payments to members

Pensions in payment are accounted for in the period to which they relate.

Other benefits, and any associated tax liabilities, are accounted for in the period in which they fall due for payment. Where there is a choice, benefits are accounted for on the later of the date of leaving, retirement or death and the date on which any option or notification is communicated to the Trustee. If there is no choice, they are accounted for on the date of retirement or leaving.

3.8 Investment income

Income from bonds is accounted for on an accruals basis and includes interest bought and sold on investment purchases and sales.

Income from cash and short term deposits, including repurchase agreements, are accounted for on an accruals basis.

Income from pooled investment vehicles is accounted for when declared by the investment manager.

Net receipts or payments on repurchase agreements are accounted for on an accruals basis.

Income from foreign currency holdings is translated into Sterling at the rate applicable on the date of the transaction.

Net receipts or payments on swap contracts are reported within investment income on an accruals basis.

3.9 Change in market value of investments

The changes in investment market values are accounted for in the year in which they arise and include profits and losses on investments sold as well as unrealised gains and losses in the value of investments held at the year end.

3.10 Valuation of investments

Quoted securities, including bonds and certain pooled investment vehicles which are traded on active markets have been valued at the quoted price, which is usually the bid price, at the year end.

Accrued interest is excluded from the fair value of fixed income and index linked securities and is included in investment income receivable.

Pooled investment vehicles which are not traded on active markets, but where the investment manager has provided a daily/weekly/monthly trading price, are valued using the last bid/single price, provided by the investment manager at or before the year end.

The PIP VI funds are valued based on NAV pricing at the end of the previous month.

Exchange traded futures are valued at fair value using the daily mark-to-market, which is a calculated difference between the settlement prices at the year end and the inception date. Amounts due from the broker represent the amounts outstanding in respect of the initial margin (representing collateral on the contracts) and any variation margin which is due to or from the broker. The amounts included in change in market value are the realised gains or losses on closed contracts and the unrealised gains or losses on open contracts.

Over the counter (OTC) swaps are valued taking the current value of future cash flows arising from the swap determined using discounted cash flow models and market data at the year end. The amounts included in the change in market value are the realised gains or losses on closed contracts and the unrealised gains or losses on open contracts.

3.10 Valuation of investments - continued

Over the counter (OTC) forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the year end by entering into an equal and opposite contract at that date.

Repurchase agreements are accounted for as follows:

- For repurchase agreements the Scheme continues to recognise and value the securities that are delivered out as collateral, and includes them in the financial statements. The cash received is recognised as an asset and the obligation to pay it back is recognised as a payable amount.
- For reverse repurchase agreements the Scheme does not recognise the securities received as collateral in its financial statements. The Scheme does recognise the cash delivered to the counterparty as a receivable in the financial statements.

The Trustee holds insurance policies that secure pensions payable to specified beneficiaries. These policies remain assets of the Trustee, but, as the value of these policies is not material, under current regulations and accounting practice, the Trustee has decided that these policies need not be valued in the Statement of Net Assets.

The AVC investments comprise policies of assurance. The market value of these policies has been taken as the surrender values of the policies at the year end, as advised by the AVC providers.

4. Contributions

	2024 Total £'000	2023 Total £'000
Employer contributions:		
Deficit funding	**20,600**	20,200

As required by the Schedule of Contributions certified by the Actuary on 14 April 2020, deficit contributions were paid during the year at a rate of £20.6m (2023: £20.2m). A new Schedule of Contributions was signed on 21 July 2023 which ratified the future deficit contributions due being paid at the rates of: £20.2m (2022/23), £20.6m (2023/24), £21.0m (2024/25), £8.9m (2025/26 May to September 2025).

5. Other income

	2024 Total £'000	2023 Total £'000
Pension Sharing Order and admin fee income	**3**	4

6. Benefits paid or payable

	2024 Total £'000	2023 Total £'000
Pensions paid	**40,248**	38,483
Commutations of pensions and lump sum retirement benefits	**5,448**	4,995
Taxation where lifetime or annual allowance exceeded	**-**	64
Lump sum death benefits	**266**	200
Refund of contributions on death	**331**	179
	46,293	43,921

7. Payments to and on account of leavers

	2024 Total £'000	2023 Total £'000
Individual transfers out to other schemes	**407**	1,677

8. Administrative expenses

	2024 Total £'000	2023 Total £'000
Bank charges paid	**4**	(3)
Sundry expenses	**-**	83
	4	80

Except for the bank charges and one off ad-hoc charges, all other administration expenses are borne by the Group. Negative bank charges for the previous year relate to refunded bank charges during that year. No further charges are due to be refunded. Sundry expenses for 2023 relates to £83k of interest paid to DS Smith on repayment of the loan referred to in note 27.

9. Investment income

	2024 Total £'000	2023 Total £'000
Income from bonds	**17,023**	16,282
Income from pooled investment vehicles	**25,193**	20,281
Net interest on swaps	**(488)**	5,048
Interest on cash deposits	**527**	287
Repurchase agreement interest	**(15,728)**	(5,773)
Miscellaneous income	**29**	16
	26,556	36,141

10. Reconciliation of investments

Defined Benefit investments	**Value at 1 May 2023 £'000**	**Purchases at cost and derivative payments £'000**	**Sales proceeds and derivative receipts £'000**	**Change in market value £'000**	**Value at 30 April 2024 £'000**
Bonds	670,497	238,309	(147,843)	(31,695)	729,268
Pooled investment vehicles	381,367	110,144	(129,543)	199	362,167
Derivatives	666	465,279	(473,780)	4,366	(3,469)
AVC investments	2,706	-	(158)	354	2,902
	1,055,236	813,732	(751,324)	(26,776)	1,090,868
Repurchase agreements	(281,751)				(342,779)
Cash and cash equivalents	12,313				10,053
Other investment balances	1,568				(3,409)
	787,366				754,733
DC Pooled Investment Vehicles*	147	-	(12)	7	142
Total Investments	787,513			(26,769)	754,875

10. Reconciliation of investments (continued)

10.1 Transaction costs

There were no direct transaction costs incurred during the year. Indirect transaction costs are incurred through the bid-offer spread on investments within the pooled investment vehicles. The amount of indirect costs is not separately provided to the Scheme.

11. Investment management expenses

	2024 Total £'000	2023 Total £'000
Administration, management and custody	**967**	750
Investment management fee rebates	**(637)**	(1,057)
	330	(307)

The investment management fee rebates relate to the investments managed by Mercer Global Investments and the Secured Finance pooled funds. These are a result of the actual fund expenses being less than those originally charged in the unit price. The rebates are reinvested into the funds to purchase additional units.

12. Taxation

The Scheme is a registered pension scheme under Chapter 2 of Part 4 of the Finance Act 2004 and is therefore exempt from income tax and capital gains tax.

13. DB Pooled investment vehicles

	2024 Total £'000	2023 Total £'000
Bonds	**207,179**	237,299
Hedge Funds	**11,694**	16,944
Cash & derivatives	**927**	13,197
Other (private markets)	**142,367**	113,927
	362,167	381,367

The pooled investments are held in the name of the Scheme. Except for the income generated by the MGI and Secured Finance funds which are shown in note 9, income generated by these funds is not distributed, but retained within the pooled investments and reflected in the market value of the units.

14. DC Pooled investment vehicles

	2024 Total £'000	2023 Total £'000
Equity	**1**	1
Bonds	**1**	1
Hedge Funds	**8**	7
Cash	**132**	138
	142	147

The DC assets are held in with Utmost Life and Pensions under the policy name JDS Special Benefit Account.

15. Derivatives

The Trustee has authorised the use of derivatives by their investment managers as part of their investment strategy for the Scheme as follows:

The Trustee aims to match as far as possible the Liability Driven Investment (LDI) portfolio and the Scheme's long term liabilities, in particular in relation to their sensitivities to interest rate and inflation movements. The Trustee has entered into OTC interest rate and inflation swaps that extend the duration of the fixed income portfolio to better match the long term liabilities of the Scheme.

Forward foreign exchange - In order to maintain appropriate diversification of investments within the portfolio and take advantage of overseas investment returns, a proportion of the underlying investment portfolio is invested overseas. To balance the risk of investing in foreign currencies whilst having an obligation to settle benefits in Sterling, a currency hedging programme, using forward foreign exchange contracts, has been put in place to reduce the currency exposure of these overseas investments to the targeted level.

At the year end the Scheme had the following derivatives:

	Assets £'000	**Liabilities £'000**	**2024 £'000**	Assets £'000	Liabilities £'000	2023 £'000
Exchange traded						
Futures	**51,480**	**(51,480)**	**-**	72,010	(72,010)	-
Over the counter contracts						
Swaps	**30,595**	**(33,830)**	**(3,235)**	36,757	(36,411)	346
Forward foreign exchange	**54**	**(288)**	**(234)**	35,379	(35,059)	320
	82,129	**(85,598)**	**(3,469)**	144,146	(143,480)	666

A summary of the Scheme's outstanding derivative contracts at the year end aggregated by key characteristics is set out below:

15.1 Swaps

Nature	**Notional amounts £'000**	**Expiration Date**	**Aggregate asset value £'000**	**Aggregate liability value £'000**
Interest rate swaps	146,621	<1 year	129	(805)
Interest rate swaps	27,578	2-5 years	-	(267)
Interest rate swaps	137,441	5-10 years	4,110	(2,442)
Interest rate swaps	64,918	10-20 years	1,900	(2,051)
Interest rate swaps	10,194	20-30 years	230	(475)
Interest rate swaps	3,583	30-40 years	-	(308)
Inflation rate swaps	195,368	<1 year	5,514	(4,703)
Inflation rate swaps	289,552	5-10 years	18,712	(22,779)
Total 2024	**875,255**		**30,595**	**(33,830)**
Total 2023	676,326		36,757	(36,411)

15.2 Futures

Nature	Economic Exposure	Expires	Asset value £'000	Liability value £'000
Total 2024	477	June 2024	51,480	(51,480)
Total 2023	711	June 2023	72,010	(72,010)

15.3 Forward foreign exchange

Number of Contracts	Settlement date	Currency bought	Currency sold	Asset value £'000	Liability value £'000
1	May 2024	9,350,566 GBP	11,832,000 USD	-	(98)
1	May 2024	570,932 GBP	665,000 EUR	3	-
1	May 2024	1,763,000 USD	1,417,784 GBP	-	(10)
2	June 2024	1,293,031 GBP	1,508,000 EUR	3	-
2	June 2024	18,386,879 GBP	23,253,000 USD	-	(179)
1	July 2024	1,191,139 GBP	1,391,000 EUR	-	-
1	July 2024	9,310,707 GBP	11,602,000 USD	48	-
2	June 2024	332,000 USD	265,630 GBP	-	(1)
Total 2024				54	(288)
Total 2023	-	-		322	(2)

15.4 Collateral

Collateral held in respect of swaps held was as follows:

	2024 Total £'000	2023 Total £'000
Collateral received		
Cash	**170**	12,059
Collateral pledged		
Bonds	**(4,024)**	(11,088)

16. Amounts receivable under reverse repurchase agreements

Reverse repurchase agreements are a form of short term lending, where the Scheme has purchased assets with the agreement to resell at a fixed date and price.

At 30 April 2024, amounts receivable under reverse repurchase agreements totalled £24,645,753 (2023: £32,241,200).

17. Amounts due under repurchase agreements

Repurchase agreements are a form of short term borrowing, where the Scheme has sold assets with the agreement to repurchase at a fixed date and price.

At 30 April 2024, amounts payable under repurchase agreements totalled £367,425,048 (2023: £313,991,643).

In respect of reverse repurchase agreements and repurchase agreements, at 30 April 2024, £334,029,030 (2023: £267,646,239) of bonds reported in the Scheme assets within note 15.1 were held by counterparties, and shown as collateral pledged. In addition, collateral received and pledged was £1,329,096 (2023: £732,997) and £4,265,460 (2023: £18,257,270) respectively.

18. AVC investments

The Trustee holds assets within the main fund and also holds assets which are separately invested from the main fund in the form of individual policies of assurance and pooled investment vehicles. These are secure additional benefits, on a money purchase basis, for those members who have elected to pay additional voluntary contributions. Members participating in this arrangement receive an annual statement made up to 30 April each year, confirming the amounts held to their account and the movements during the year.

The total amount of AVC investments at the year end is shown below:

	2024 Total £'000	2023 Total £'000
Utmost Life and Pensions	**406**	394
Scottish Friendly Assurance Society Ltd	**2,496**	2,312
	2,902	2,706

19. Cash

	2024 Total £'000	2023 Total £'000
Cash - Sterling assets	**10,506**	58,044
Cash - Sterling liabilities	**-**	(49,075)
Cash - foreign currency assets	**2,096**	3,859
Cash - foreign currency liabilities	**(2,549)**	(515)
	10,053	12,313

20. Other investment balances

	Assets £'000	**Liabilities £'000**	**2024 £'000**	Assets £'000	Liabilities £'000	2023 £'000
Investment income receivable	**5,095**	**(7,463)**	**(2,368)**	4,309	(2,741)	1,568
Outstanding settlements (excluding FX)	**-**	**(1,041)**	**(1,041)**	-	-	-
	5,095	**(8,504)**	**(3,409)**	4,309	(2,741)	1,568

21. Fair value hierarchy

The fair value of financial instruments has been disclosed using the following fair value hierarchy:

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities which the reporting entity can access at the assessment dates.
Level 2	Inputs other than quoted prices included within Level 1 which are observable for the asset or liability, either directly or indirectly. Observable inputs are inputs which reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity.
Level 3	Unobservable inputs for the asset or liability. Unobservable inputs are inputs which reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

A fair value measurement is categorised in its entirety on the basis of the lowest level input which is significant to the fair value measurement in its entirety.

The Scheme's investment assets and liabilities fall within the above hierarchy as follows:

	2024 Level 1 £'000	**2024 Level 2 £'000**	**2024 Level 3 £'000**	**2024 Total £'000**
Bonds	**-**	**729,268**	**-**	**729,268**
DB Pooled investment vehicles	**-**	**167,984**	**194,183**	**362,167**
DC Pooled investment vehicles	**-**	**142**	**-**	**142**
Derivatives	**-**	**(3,469)**	**-**	**(3,469)**
Repurchase agreements	**-**	**(342,779)**	**-**	**(342,779)**
AVC investments	**-**	**2,875**	**27**	**2,902**
Cash	**10,053**	**-**	**-**	**10,053**
Other investment balances	**(3,409)**	**-**	**-**	**(3,409)**
	6,644	**554,021**	**194,210**	**754,875**

Analysis for the prior year end is as follows:

	2023 Level 1 £'000	2023 Level 2 £'000	2023 Level 3 £'000	2023 Total £'000
Bonds	-	670,497	-	670,497
DB Pooled investment vehicles	-	190,387	190,980	381,367
DC Pooled investment vehicles	-	147	-	147
Derivatives	-	320	346	666
Repurchase agreements	-	(281,751)	-	(281,751)
AVC investments	-	2,680	26	2,706
Cash	12,313	-	-	12,313
Other investment balances	1,568	-	-	1,568
	13,881	582,280	191,352	787,513

22. Investment risks

FRS 102 requires the disclosure of information in relation to certain investment risks to which the Scheme is exposed at the end of the reporting period: this is set out in the revised Statement of Recommended Practice (SORP), published in June 2018.

All risk disclosures are based on Mercer's interpretation of guidance issued by the Pensions Research Accountants Group (PRAG). For further information on all Mercer funds, please refer to the audited fund financial statements.

The risks set out by FRS 102 for disclosure are as follows:

Market risk: this is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk, each of which is further detailed as follows:

- **Currency risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
- **Interest rate risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.
- **Other price risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Credit risk: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Scheme has exposure to the above risks through the assets held to implement its investment strategy. The investment strategy has been designed to balance the risk and return while allowing the Scheme to achieve its objectives.

The Trustee has taken the step to reduce investment risk within its portfolio by implementing a de-risking strategy whereby the level of investment risk inherent in the Scheme's investment arrangements will reduce further as the Scheme's funding level improves. The Trustee agreed the way in which the investment risk should be reduced and has delegated the implementation of the de-risking strategy to Mercer. The de-risking strategy comprises funding level triggers which are monitored daily by Mercer. When a pre agreed trigger level is breached, Mercer opportunistically switches the assets from the Growth Portfolio to the Matching Portfolio. Mercer constructs portfolios of investments that are expected to maximise the return given the targeted level of risk.

The investment objectives and risk limits of the Scheme are further detailed in the SIP.

With regard to the Scheme's DC assets, the investment objectives and risk management are implemented through the selection of pooled investment funds. The Trustee monitors their investment objectives and risks through regular reviews of the investment funds underlying their insurance policies.

Further information on the Trustee' approach to risk management, credit and market risk is set out below.

(i) Investment Strategy – DB assets

The investment objective of the Scheme is to maintain a portfolio of suitable assets of appropriate liquidity which will generate investment returns to meet, together with future contributions, the benefits of the Scheme payable under the Trust Deed and Rules as they fall due. The investment strategy is agreed by the Trustee, taking into account considerations such as the strength of the Employer covenant, the long-term liabilities of the Scheme and the Recovery Plan agreed with the Employer. The key decision is the split between the Opportunistic, Equity, Liquid Credit, Income Focused and LDI portfolios and the liability hedge ratio in the investment strategy. More details on the investment strategy are set out in the SIP.

22. Investment risks (continued)

The Scheme's current target investment strategy is as follows:

- 64% in investments that share characteristics with the long-term liabilities of the Scheme, specifically the 'Liquid Credit', 'LDI' and 'Cash' assets. The Matching Portfolio is invested in assets including government and corporate bonds as well as funds incorporating derivative instruments to hedge the impact of interest rate movements and inflation expectations on the long term liabilities.
- 36.0% in investments that seek to generate a return above the liabilities, including the Equity, Opportunistic and Income Focused portfolios. These are currently invested in equities, frontier market debt, multi-asset credit, secured finance, alternatives, private markets and cash.
- 60.7% currency hedge ratio within the Growth Portfolio. This is achieved through a currency hedging policy using currency hedging derivatives such as forwards and swaps within the various Growth Portfolio's Mercer Funds held. Please note that additional currency risk may arise when underlying managers take active currency positions or from allocations to fixed income assets denominated in non-sterling currencies.

The actual allocations will vary from the above due to market price movements, dynamic asset allocation decisions, trigger breaches and intervals between rebalancing the portfolio.

Financial Risk Breakdown

The following table summarises the extent to which the various asset classes of investments are affected by financial risks. Since the assets are all invested in pooled funds as opposed to being held on a direct basis, the risks are referred to as indirect:

Fund	Portfolio	Indirect Currency Risk	Indirect Interest Rate Risk	Indirect Credit Risk	Indirect Other Price Risk
Insight Synthetic Equity (Direct Risk)	Equity	X		X	X
Frontier Market Debt	Opportunistic	X	X	X	X
UCITS Alternatives Strategies (Hedged)	Opportunistic	X	X	X	X
MGI UK Cash Fund	Opportunistic		X	X	
Mercer Multi-Asset Credit Fund (Hedged)	Income Focused	X	X	X	X
Insight Secured Finance (Hedged)	Income Focused	X	X	X	X
Schroders Secured Finance (Hedged)	Income Focused	X	X	X	X
Absolute Return Fixed Income (Hedged)	Income Focused	X	X	X	X
Mercer Private Investment Partners VI	Income Focused	X	X	X	X
Insight Buy and Maintain (Direct Risk)	Liquid Credit	X	X	X	X
Tailored Credit I	Liquid Credit	X	X	X	
Insight Liability Driven Investment	LDI		X	X	X

22. Investment risks (continued)

(ii) Market risk

a. Currency risk

Within a look through of the Funds, the Scheme is not exposed to direct currency risk as the segregated mandates with Insight are limited to investing in Sterling denominated assets only, with the exception of the Insight Buy & Maintain mandate. However, Insight hedges any foreign currency exposure.

Indirect currency risk arises from the Scheme's investment in Sterling or US Dollar priced pooled investment vehicles which hold underlying investments denominated in foreign currency. To manage the currency risk associated with this holding, the Trustee seeks to hedge the majority of the non-Sterling exposure by investing in currency hedged investment vehicles. The net currency exposure at year end was c. 28.6% (2023: c. 24.0%). Currency risk is not undertaken where the costs of hedging are excessive or the currency exposure is expected to be rewarded by return.

b. Interest rate risk

The Scheme is subject to direct interest rate risk within the bespoke pooled fund because it directly holds bonds (both government and corporate), derivatives and cash in its segregated mandates with Insight. Indirect interest risk was also present over the year because the underlying investments held in the underlying Mercer pooled funds, are sensitive to changes in interest rates. The interest rate risk exposure that these holdings introduce does not seek to be hedged because the managers actively manage it with the intention to add value.

The Trustee has a benchmark allocation at year end to Liquid Credit (31.0%) and LDI mandate (33.0%). As at 30 April 2024, these assets represented 61.0% of total assets (2023: c. 59.5%). The variance from the target allocation (3.0%) is due to market movements.

With reference to these assets, if interest rates fall, the value of the underlying holdings will rise to help match the increase in actuarial liabilities arising from a fall in the discount rates. Similarly, if interest rates rise, the underlying investments will fall in value, as will the actuarial liabilities because of an increase in the discount rate. As at 30 April 2024, the Scheme had a target hedge ratio of c. 90.0% of the interest rate and inflation rate sensitivity of the Scheme's funded LTFT liabilities.

Opportunistic and Income Focused Portfolios, at lesser extent also have indirect interest rate risk.

c. Other price risk

Other price risk arises principally in relation to the Scheme's Equity, Opportunistic and Income Focused Portfolios, which had a benchmark allocation of 36.0% as at 30 April 2024. The portfolios include fixed income-orientated assets such as Multi-Asset Credit, and Frontier Market Debt, as well as investments aiming to achieve capital growth, including equities and hedge funds and private markets. These risks are managed, to an extent, by ensuring that the portfolios are well diversified (in terms of asset type and geographical region).

As at 30 April 2024, the Equity, Opportunistic and Income Focused portfolios represented 38.1% of total assets (2023: c. 40.2%) The variance from the target allocation (2.1%) is largely a result of market movements and the funding of private market commitments.

The LDI mandate at lesser extent will also have indirect other price risk.

22. Investment risks (continued)

(iii) Credit risk

The Scheme's LDI and Liquid Credit Portfolios are subject to credit risk because the Scheme directly invests in bonds, has entered into Over the Counter (OTC) derivatives and repurchase agreements and holds cash balances. However, a large proportion of the LDI Portfolio is invested in government bonds to reduce credit risk. The value of these assets, as at 30 April 2023 and 2024, are disclosed in the accounts. The notes below provide more detail on how this risk is managed and mitigated for the different investments held within the segregated mandate:

- **Corporate Bonds:** mitigated by investing in corporate bonds which are rated at least investment grade at the point of purchase. With regards to corporate bonds, the Trustee accepts the associated higher credit risk (relative to government issued debt) in exchange for higher expected return, but the managers are expected to manage the risk by diversifying the portfolios to minimise the impact of default by any one issuer. This is the position at the current and previous year end.
- **Derivatives:** OTC derivative contracts (including swaps and options) and repurchase agreements are not guaranteed by any regulated exchange and therefore the Scheme is subject to risk of failure of the counterparty. The credit risk for OTC derivatives and repurchase agreements is reduced by daily collateralisation using high quality collateral and the use of a number of bank counterparties. This is the position as at the current and previous year end.
- **Derivative and Repurchase Agreement Counterparties:** mitigated by requiring all counterparties to be investment grade credit rated. Additionally, for each type of derivative used, exposure limits have been established to ensure that this risk is diversified across a range of counterparties. This is the position as at the current and previous year end.
- **Cash balances:** mitigated by ensuring cash is primarily held with a diversified range of institutions and in a liquid pooled fund. This is the position at the current and previous year end.

Credit risk is also managed by employing experienced active managers in these particular asset classes and by limiting the overall exposure of credit within the Growth Portfolio.

A summary of the pooled investment vehicles by type of arrangement is set out below.

Arrangement type	Start of Year (£m)	End of Year (£m)
Open ended investment companies	267.4	219.8
Shares of limited liabilities partnerships	113.9	142.4
Total	**381.3**	**362.2**

(iv) Investment Strategy – DC assets

Setting the investment strategy for the Scheme's assets is the responsibility of the Trustee and is driven by their investment objectives. The remaining elements of investment policy are related to the day to day management of the assets which is delegated to professional investment managers.

The DC assets have exposure to market and credit risk because of the range of investment options offered to members. The Trustee has identified and seeks to manage the Scheme's investment risks by taking them into account when setting the Scheme's strategic investment objectives. The investment objectives and risk management are implemented through the selection of pooled investment funds, which are accessed through long term insurance policies with Utmost Life and Scottish Friendly. The Trustee monitors the investment objectives and risks through regular reviews of the investment funds underlying their insurance policies.

22. Investment risks (continued)

(iv) Investment Strategy – DC assets (continued)

To manage the investment objectives and control the risks set out above, the Trustee has made available a range of funds for members that allow exposure to a range of asset classes. These include equity, property, bonds, multi-asset and money market funds. Members can combine the investment funds in any proportion to determine the balance between different kinds of investments. This will also determine the expected return on a member's assets and should be related to the member's own risk appetite and tolerances. Each of the available funds is considered to be diversified across an appropriate number of underlying holdings / issuers.

The table below sets out the funds offered to members and how they are affected by financial risks. Since the assets are all invested in pooled funds as opposed to being held on a direct basis, the risks are referred to as indirect.

Policy	Fund	Indirect Currency Risk	Indirect Interest Rate Risk	Indirect Credit Risk	Indirect Other Price Risk	Indirect Liquidity Risk
Utmost Life (DC)	Multi-asset Growth	X	X	X	X	
	Multi-asset Moderate	X	X	X	X	
	Sterling Corporate Bond		X	X	X	
	US Equity	X	X		X	
	Global Equity	X	X		X	
	UK Government Bond		X	X	X	
	Money Market		X	X	X	
Utmost Life (AVC)	Multi-asset Cautious	X	X	X	X	
	Money Market		X	X	X	
	Clerical Medical With-Profits	X	X	X	X	
Scottish Friendly (AVC)	Sterling Liquidity		X	X	X	
	Passive UK Equity	X	X		X	
	Over Five-year Index-Linked Gilt		X	X	X	
	Continental European Equity	X	X		X	
	Global ex-UK	X	X		X	
	Japan Equity	X	X		X	
	Pacific Basin ex-Japan Equity	X	X		X	
	US Equity	X	X		X	
	All Stock UK Corporate Bond		X	X	X	
	All Stock Fixed Interest Gilt		X	X	X	
	Select World Equity	X	X		X	
	World Equity	X	X		X	

22. Investment risks (continued)

(v) Credit Risk

The Scheme's DC assets are subject to direct credit risk in relation to Utmost Life and Scottish Friendly through its holding in unit-linked funds.

This risk is mitigated by the type of arrangement, which is also subject to periodic review. Utmost Life and Scottish Friendly are regulated by the Financial Conduct Authority and the Prudential Regulation Authority and maintains separate funds for its policyholders. Scottish Friendly investments are held in its own investment unit linked funds. Utmost Life investments are invested in its own unit-linked funds, with the exception of the Clerical Medical With-Profits Fund which is accessed via a reinsurance agreement with Scottish Widows Limited.

In the event of default by Utmost Life or Scottish Friendly, the Scheme is protected by the Financial Services Compensation Scheme ("FSCS") and may be able to make a claim for 100% of its policy value, although noting that compensation is not guaranteed.

(vi) Indirect Credit and Market Risk

The Scheme's DC assets are subject to indirect credit and other risks arising from the underlying investments held in the unit linked funds.

- Indirect credit risk arises in relation to underlying bond investments held in the pooled investment vehicles.
- Indirect currency risk arises from the Sterling priced pooled investment vehicles which may hold underlying investments denominated in foreign currency.
- Indirect interest rate risk arises where the underlying investments of a pooled investment vehicle are exposed to interest rate risk which affects the price of fixed income investments and other risks such as equity market price risk.
- Liquidity relates to the potential for trading to be suspended or incur material costs.

The Trustee has considered indirect risks in the context of the investment strategy. The indirect risks relevant to individual funds are as set out in the table above.

In addition, members were exposed to annuity price and inflation risk (the risk that the purchasing power of their investments is eroded by inflation or impacted by annuity purchase prices) and this is addressed by allowing investment in vehicles that will mitigate the impact of these risks such as fixed interest and index linked gilts. The funds which provide exposure to interest rate risk are those where this is considered appropriate to mitigate the impact of annuity price risk.

The Trustee has selected the above funds and has considered the indirect risks in the context of the investment strategy described here and in the Statement of Investment Principles and believe these to be appropriate. Risks are mitigated where appropriate. This includes diversification of individual stock exposures within individual pooled funds (except in relation to UK Government debt which is considered low risk). In addition, funds which are expected to provide lower risk investments (in absolute terms or relative to purchasing power) focus on Government or investment credit/cash, where default risk is considered low.

23. Concentration of investments

The following investments each account for more than 5% of the Scheme's net assets at the year end:

	2024	**2024**	2023	2023
	£'000	**%**	£'000	%
Mercer Select Alternatives Strategies Fund	**102,738**	**13.4**	103,775	13.1
Mercer Multi-Asset Credit Fund	**44,895**	**5.9**	60,573	7.7

24. Employer-related investments

The investments of the Scheme, during the year to 30 April 2024, were invested in accordance with the Occupational Pension Schemes (Investment) Regulations 2005 and subsequent legislation. In particular, the Scheme is required to look through any investments held in collective investment vehicles (except those held in life insurance policies) to ensure that the maximum level for employer related investments of 5% of the Scheme's assets is not breached.

The Scheme does not directly hold any shares in the Principal Employer. As at 30 April 2024, the proportion of the Scheme's assets in employer-related investments does not exceed 5% of the market value of the Scheme's assets, and therefore the Scheme complies with legislative requirements. This will continue to be monitored going forward.

25. Current assets

	2024 Total £'000	2023 Total £'000
Cash deposits held with the Scheme Administrator	**10,926**	5,215
Accrued bank interest	**9**	2
Prepaid pension payments	**1**	-
	10,936	5,217

26. Current liabilities

	2024 Total £'000	2023 Total £'000
Lump sums on retirement payable	**154**	457
Death benefits payable	**232**	221
Investment management expenses payable	**200**	214
PAYE payable	**31**	-
	617	892

27. Related party transactions

(a) Entities with control, joint control or significant influence over the Scheme

In respect of the year ended 30 April 2024, the Group paid the following on behalf of the Scheme.

- Remuneration and expenses to the Trustee Directors of £97,000 (2023: £86,600*).
- Pension Protection Fund levy of £115,009 (2023: £261,459).

*The 2023 remuneration and expenses disclosure excluded those paid to non-professional Trustees of £53,000 which are added in above.

Historically, the Scheme recharged the Group with the costs associated with running the Scheme and recharged the Group for administration services provided by the Group Pensions Office. With effect from 1 May 2013 all costs were paid direct by the Group. During the year the Group incurred costs of £1,581,563 (2023: £1,524,053) on behalf of the Scheme.

(b) Key management personnel of the Scheme or its parent (in aggregate)

Except for the Chairman, Mr P Holland (AAA Trustee Limited) and Mr H Fisher, all Trustee Directors are pensioner members of the DS Smith Group Pension Scheme and receive benefits in accordance with the Trust Deed and Rules.

28. GMP Equalisation

On 26 October 2018, the High Court judgement in the landmark Lloyds Bank Guaranteed Minimum Pension (GMP) equalisation case was published. The judgement re-confirmed the requirement on all pension schemes to equalise benefits between men and women to allow for differences in GMPs earned after 17 May 1990. GMP is a tranche of pension that relates to a scheme having been "contracted-out" of part of the state pension before 6 April 1997. The judgement also commented on the potential calculation methods for ongoing schemes.

The calculation regarding GMP pension liability for the Scheme has not been finalised, however, the actuary has estimated a reserve of 0.73% of liabilities during the course of the 30 April 2022 valuation.

Independent Auditor's Statement about Contributions to the Trustee

Statement about contributions payable under schedules of contributions

We have examined the Summary of Contributions payable to the DS Smith Group Pension Scheme on page 47, in respect of the Scheme year ended 30 April 2024.

In our opinion the contributions for the Scheme year ended 30 April 2024 as reported in the Summary of Contributions on page 47 and payable under the Schedules of Contributions have in all material respects been paid at least in accordance with the Schedules of Contributions certified by the Actuary on 14 April 2020 and 21 July 2023.

Scope of work on statement about contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported on page 47 in the Summary of Contributions have in all material respects been paid at least in accordance with the Schedules of Contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme and the timing of those payments under the Schedules of Contributions.

Respective responsibilities of Trustee and auditor

As explained more fully on page 23 in the Statement of Trustee's Responsibilities, the Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions showing the rates and due dates of certain contributions payable towards the Scheme by or on behalf of the employer and the active members of the Scheme. The Trustee is also responsible for keeping records in respect of contributions received in respect of active members of the Scheme and for monitoring whether contributions are made to the Scheme by the employer in accordance with the Schedules of Contributions.

It is our responsibility to provide a statement about contributions paid under the Schedules of Contributions and to report our opinion to you.

Use of our statement

This statement is made solely to the Trustee as a body, in accordance with the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Trustee those matters we are required to state to them in an auditor's statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme and the Trustee as a body, for our audit work, for this statement, or for the opinions we have formed.

RSM UK Audit LLP
Statutory Auditor
Chartered Accountants
Portland
25 High Street
Crawley
West Sussex
RH10 1BG

Date: 22 November 2024

Summary of Contributions

During the year ended 30 April 2024, the contributions payable to the Scheme by the Employer were as follows:

	2024 Total £'000
Contributions payable under the Schedules of Contributions certified by the Actuary on 14 April 2020 and 21 July 2023:	
Employer contributions:	
Deficit funding	**20,600**
Contributions payable under the Schedules of Contributions certified by the Actuary on 14 April 2020 and 21 July 2023 (as reported on by the Scheme Auditor) and reported in the financial statements:	**20,600**

Approved on behalf of DS Smith Pension Trustees Limited and signed on its behalf by:

Trustee Director

Trustee Director

Date: 21 November 2024............

Actuarial Valuation as at 30 April 2022 Schedule of Contributions

DS Smith Group Pension Scheme

Status of this document

This schedule has been prepared by the Trustee of the DS Smith Group Pension Scheme ("the Trustee" of the "Scheme") to satisfy the requirements of section 227 of the Pensions Act 2004, after obtaining the advice of Neil Brougham, the actuary to the Scheme appointed by the Trustee.

This document is the first schedule of contributions put in place for the Scheme since 30 April 2022 valuation. It supersedes all earlier versions.

After discussions, a pattern of contributions was agreed by the Trustees and the employer, DS Smith Plc (the "Group"), on 28 April 2023.

The Trustee and the Group have signed this schedule on page 3 to indicate that it represents an accurate record of the agreed pattern of contributions.

The schedule is effective from the date it is certified by the Scheme Actuary on page 4.

Contributions to be paid to the Scheme from 21 July 2023 to 21 July 2028

Group's contributions in respect of the shortfall in funding as per the recovery plan of 21 July 2023

The actuarial valuation of the Scheme as at 30 April 2022 revealed a shortfall in the assets, when measured against the Scheme's technical provisions, of £26m.

To correct the shortfall as at 30 April 2022, the Group will pay contributions as follows:

Scheme Year	Amount £m
2022/23	20.2*

*For the avoidance of doubt, any payments made after 1 May 2022 for the purpose of addressing the shortfall in funding made under the Schedule of Contributions certified on 14 April 2020 shall count towards the payment of £20.2m due by 30 April 2023.

ACTUARIAL VALUATION AS AT 30 APRIL 2022 – SCHEDULE OF CONTRIBUTIONS

Page 2

Additional contributions agreed by the Group

The Group has also agreed to pay the following contributions above that required to meet the shortfall as at 30 April 2022:

Scheme Year	Amount £m
2023/24	20.6
2024/25	21.0
2025/26 (in respect of May to September 2025)	8.9

Contributions will be paid by the last day of the Scheme Year (30 April) to which they relate, although the Trustee and Group can agree for the payments to be made earlier if appropriate and, if so, the date of payment will become the due date. However, the contributions due in the Scheme Year 2025/26 will be paid no later than 30 September 2025.

The funding level will be monitored monthly (using the last day of the month) on the Long Term Funding Target ("LTFT") basis by the Scheme Actuary in line with the agreed funding monitoring protocol. If these updates indicate that at two consecutive month end dates the Scheme is fully funded against the LTFT, then the additional contributions set out above will cease with effect from the month of the relevant check.

The Group will continue to pay contributions to the Scheme to meet the costs of the Scheme's PPF levies and expenses or the Group will put in place arrangements to meet these expenses directly, unless otherwise agreed by the Group and Trustee.

In the event that additional contributions cease under the above condition, the Scheme Actuary will continue to monitor the funding level monthly (using the last day of the month) on the LTFT basis. If these updates indicate that at two consecutive month end dates the Scheme is in deficit against the LTFT, then the additional contributions set out above will recommence with effect from the month of the relevant check.

Further contributions required in respect of benefit augmentations

Further contributions may become payable as a result of augmentations of pensions or other benefits under Clause 8.1 of the Trust Deed and Rules of the Scheme. Under such circumstances, the payment should be received by within 60 days of the instruction to make the payment.

Payments in respect of administration and other costs

The Group shall meet the cost of any administrative and other expenses incurred by the Trustee (including PPF levies but excluding any manager-related investment fees which will be deducted directly from the assets) as and when they fall due.

Arrangements for other parties to make payments to the Scheme

In certain circumstances, and as permitted by the Trust Deed and Rules of the Scheme, payments towards the Scheme may be paid by someone other than the Group, in lieu of contributions otherwise due from the Group. Under such circumstances, the Trustee's agreement will be sought prior to any payment being made.

Dates of review of this schedule

This schedule of contributions will be reviewed by the Trustee and the Group no later than 15 months after the effective date of each actuarial valuation, due every three years.

Group and Trustee agreement

This schedule of contributions has been agreed by the Trustee and the Group on 21 July 2023.

Signed on behalf of DS Smith Plc	
Name	RICHARD PIKE
Position	GROUP FINANCE DIRECTOR
Date of signing	21 July 2023

Signed on behalf of the Trustee of the DS Smith Group Pension Scheme	
Name	Gary Saunders
Position	Chair of Trustee
Date of signing	21 July 2023

Mercer

Certificate Of Schedule Of Contributions

Name of the Scheme	DS Smith Group Pension Scheme

Adequacy of rates of contributions

I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective as at 30 April 2022 could have been expected to be met by the end of the period specified in the recovery plan dated 21 July 2023.

Adherence to statement of funding principles

I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 21 July 2023.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Scheme's liabilities by the purchase of annuities, if the Scheme were to be wound up.

Signature	
Name	Neil Brougham
Date of signing	21 July 2023
Qualification	Fellow of the Institute and Faculty of Actuaries
Name of employer	Mercer Limited
Address	Belvedere 12 Booth Street Manchester M2 4AW

DS Smith Group Pension Scheme ("the Scheme")

Annual Implementation Statement for the Year Ended 30 April 2024

1. INTRODUCTION

This Implementation Statement (known as the Statement) presents the Trustee's assessment of their adherence to the policies attaching to the Scheme's investments, set out in the Scheme's Statement of Investment Principles ("SIP") throughout the one-year period ending 30 April 2024 (the "Scheme Year"). The SIP was last reviewed in September 2023 to reflect the latest investment strategy and ESG views of the Trustee and Mercer. A copy of the Trustee's SIP is available on request and online at https://www.dssmith.com/company/our-leadership/ds-smith-group-pension-trustees.

This Statement has been prepared in accordance with the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 and the guidance published by the Department for Work and Pensions.

The Trustee invests the Defined Benefit ("DB") assets of the Scheme in a fiduciary arrangement with Mercer Limited ("Mercer"). Under this arrangement Mercer are appointed to provide consulting services, discretionary investment manager services and day-today management of the Scheme's assets by investment in a range of specialist pooled funds (the "Mercer Funds"). Management of the assets of each Mercer Fund is undertaken by a Mercer affiliate, Mercer Global Investments Europe Limited ("MGIE") and Mercer Alternatives (Luxembourg) S.à.r.l. PIP VI)1.

MGIE are responsible for the appointment and monitoring of suitably diversified portfolio of specialist third party investment managers for each Mercer Fund's assets. The Trustee has also appointed an external investment consultant, Barnett Waddingham, to provide ongoing oversight and advice around Mercer's role as the Fiduciary Manager.

The relevant Mercer affiliate is responsible for the appointment and monitoring of a suitably diversified portfolio of specialist third party investment managers for the assets of each Mercer Fund.

Mercer's publicly available Sustainability Policy outlines how it addresses sustainability risks and opportunities, incorporating Environmental, Social and Corporate Governance ("ESG") factors into the decision making across process. The Stewardship Policy provides further details on Mercer's beliefs and implementation of stewardship practices. Under these arrangements, the Trustee accepts that where multi-client funds are used they do not have the ability to directly determine the engagement or voting policies or arrangements of the managers of the Mercer Funds. However, the Scheme does use a bespoke multi-asset fund and the Trustee has made Mercer aware that they expect Mercer to manage its assets in a manner, as far as is practicably possible, that is consistent with the Trustee's engagement policy and their policy with regard to the exercising of rights attaching to the Scheme's investments. The Trustee reviews regular reports from Mercer with regard to the engagement and voting undertaken on their behalf in order to consider whether their policies are being properly implemented.

Mercer's Client Engagement Survey aims to integrate the Trustee's perspectives on specific themes by evaluating the alignment between Mercer's engagement priority areas and those of the Trustee. Additionally, the survey highlights areas of focus that hold importance to the Trustee. The Trustee regularly reviews reports from Mercer regarding the engagement and voting activities conducted within the Mercer Funds to assess the alignment of these with their own.

The Trustee invests the Defined Contribution ("DC") and Additional Voluntary Contribution ("AVC") assets with Utmost Life and Pensions and Scottish Friendly Assurance Society who are also responsible for appointing the third party managers.

[1] Due to the nature of private markets, investment voting information is not available for the PIP funds.

Section 2 of this Statement sets out the investment objectives of the Scheme and changes which have been made to the SIP during the Scheme Year.

Sections 3 to 6 of this Statement also sets out how, and the extent to which, the policies in the Trustee's SIP for the Scheme have been followed.

Sections 7 and 8 include information on the engagement and key voting activities of the underlying asset managers within the Scheme.

Assessment of how the Trustee's policies in the SIP have been followed during the Scheme Year

In summary, it is the Trustee's view that the policies in the SIP (which was in place during the Scheme Year) have been followed during the Scheme Year.

2. STATEMENT OF INVESTMENT PRINCIPLES

Investment Objectives of the Scheme

The Trustee believes it is important to consider the policies in place in the context of the objectives it has set.

DB Assets

The Trustee's primary objective is to act in the best interest of its members and ensure that the obligations to the beneficiaries of the Scheme can be met. To guide it in its strategic management of the assets and control of the various risks to which the Scheme is exposed, the Trustee has considered its objectives and adopted the following objectives:

- The need to protect the security of members' accrued rights
- The desire to control the costs of benefits by preserving the Scheme's wealth
- A desire to limit volatility in the contribution rate as a result of any failure of the investment strategy
- To target the Scheme being 105% funded on a gilts +0.25% p.a. basis (the "lower risk basis") by 2035.

The SIP was updated in September 2023, but there was no change in the Trustee's overarching DB investment objectives, other than the funding target which changed from being 100% funded on a gilts+0.25% p.a. basis to being 105% funded on a gilts+0.5% funding basis by 2035.

DC Assets and AVCs

The Trustee's primary objective is to act in the best interest of its members. The investment profile of the funds available should be consistent with the needs of the members and are reviewed on a regular basis.

3. INVESTMENT MANDATES

Realisation of investments

DB Assets

Policy

The Trustee's policy is that there should be sufficient liquidity within the Scheme's assets to meet short term cashflow requirements in the majority of foreseeable circumstances, so that realisation of assets will not disrupt the Scheme's overall investment policy. Further details are set out in the following sections of the SIP:

- Realisation of Investments (SIP Section 6)
- Cash Flow Management and Rebalancing (SIP Section 7)

How has this policy been met over the Scheme Year?

The majority of the Scheme's assets are invested in daily-dealt pooled fund investment arrangements many of which distribute cashflows on a regular basis. These pooled investment arrangements are themselves regulated and underlying investments are mainly invested in regulated markets.

Where pooled investment arrangements do not invest assets in regulated markets, these are not expected to account for a material proportion of assets. Therefore, assets should be realisable at short notice, based on member and Trustee's demand.

Where more illiquid assets are used, their size is carefully considered as a proportion of total assets. The Trustee continues to delegate responsibility for the monitoring and rebalancing of the Scheme's asset allocation to Mercer. Where investments or disinvestments were arranged during the year, the policies stipulated within the relevant appointment documentation have been followed.

DC Assets and AVC Assets

Most of the assets are invested in daily dealt funds (with the exception of the With-Profit policies) which can also be realised easily if required by a member.

4. ENVIRONMENTAL, SOCIAL, AND GOVERNANCE

Financial and non-financial material considerations and how those considerations are taken into account in the selection, retention and realisation of investments

DB Assets Policy Summary

The Scheme's SIP includes the Trustee's policy on Environmental, Social and Governance ('ESG') factors, stewardship and climate change. This policy sets out the Trustee's beliefs on ESG and climate change and the processes followed by the Trustee in relation to voting rights and stewardship.

To establish the Trustee's beliefs and produce the policy in the SIP, the Trustee has previously undertaken training provided by its investment consultant, Mercer, on responsible investment which covered ESG factors, stewardship, climate change and the approach taken by Mercer. These beliefs were re-confirmed during the year as the Trustees undertook a Responsible investment Total Evaluation (RITE) for the Scheme in February 2024. This RITE analysis helps the Trustee assess how effectively they have integrated ESG best practices against each of Mercer's Sustainable Investing Pathway categories: philosophy, policy, process, and portfolio. The Trustee re-confirmed that whilst it will allow and consider non-financial factors its focus is on having enough assets to pay benefits when due. A formal documented review of Mercer's approach to sustainability is undertaken at least annually.

The Trustee recognises the conflict of interest which may arise in the context of responsible investment. Mercer, MGIE and Mercer Alternatives (Luxembourg) S.à.r.l. make investment decisions with the aim of improving long-term risk adjusted returns and assesses whether selected sub-investment managers have policies and procedures that manage conflicts in relation to stewardship.

The Trustee is willing to hear from the members on their views on the selection, retention and realisation of investments from an ESG and climate change perspective.

The Trustee established a new credit portfolio at the start of the year which allows it to explicitly integrate ESG and sustainability-related considerations via investment restrictions and targets, such as the aim of achieving "net zero" by 2050, as part of the Scheme's wider ESG considerations.

How the Policy has been implemented over the Scheme Year

The following work was undertaken during the year relating to the Trustees' policy on ESG factors, stewardship and climate change.

Policy Updates

The Trustee regularly reviews how ESG, climate change and stewardship is integrated within Mercer's, and MGIE's, investment processes and those of the underlying asset managers within the Mercer Funds, in the monitoring process. Mercer, and MGIE, provide reporting to the Trustee on a regular basis.

The Mercer Sustainability Policy is reviewed regularly. In August 2023 the governance section was updated, and the climate scenario modelling section is now detailed in the standalone Task Force on Climate Related Financial Disclosures (TCFD) report.

In line with the requirements of the EU Shareholder Rights Directive II (SRD II), Mercer has implemented a standalone Stewardship Policy to specifically address the requirements of SRD II. SRD II is a regulatory framework aimed at enhancing shareholder rights and improving corporate governance within the European Union.

The most recent UN Principles of Responsible Investment results (based on 2022 activity) awarded Mercer with 4 out of 5 stars for Policy Governance and Strategy. The United Nations Principles for Responsible Investment (UN PRI) is a global initiative that provides a framework for incorporating environmental, social, and governance (ESG) factors into investment practices.

The Financial Reporting Council confirmed in February 2024 that MGIE continues to meet the expected standard of reporting and will remain a signatory to the UK Stewardship Code, which represents best practice in stewardship.

Climate Change Reporting and Carbon Foot-printing

Mercer and the Trustee believes climate change poses a systemic risk, with financial impacts driven by two key sources of change:

1. The physical damages expected from an increase in average global temperatures

2. The associated transition to a low-carbon economy

Each of these changes presents both risks and opportunities to investors. Mercer therefore considers the potential financial impacts at a diversified portfolio level, in portfolio construction within asset classes, and in investment manager selection and monitoring processes.

Over the year the Trustee produced a TCFD report and set an explicit climate reduction target for one of its corporate bond portfolios. It will monitor compliance annually.

Mercer Ratings

Stewardship and active ownership form an important part of Mercer's ratings framework applied during the manager research process.

Mercer's ratings include an assessment of the extent to which ESG factors are incorporated in a strategy's investment process as well as the manager's approach to stewardship.

Across most asset classes, Mercer ratings are reviewed during quarterly monitoring by the portfolio management teams with a more comprehensive review performed annually. In these reviews, Mercer seek evidence of positive momentum on managers' ESG integration.

These ratings assigned by Mercer are included in the investment performance reports produced by Mercer on a quarterly basis and reviewed by the Trustee.

Approach to Exclusions

Mercer and MGIE's preference is to emphasise integration and stewardship approaches, however, in a limited number of instances, exclusions of certain investments may be necessary based on Mercer's Investment Exclusions Framework. Controversial weapons and civilian firearms are excluded from active equity and fixed income funds, and passive equity funds. In addition, tobacco companies and nuclear weapons are excluded from active equity and fixed income funds. Some funds have additional exclusions as outlined on the Mercer Investment Solutions Europe - Responsible Investment website.

In addition, Mercer and MGIE monitors for high-severity breaches of the UN Global Compact (UNGC) Principles that relate to human rights, labour, environmental and corruption issues.

Sustainability-themed investments

An allocation to Mercer's Luxembourg domiciled Sustainable Opportunities fund (private markets) is included within the Scheme's portfolio of Growth assets, with the allocation accounting for c. 2.4% of the Growth Portfolio.

The annual Impact Report highlights the positive social and environmental impact generated by the Scheme's investments within the private markets Sustainable Opportunities solution.

Diversity

Mercer's ambition to promote diversity extends beyond its own business through to the managers it appoints. This is partly assessed within the manager research process and documented in a dedicated section within research reports.

Mercer considers broader forms of diversity in decision-making, but currently report on gender diversity. As of 1 April 2023, 35% of the Key Decision Makers (KDM's) within Mercer Investment Solutions team are non-male, and Mercer's long-term target is 50%.

Within the Fixed Income universe, the average fund has 13% non-male KDM's and within the EMEA Active Equity universe, the average is 17%. Figures relating to Mercer Fixed Income and Active Equity Funds are currently slightly ahead or aligned, at 15% and 17%.

In Q3 2022, MGIE became a signatory of the UK Chapter of the 30% Club and helped to establish the Irish Chapter over 2023. The 30% Club is a business-led initiative that aims to increase gender diversity on corporate boards and in senior leadership positions.

Engagement

Engagement is an important aspect of Mercer's stewardship activities on behalf of the Trustee. The 2023 Stewardship Report highlights the engagement objectives which have been set, examples of engagement and the escalation process. Mercer also participates in collaborative initiatives related to stewardship.

Mercer conducts an annual Global Manager Engagement Survey on sustainability and stewardship topics. The survey was distributed to over 200 managers appointed by the Mercer Funds. The survey aims to gather information on managers' broad approach to stewardship as part of their investment integration. It also seeks insights and examples of voting and engagement activities. The results from the survey serve as an important source of information for tracking and measuring the managers' stewardship efforts, assessing effectiveness, and identifying potential areas for improvement.

The results and insights from the survey will be shared in Mercer's Annual Stewardship Report. This report is reviewed by the Trustee providing them with valuable information on the managers' stewardship activities and their alignment with Mercer's objectives.

5. MONITORING THE INVESTMENT MANAGERS

DB Policy

The Trustee's policy for the DB Section managers is set out in Section 12 of the SIP.

How has this policy been met over the Scheme Year?

The Trustee receives regular reports and information from Mercer on their monitoring and the managers' compliance. This includes but is not limited to Mercer's Manager Research ESG ratings for the underlying investment managers, analysis of the carbon footprint and voting and engagement activity.

Incentivising asset managers to align their investment strategies and decisions with the Trustee's policies

The Trustee's investment strategy is based on the advice from Mercer which is predicated on a de-risking framework which is seeking to meet the Trustee's key objectives as defined within the SIP and therefore intrinsically aligns Mercer with said policies. The Quarterly Strategy Report, is reviewed by the Trustee on a quarterly basis and includes the Scheme's funding level progression. The Trustee also uses Barnet Waddingham on a quarterly basis to assist it with reviewing Mercer's alignment with the Trustee's policies. The underlying investment managers are set specific targets which are designed to collectively ensure the Scheme is on track for its de-risking framework. If managers are not performing as intended they will be replaced.

The duration of the arrangements with asset managers

The Trustee is a long-term investor and does not seek to change the investment arrangements on a frequent basis. Mercer has been appointed as a fiduciary management partner to assist the Trustee in achieving the Scheme's long-term objectives. In that role, there is an expectation of a longer-term relationship until the journey is completed. This will be reviewed periodically. The Trustee employs a third party evaluator (Barnett Waddingham) to review Mercer's capacity to deliver the service it was appointed to, on a quarterly basis.

Mercer provide ongoing oversight of all underlying asset managers and will ensure the asset managers' continued appropriateness. As such there is no set duration for manager appointments.

Evaluation of asset managers' performance and remuneration for asset management services

The quarterly reports and ad-hoc investment updates were reviewed by the Trustee and discussed at investment committee meetings. The reports include financial metrics and Mercer Manager Research Ratings for the underlying asset managers that comprise the Mercer Funds over the medium and longer term. The Mercer Research Rating includes a Manager Rating which indicates Mercer's view on the likelihood of a manager to achieve their performance objective and an ESG Rating which gives an indication of the extent to which ESG considerations are incorporated into the managers' investment process. Where underlying asset managers are not meeting expectations, Mercer is expected to engage with these managers. This has led to changes to the underlying asset managers within the Mercer funds over the year. Over the year, the Trustee has continued to receive reporting from Mercer on the underlying asset managers and their continued suitability. Furthermore, the Trustee relies on Mercer to renegotiate underlying asset manager fees on new and existing appointments.

Monitoring portfolio turnover costs

As noted in the SIP, the Trustee does not explicitly monitor portfolio turnover costs incurred by the Scheme. Investment manager performance is reported and evaluated net of all fees and transaction costs (costs incurred as a result of buying and/or selling assets), and where possible, performance objectives for investment managers were set on a net basis. In this way, managers are incentivised to keep portfolio turnover costs to the minimum required to meet or exceed their objectives. The Trustee also receives from Mercer and reviews the annual MiFID II cost & charges statement and CMA cost and charges statements which provides the detail of costs incurred by the Scheme's assets including the transaction costs.

DC & AVC Assets Policy

The underlying investment managers within the DC and AVC assets are monitored by Scottish Friendly and Utmost. The Trustee then receives advice from Mercer on an ad-hoc basis reviewing Scottish Friendly and Utmost. A Value for Members assessment was completed covering cost and charges and performance of the funds in October 2023.

6. STRATEGIC ASSET ALLOCATION

Kinds of investments to be held, the balance between different kinds of investments and expected return on investments

DB Assets

Policy

The Trustee's policy on the kinds of investments to be held and the balance between different kinds of investments can be found under the following sections of the SIP:

- Roles and Responsibilities (SIP Section 2)
- Investment Objectives (SIP Section 3)

Further granular detail can be found in the Investment Policy Implementation Document (IPID) to the SIP.

How has this policy been met over the Scheme Year?

The Trustee has decided to delegate the implementation of the desired investment strategy to Mercer, with pre-agreed funding level de-risking triggers agreed which prompt action being taken by Mercer to progressively de-risk the Scheme's investment strategy.

The Trustee considers the way in which investment risk should be reduced and have delegated the monitoring of the de-risking triggers to Mercer who review the funding level daily. During the year, the Scheme has made continued progress against its long-term objective of being 105% funded on a gilts + 0.5% p.a. basis by 2035. Mercer constructs portfolios of investments that are expected to maximise the return (net of all costs) given the targeted level of risk and the investment objectives over the lifetime of the Scheme.

Risks, including the ways in which risks are to be measured and managed

Policy

The Trustee recognises a number of risks involved in the investment of the assets of the Scheme and that the choice and allocation of investments can help to mitigate these risks. Details of these risks and how they are measured and managed can be found under Section 5 (Policy on Risk) of the SIP.

How has this policy been met over the Scheme Year?

As detailed in Section 5 of the SIP, the Trustee considers both quantitative and qualitative measures for these risks when deciding investment policies and evaluating Mercer's actions relating to the strategic asset allocation, dynamic asset allocation and choice of sub-investment managers and asset classes.

The strategy report is reviewed by the Trustee on a quarterly basis – this includes the overall funding level risk and as appropriate comments on the other risks to which the Scheme is exposed. The annual reviews of the investment strategy provides the Trustee with an opportunity to consider their long-term objectives and assess the Value at Risk ("VaR") – i.e. how much the deficit could increase by, or more, in a 1 in 20 downside event for the Scheme – which is a primary measure for assessing the mismatch between the Scheme's assets and liabilities and the Company's ability to support it.

DC & AVC Assets

The Trustee makes available a range of funds for the DC and AVC benefits which are reviewed to ensure they are suitable. Regarding the investment risks associated with the DC Section, the Trustee has considered risk from a number of perspectives. The list below is not exhaustive, but covers the main risks considered by the Trustee to be financially material.

Risk	How it is Managed	How it is Measured
Market Risk The risk that low investment returns over members' working lives or unfavourable market movements in the years just prior to retirement will secure an inadequate pension.	The Trustee provides members with a range of funds, across various asset classes. Members are able to set their own investment strategy in line with their aims and risk tolerances.	The performance of the available funds is monitored on an annual basis.
Interest Rate Risk The risk that unfavourable interest rate movements, particularly in the years just prior to retirement may lead to a reduction in the pension that the member's retirement account can secure.	The Trustee provides members with a range of funds, across various asset classes, which will have varying sensitivities to interest rate risk.	The performance of investment funds and market fundamentals, including interest rates, are monitored on an annual basis.
Inflation Risk The risk that investments do not keep pace with inflation.	The Trustee provides members with a range of funds, across various asset classes, which have varying exposure to inflation risk.	Annual performance reports consider the long-term performance of the funds to help the Trustee assess whether the returns have kept pace with inflation.
Manager Risk The risk that the chosen underlying investment manager underperforms the benchmark against which the manager is assessed.	The Trustee provides members with a range of funds, across various asset classes, which have varying levels of active management.	It is the Trustee's policy to monitor performance on an ongoing basis relative to the fund's benchmark and stated targets/objective.
Mismatch Risk The risk that the financial assets a member is invested in as they approach retirement are not suited to the way they will access their retirement benefit.	The Trustee has made a range of funds available to members including share, cash, and bond funds that can be selected by members as they approach retirement.	It is the Trustee's policy to monitor performance on an ongoing basis.
Liquidity Risk The risk that assets may not be readily marketable when required.	The pooled funds in which the Trustee allows members to invest provide the required level of liquidity. Units in the pooled funds in which the Scheme invests are believed to be readily redeemable.	When considering new investment options or reviewing existing options, the Trustee considers the pricing and dealing terms of the underlying funds.
Concentration Risk The risk that a portfolio has an over-allocation to a single asset class, sector, country, or counterparty, thereby having a high exposure to non-systemic risk factors.	The Trustee has made a range of funds available to members, so that they can choose to invest in a well-diversified portfolio. The range of funds enables diversification by asset class (e.g. equity, bonds, cash), by region and includes both passively and actively managed funds, which can help achieve diversification.	It is the Trustee's policy to monitor performance on an ongoing basis. The Trustee also periodically reviews the default investment option and self-select range.
Exchange Rate Risk The value of an investment in the member's base currency may change as a result of fluctuating foreign exchange rates.	The Trustee has made a range of funds available to members, across various asset classes, which have varying levels of exposure to foreign exchange rates.	It is the Trustee's policy to monitor performance on an ongoing basis.
Environmental, Social and Governance Risk ESG factors can have a significant effect on the performance of the investments held by the Scheme, e.g. extreme weather events, poor governance.	The Trustee's policy on ESG risks is set out in Section 11 of this Statement. The incorporation of ESG considerations is delegated to the Provider who in turn delegates to the underlying investment managers.	It is the Trustee's policy to monitor performance on an ongoing basis and ESG considerations are taken into account by the Platform provider in the selection of managers.

7. VOTING AND ENGAGEMENT DISCLOSURES

The Trustee's investments take the form of shares or units in the Mercer Funds, for the main DB assets and funds with Utmost Life and Scottish Friendly for the DC & AVC assets.

Within these funds, any voting rights that do apply with respect to the underlying investments are, ultimately, delegated to the third party investment managers appointed by Mercer, Scottish Friendly and Utmost. Mercer's view is that the managers have more detailed knowledge of both the governance and the operations of the investee companies and has therefore enables managers to vote based on their own proxy-voting execution policy, and taking account of current best practice including the UK Corporate Governance Code and the UK Stewardship Code. As such the Trustee does not use the direct services of a proxy voter, but the underlying managers are likely to.

Please note that, since the DC & AVC assets represent a very small and therefore immaterial proportion of the total assets of the Scheme the voting and engagement disclosures provided below relate to the DB assets only.

Voting: As part of the monitoring of managers' approaches to voting, Mercer assesses how managers are voting against management and seeks to obtain the rationale behind voting activities, particularly in cases where split votes may occur (where managers vote in different ways for the same proposal). Mercer portfolio managers will use these results to inform their engagements with managers on their voting activities.

DB Assets

The majority of the Scheme's underlying assets subsequently have no exercisable voting rights to report, although it is noted that a small portion of the Mercer Multi-Asset Credit Fund invests in equity linked securities.

A summary of the voting activity for the Multi-Asset Credit Fund in which the Scheme's assets are invested in is provided below for the year ending 30 April 2024. This may include information in relation to funds that the Scheme's assets were no longer invested in at the year end. The statistics are drawn from the Glass Lewis system (via the custodian of the Mercer Funds). Glass Lewis is a leading provider of governance and proxy voting services. Typically, votes exercised against management can indicate a thoughtful and active approach. This is particularly visible where votes have been exercised to escalate engagement objectives. The expectation by Mercer is for all shares to be voted.

Fund	Total Proposals		Vote Decision					For/Against Mgmt		Meetings	
	Eligible Proposals	Proposals Voted On	For	Against	Abstain	No Action	Other	For	Against	No.	Against
Mercer Multi-Asset Credit Fund (1)	15	15	100%	0%	0%	0%	0%	100 %	0%	5	0%

(1) Voting Activity figures for the Mercer Multi-Asset Credit fund relate to a small number of equity holdings within the fund's underlying segregated mandates. Please note this does not include voting activity from any underlying pooled strategies within the fund over the period.

– "Eligible Proposals" reflect all proposals of which managers were eligible to vote on over the period.

– "Proposals Voted On" reflect the proposals managers have voted on over the period (including votes For and Against, and any frequency votes encompassed in the "Other" category)"

– Vote Decision may not sum to 100 due to rounding. "No Action" reflects instances where managers have not actioned a vote. MGIE may follow up with managers to understand the reasoning behind these decisions, and to assess the systems managers have in place to ensure voting rights are being used meaningfully.

– "Other" refers to proposals in which the decision is frequency related (e.g. 1 year or 3-year votes regarding the frequency of future say-on-pay).

– "Meetings No." refers to the number of meetings the managers were eligible to vote at.

– "Meetings Against" refers to the no. of meetings where the managers voted at least once against management, reported as a % of the total eligible meetings.

Significant Votes: The Trustee has based the definition of significant votes in line with the requirements of the Shareholder Rights Directive (SRD) II and on Mercer's Global Engagement Priority themes. There are no significant proposals reported relating to the Pooled Funds that the Scheme is invested in.

THE CHAIR'S STATEMENT REGARDING DC GOVERNANCE: 1 MAY 2023 – 30 APRIL 2024

This statement is produced pursuant to Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996, as amended by subsequent legislation. It explains how the DS Smith Group Pension Scheme ("the Scheme") is meeting the governance standards that apply to occupational pension schemes that provide money purchase benefits (also known as Defined Contribution schemes or "DC").

The Scheme has DC benefits that arose from members of the Scheme who were former members of the John Dickinson Stationery Limited Pension Scheme who benefitted from a distribution of surplus in the John Dickinson Stationery Limited Pension Scheme in 1992. Each of these members had a money purchase account set up for them within that Scheme, which was credited with a balance.

The assets and liabilities of the John Dickinson Stationery Limited Pension Scheme transferred to the DS Smith Group Pension Scheme in 1997.

Some members of the Scheme also hold DC benefits from prior transfers in (which are invested in traditional AVC accounts) that provide a Guaranteed Minimum Pension (GMP) benefit at retirement. Upon retirement in the Scheme the member would receive the greater of their fund value and the GMP benefit. The Trustee is aware that the Scheme administrator, Gallagher, has a process for checking member records for the presence of the GMP underpin when undertaking retirement and transfer cases.

The Scheme also holds traditional Additional Voluntary Contributions (AVCs) which are covered in this statement.

The Trustee has been considering the long-term viability and options available for both the DC benefits and AVCs within the Scheme.

The DC benefits within the Scheme for Special Benefit Accounts are in respect of 49 members invested in a policy with Utmost Life and Pensions ("Utmost") valued at around £134,000. The Scheme also holds AVC policies with Utmost (valued at around £0.4m) and Scottish Friendly (valued at around £2.5m). The Scottish Friendly arrangement is administered by Aegon and investments are on a platform provided by Mobius Life.

A copy of this Chair's Statement and the latest Statement of Investment Principles are available online, see:

https://www.dssmith.com/company/our-leadership/ds-smith-group-pension-trustees

We have also notified members of this as part of issuing their annual benefit statements.

Default arrangement

Following the discovery of the presence of DC benefits in the Scheme, the Trustee updated its Statement of Investment Principles. The amended Statement of Investment Principles dated September 2023, which includes a statement of principles in relation to the Plan's default investment arrangement, is attached to this statement. This covers our aims and objectives in relation to the default investment arrangement as well as our policies in relation to matters such as risk and diversification.

Members of the Scheme who do not make an explicit choice regarding the investment of their funds are invested in the default strategy arrangement. The current default arrangement is the Utmost Life Money Market Fund. This was established as a technical default arrangement following a transfer from Equitable Life when the Trustee understood these savings to be AVCs. However, the Trustee received appropriate regulated advice in late 2019 on the suitability of this fund for members that were to be invested in it when the transfer of assets from Equitable Life to Utmost occurred in January 2020 so this may be deemed the date of the last investment strategy review. It should be noted that the Trustee is currently undertaking a review of the investment performance of the Scheme's DC and AVC investment options, which will be considered at the Trustee meeting on 20 September 2024. Pending the outcome of this the Trustee will give further consideration to the future of both the DC benefits and AVCs within the Scheme.

The current default has been compliant with the 0.75% per annum charge cap over the year to 30 April 2024.

THE CHAIR'S STATEMENT REGARDING DC GOVERNANCE: 1 MAY 2023 – 30 APRIL 2024 (CONTINUED)

Processing Scheme transactions

The Trustee has a specific duty to ensure that core financial transactions relating to the DC and AVC benefits are processed promptly and accurately.

Due to the Scheme being closed, transactional activity is limited to retirements, transfer, deaths and investment switches. In the vast majority of cases members would contact the Scheme's Administrator, Gallagher, in the first instance in relation to these activities, who in turn co-ordinate with Utmost and/or Scottish Friendly as required.

The Trustee monitors the administration activity undertaken by Gallagher and their performance against service level agreements quarterly. However, this is not specific to DC and AVC activity.

During the year, 19 DC members took their retirement benefits from the Scheme totalling around £152,073 of investments. Two members of the Utmost AVC arrangement retired during the year and one passed away. Total assets for these three transactions was around £6,507.

Utmost does provide some detail of how it has performed against its own service level agreements ("SLA"), but only across all of its clients. It does not provide client specific data on performance against SLA. For the calendar year 2023 it quoted:

- 95% of payments were made within 5 days
- 95% of illustrations were completed within 10 days
- 90% of general servicing was completed within 10 days

The Trustee has not received any information on how Scottish Friendly has performed against its Service Level Agreements during the Scheme Year.

The Trustee can also report that:

- Gallagher has been operating procedures, checks and controls within its SLAs; and
- There has been no material administrative errors relating to the processing of core financial transactions.

Charges and transaction costs

The law requires the Trustee to disclose the charges and transactions costs borne by DC scheme members and to assess the extent to which those charges and transaction costs represent good value for members. Transaction costs relate to the buying, selling, borrowing or lending of the underlying securities in the funds used. We have taken account of the statutory guidance when preparing this section of the report.

Please note that this data covers the 12-month period to 31 March 2024 due to the timing and nature of data that is received from Utmost and Scottish Friendly, whilst this statement covers the 12-month period to 30 April 2024. Whilst Utmost have provided annual management charges and transaction costs, they have not disclosed details of their total expenses.

THE CHAIR'S STATEMENT REGARDING DC GOVERNANCE: 1 MAY 2023 – 30 APRIL 2024 (CONTINUED)

Scheme Default arrangement

Note that the Scheme's default arrangement complied with the 0.75% annual charge cap over the year to 30 April 2024. Charges within the default arrangement are consistent regardless of age.

Fund	Annual Management Charge (%p.a.)	Transaction Cost (% over the year)
Money Market	0.50	0.0205

Source: Utmost, details provided to 31 March 2024

Utmost – AVCs and potential Self-Select options for members with Special Benefit Accounts

Fund	Annual Management Charge (%p.a.)	Transaction Cost (% over the year)
Multi-Asset Growth	0.75	0.1727
Multi-Asset Moderate	0.75	0.2082
Sterling Corporate Bond	0.75	0.3297
US Equity	0.75	0.0771
Global Equity	0.75	0.0770
UK Government Bond	0.50	0.1993
Multi-Asset Cautious	0.75	0.2404

Source: Utmost, details provided to 31 March 2024

Scottish Friendly – AVCs

The table below states the annual management charges incurred on funds offered through Scottish Friendly. The Trustee had requested details of transaction costs incurred in the year to 30 April 2024. However, at the time of writing Scottish Friendly has not provided this data.

Fund	Annual Management Charge (%p.a.)
ML DB Passive World Equity Fund	0.80
ML Passive All Stock Fixed Interest Gilt Fund	0.80
ML Passive Continental European Equity Fund	0.80
ML Passive Global Ex-UK Equity Fund	0.80
ML Passive Over Five-year Index-linked Gilt Fund	0.80
ML Passive Japan Equity Fund	0.80
ML Passive Pacific Basin Ex-Japan Equity Fund	0.80
ML Passive UK Equity Fund	0.80
ML Passive US Equity Fund	0.80
ML Select World Equity Fund	1.10
ML Sterling Liquidity Fund	0.80
ML All Stock UK Corporate Bond Fund	0.90

Source: Mobius Life, details provided to 30 April 2024.

With-Profits - AVCs

Some members hold investments in the Clerical Medical With-Profits Fund through the Utmost AVC arrangement. A standard charge of 1% per annum is applied by Clerical Medical when determining the bonus rate to apply to investments held.

THE CHAIR'S STATEMENT REGARDING DC GOVERNANCE: 1 MAY 2023 – 30 APRIL 2024 (CONTINUED)

Investment returns

This section states the annual return, after the deduction of member borne charges and transaction costs, for all default arrangements and investment options that members are able, or were previously able, to select and in which members' assets were invested during the scheme year.

When preparing this section of the statement the Trustee has taken account of the relevant statutory guidance and guidance issued by the Pensions Regulator. As the investment strategy of the default arrangement is to only invest in the Utmost Life Money Market Fund, investment returns do not vary with a member's age. Returns experienced by any member of the default arrangement would be in line with the information provided below for the Utmost Life Money Market Fund.

Utmost

The investment performance of all funds available through Utmost are included in the table below. This includes the default arrangement, which is the Money Market Fund. As this single fund is held in the default regardless of the member's age, the performance of this fund has applied to members of all ages. Some of the funds used by members were only launched on 1 January 2020, and as such do not have investment performance over a 5-year period.

Fund	1 year net performance to 19 August 2024 (%p.a.)	3-year annualised net performance to 19 August 2024 (%p.a.)	5-year annualised net performance to 19 August 2024 (%p.a.)
Multi-Asset Growth	19.4	4.5	n/a
Multi-Asset Moderate	17.1	2.6	n/a
Sterling Corporate Bond	12.4	-3.9	n/a
US Equity	26.1	11.3	13.5
Global Equity	24.2	10.2	11.8
UK Government Bond	10.1	-8.6	-4.8
Money Market	5.0	2.7	1.6
Multi-Asset Cautious	12.5	-1.1	n/a

The fund shown in **bold** is the Scheme's default arrangement.
Performance data is to 19 August 2024 as this was the only data available through the fund factsheets and the time of producing this statement.
Source: Utmost

THE CHAIR'S STATEMENT REGARDING DC GOVERNANCE: 1 MAY 2023 – 30 APRIL 2024 (CONTINUED)

Scottish Friendly

At the time of writing, the Trustee was only able to source performance data that is gross of the Scheme's annual management charge, but net of other expenses incurred within the fund over the period to 30 June 2024. These were obtained from factsheets through a website maintained by Aegon in relation to the investment options available. The Trustee will continue to work with the provider to obtain the required net performance data.

Fund	1 year performance to 30 June 2024 (%)	5-year performance to 30 June 2024 (%p.a.)
ML DB Passive World Equity Fund	18.3	10.9
ML Passive All Stock Fixed Interest Gilt Fund	5.6	-0.4
ML Passive Continental European Equity Fund	7.5	7.8
ML Passive Global Ex-UK Equity Fund	14.3	8.9
ML Passive Over Five-year Index-linked Gilt Fund	-7.8	-7.9
ML Passive Japan Equity Fund	18.0	6.5
ML Passive Pacific Basin Ex-Japan Equity Fund	3.5	3.5
ML Passive UK Equity Fund	8.7	4.7
ML Passive US Equity Fund	22.1	12.9
ML Select World Equity Fund	17.3	10.4
ML Sterling Liquidity Fund	4.4	0.9
ML All Stock UK Corporate Bond Fund	5.6	-0.4

Source: Mobius Life

With-Profits

The investment performance for the Clerical Medical With-Profits Fund is shown in the table below. No benchmarking data was provided.

Fund	1 year performance to 31 December 2023 (%)	5 year performance to 31 December 2023 (%p.a.)
Clerical Medical With-Profits Fund – return on underlying assets	8.0	4.0

Source: Clerical Medical provided to 31 December 2023

As noted above, the returns shown are on the underlying assets held in the with-profits fund. A feature of with-profits funds is that the returns are 'smoothed' over time. As such, member's do not directly receive these returns. Clerical Medical does also provide details of the annualised bonus rate applied to member's accounts – this was 2.4% for investments held to 1 February 2024.

Default Asset Allocation

The table below shows the asset allocation of the Money Market Fund – the Scheme's default investment arrangement.

Asset Class	Percentage allocation in Money Market Fund*
Cash	100.0
Bonds	0.0
Listed Equities	0.0
Private Equity	0.0
Infrastructure	0.0
Property/Real Estate	0.0
Private Debt/Credit	0.0
Other	0.0
Total	100.0

THE CHAIR'S STATEMENT REGARDING DC GOVERNANCE: 1 MAY 2023 – 30 APRIL 2024 (CONTINUED)

The following describes the types of investments covered by the above asset classes:

Cash – Cash and assets that behave similarly to cash e.g. treasury bills. It only includes invested cash and not the cash balance held by the Scheme.
Bonds – Loans made to the bond issuer, usually a government or a company, to be repaid at a later date.
Listed Equity – Shares in companies that are listed on global stock exchanges. Owning shares makes the Scheme a part owner of the company, entitled to a share of the profits (if any) payable as dividends.
Private Equity – Unlisted equities that are not publicly traded on stock exchanges. Encompasses a broad range of investment styles, including

- Venture Capital – Small, early stage businesses that may have high growth potential, albeit at significant risk.
- Growth Equity – Relatively mature companies that are going through a transformational event with potential for growth.

Buyout funds – Invested in more mature businesses, often taking a controlling interest. Leveraged buyout funds take out loans to raise the funds required to invest.
Infrastructure - Physical structures, facilities, systems, or networks that provide or support public services including water, gas and electricity networks, roads, telecommunications facilities, schools, hospitals, and prisons.
Property – Real estate, potentially including offices, retail buildings which are rented out to businesses.
Private Debt – Other forms of loan that do not fall within the definition of a 'Bond'.
Other – Any assets that do not fall within the above categories.

The fund invests 100% in the JPM GBP Liquidity Fund. Whilst some holdings in this fund invest in the Money Market and treasurer bills with a maturity of up to 12 months, we have deemed these to be assets that behave similarly to cash.

Cumulative effect of costs and charges

We have taken account of statutory guidance when preparing this section of the report. The compounding effect of charges on a member's fund can be illustrated as follows:

Illustrations for youngest member				
	Utmost Money Market Fund ***(Lowest charge fund and the Scheme's default arrangement)***		**ML Select World Equity Fund** ***(Most expensive fund)***	
Years from now	**Before Charges**	**After Charges and costs deducted**	**Before Charges**	**After Charges and costs deducted**
1	£2,630	£2,610	£2,790	£2,750
2	£2,650	£2,630	£2,990	£2,910
3	£2,680	£2,640	£3,210	£3,080
5	£2,740	£2,660	£3,690	£3,450
10	£2,880	£2,730	£5,240	£4,580
15	£3,030	£2,800	£7,440	£6,080
20	£3,190	£2,870	£10,560	£8,060
21	£3,220	£2,880	£11,320	£8,530

To ensure that these calculations are representative of the membership, the Trustee has made some assumptions in producing these illustrations:

1. Values shown are estimated projections and are not guarantees or predictions.
2. The illustration allows for a money purchase benefit at age 44 and continues for a period of 21 years until age 65 (normal retirement age).
3. The starting pot size is assumed to be £2,600, which is the average pot size for Special Benefit Account members.
4. No further contributions are being paid.
5. Inflation is assumed to be 2.5% each year.
6. The projected growth rates before charges and costs is 1.0% per annum for the Money Market Fund and 7.0% per annum for the ML Select World Equity Fund.

THE CHAIR'S STATEMENT REGARDING DC GOVERNANCE: 1 MAY 2023 – 30 APRIL 2024 (CONTINUED)

7. The charges applied are 0.5% per annum for the Money Market Fund (plus 0.02% average transaction costs in relation to the year to 31 March 2024) and 1.1% plus 0.02% transaction costs over the year to 31 March 2023 for the ML Select World Equity Funds (data to 31 March 2024 was not available). Transaction costs over the year have been used (rather than averaged) due to limited past data being available.

Value for members

A value for members assessment was undertaken as at August 2024, which focussed on the level of charges and performance of the investment options offered to members. It also considered the other aspects of DC provision that provide value to members where the costs of these are not met by members. As the costs of these benefits are not member-borne, they do not (currently) form part of the statutory value for members assessment. Nevertheless, these services add further value to members' experience of the Scheme

Fund charges were benchmarked against wide-ranging Mercer survey of total expense ratios for underlying funds held on the majority of the universe of DC investment platforms in the market. The majority of funds are in the upper quartile of range of costs in the database. The charges incurred typically offer poor value due to the level of charges being high compared to the database. The Trustee however acknowledges that members are currently invested in traditional AVC policies which tend to have higher charges than more modern DC platforms and funds.

Performance was good overall. Most funds have performed either in line with, or above their comparators over three and five years. The Money Market Fund that contains the vast majority of assets performed broadly in line with its objective. As a result, the assessment concluded that overall the Scheme was offering reasonable value for members in relation to investment.

In addition, the Scheme's sponsor bears the cost of the Scheme's governance, administration and member communication programmes. Members with DC benefits also have a final salary pension benefit provided within the Scheme and/or have a Guaranteed Minimum Pension underpin attached to their defined contribution savings (with the exception of one member who has transferred their final salary benefit but retains their DC assets in the Scheme). Members are able to utilise their DC and AVC assets to provide tax free cash on retirement before commuting their defined benefit pension. These elements provide further value to members and in particular the underpin gives members the security of a minimum value of benefit that would be provided through the Scheme.

The Scheme is not a "specified scheme" for the purpose of Regulation 25(1A) of the Occupational Pension Schemes (Scheme Adminstration) Regulation 1998. This is because it has total assets in excess of £100m. The Regulations impose a requirement that "specified schemes" compare various aspects of their DC benefits against at least 3 comparator schemes. Because the Scheme is not a "specified scheme", this exercise has not been carried out.

Trustee's knowledge and understanding

Sections 247 and 248 of the Pensions Act 2004 sets out the requirement for Trustee to have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational pension schemes, investment of Scheme assets and other matters to enable them to exercise their functions as Trustee properly. This requirement is underpinned by guidance in the Pension Regulator's Codes of Practice 07 and 13.

The Trustee is currently putting in place arrangements for ensuring that its Directors take personal responsibility for keeping themselves up-to-date with relevant developments and carry out a review of training needs to help identify any knowledge gaps in respect of the provision of DC benefits.

The Trustee includes legislative updates, specific training by external advisers and trustee knowledge and understanding on the agenda when applicable.

All of the Trustee Directors have completed the Pension Regulator's Trustee Toolkit and new Trustee Directors are required to complete this in its entirety within six months of taking up office. All the Trustee Directors have familiarised

THE CHAIR'S STATEMENT REGARDING DC GOVERNANCE: 1 MAY 2023 – 30 APRIL 2024 (CONTINUED)

themselves with the Scheme's governing documents, in particular, the Scheme's Trust Deed and Rules and Statement of Investment Principles and accompanying Implementation Statement.

The Scheme maintains a training log in line with best practice and reviews its training programme annually to ensure it is up to date. In addition, a questionnaire is used to carry out an annual evaluation of the knowledge and understanding of the directors of the Trustee, and to identify training needs.

Taking into account knowledge and experience of the Directors of the Trustee with the specialist advice (both in writing and whilst attending meetings) from the appointed professional advisers, the directors of the Trustee believe they are well placed to exercise their function as directors of the Trustee properly and effectively.

This statement has been prepared in accordance with Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996, as amended by the Occupational Pension Schemes (Charges and Governance) 2015 and subsequent legislation ('the Regulations') and I confirm that the above statement has been produced by the Trustee to the best of its knowledge.

Signature
Chair of the Board of DS Smith Pension Trustees Limited

Date: 21/11/24

DS Smith Group Pension Scheme

Statement of Investment Principles – September 2023

1. Introduction

This Statement has been prepared by DS Smith Pension Trustees Limited as the Trustee of the DS Smith Group Pension Scheme (the 'Scheme'). It sets out the principles that govern the decisions about the investment of the Scheme's assets. The Trustee will refer to this Statement when making investment decisions to ensure that they are consistent with these principles.

The Scheme is primarily a Defined Benefit ("DB") arrangement although it also contains a Defined Contribution ("DC") arrangement and Additional Voluntary Contributions ("AVC"). The majority of this Statement is relevant to the DB element of the Scheme, unless specified otherwise.

The Scheme's investment arrangements, based on the principles set out in this Statement, are detailed in the Investment Policy Implementation Document ("IPID") which is available on request. The IPID will be reviewed promptly in response to any changes to the manager structure or strategy.

In preparing this Statement, the Trustee has obtained written advice from the Scheme's Fiduciary Manager (acting as both Investment Consultant and Investment Manager). Where matters described in this Statement may affect the Scheme's funding policy, input has also been obtained from the Scheme Actuary.

The Trustee's investment powers are set out within the Scheme's governing documents and relevant legislation.

The Trustee seeks to maintain a good working relationship with the Principal Employer, DS Smith Plc (the 'Group') and will discuss any proposed changes to this Statement with the Group. However, the Trustee's fiduciary obligations to the Scheme members will take precedence over the Group's wishes should these ever conflict.

The Trustee believes that the investment policies and their implementation are in keeping with the Pensions Act 1995 and subsequent legislation.

The Trustee does not expect to revise this Statement frequently because it covers broad principles. However, it will be reviewed at least once every three years and without delay after any relevant, material changes to the Scheme or to pension legislation.

2. Roles and Responsibilities

The Trustee has established an Investment and Funding Committee (the "IFC") to focus on strategic investment and funding matters. It aims to achieve an effective, integrated investment and funding strategy for the Scheme. The IFC's remit is defined by the IFC Terms of Reference ("ToR") which has been agreed by the Trustee.

The Trustee is accountable for the investment of the Scheme's assets. This includes setting investment objectives, establishing risk and return targets and setting the Scheme's strategic benchmark. However, the Trustee may delegate some aspects of the Scheme's investment arrangements to the IFC and Fiduciary Manager in order to manage the Scheme's affairs effectively. The ToR sets out the tasks which can be delegated to the IFC.

The Trustee has also established an Investment Sub Committee (the "ISC") to focus solely on investment matters and to report to the IFC a summary of what has been discussed over the quarter. In addition, the Trustee has appointed Mercer Limited to provide fiduciary management services for the Scheme's DB assets. This involves investment consulting and investment management services. Mercer is responsible for the day to day investment management, except for the Scheme's DC and AVC assets. The Trustee has appointed an external investment consultant, Barnet Waddingham, to provide ongoing oversight and advice around Mercer's role as Fiduciary Manager.

In considering appropriate investments for the Scheme, the Trustee has obtained and considered the written advice of Mercer, whom the Trustee believes to be suitably qualified to provide such advice. The advice received and arrangements implemented are, in the Trustee's opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).

The Scheme's assets are invested in collective investment schemes ("Mercer Funds"), with the exception of the DC and AVC assets. The Mercer Funds are domiciled in Ireland (for traditional asset classes) and in Luxembourg (for private markets assets). The majority of the assets are invested in Mercer Investment Fund 3 CCF ("MIF3") which has been specifically set-up to create a bespoke portfolio of investments for the Scheme.

The Ireland-domiciled collective investment schemes are managed by a management company (Mercer Global Investments Management Limited ("MGIM")) and the Luxembourg-domiciled funds are managed by Mercer Alternatives (Luxembourg) S.à r.l. and, respectively, these entities have appointed Mercer Global Investments Europe Limited ("MGIE") and Mercer Alternatives AG ("Mercer AG") as investment managers of the Mercer Funds. In practice, MGIE and Mercer AG delegates the discretionary investment management for the Mercer Funds to third party investment managers. Mercer has expertise in identifying, selecting and combining highly rated investment managers who are best placed and resourced to manage the Scheme's assets on a day to day basis.

The Trustee sets the strategic investment strategy (i.e. split between Equity, Opportunistic Income Focused, Liquid Credit and Liability Driven Investment portfolios) based on the level of investment risk and return it wishes to target. It has then delegated the implementation of this investment strategy to Mercer, in line with agreed guidelines and parameters. The implementation of the investment strategy takes place within the Mercer Investment Fund 3 CCF where possible, with some less liquid investments held as standalone investments in other Mercer Funds.

The investment managers are responsible for the day-to-day management of the Scheme's assets in accordance with the guidelines agreed with the Mercer Fund. The investment managers have been given the discretion to buy, sell or retain individual securities in accordance with these guidelines. The investment managers report to Mercer regularly regarding performance. Mercer then provides monitoring on the Mercer Funds and the Scheme's assets in aggregate to the Trustee.

The Custodian and Administrator of the Mercer Funds is appointed by the Mercer Funds and is responsible for the safekeeping of the Scheme's assets and for performing the associated administrative duties with segregated assets (e.g. trade settlement, dividend collection, corporate actions, tax reclamation and proxy voting). The Mercer Funds receive regular statements of assets from the Custodian and Mercer uses this for the reporting it provides to the Trustee and IFC/ISC. Where the Mercer Funds invest in other pooled funds they will have their own custodian and administrator. The Scheme does not have its own Custodian.

The Scheme Actuary performs a valuation of the Scheme at least every three years, in accordance with regulatory requirements. The main purpose of the actuarial valuation is to assess the extent to which the Scheme's assets cover the accrued liabilities and agree an appropriate funding strategy for the Scheme. In addition, the Scheme Actuary provides quarterly funding updates monitoring the funding level.

The Trustee has agreed with the Group a secondary funding target, the Long-Term Funding Target ("LTFT"). This valuation basis is broadly consistent with the lower-risk, predominantly bond-based investment strategy that is envisaged will ultimately be in place when the Scheme has substantially de-risked. The LTFT funding level is monitored on a daily basis by Mercer, who also provide regular updates to the Trustee.

Mercer's fee (as Fiduciary Manager) is agreed in advance and based on a percentage of the value of the assets under management, the fees are deducted automatically from the Scheme's assets via the Mercer Funds. The investment managers also levy fees based on a percentage of the value of the assets under management which are deducted via the Mercer Funds. Custodian fees are a combination of percentage of assets plus transaction related charges and they are also automatically deducted from the assets within the Mercer Funds.

The Scheme's DC assets are invested in pooled funds on the Utmost Life platform. The investment managers are responsible for the day-to-day management of the Scheme's assets in accordance with the guidelines of the pooled funds.

3. Investment Objectives

The following criteria have been applied in determining the investment strategy. The security of the accrued rights of members of the Scheme on both a continuing and termination basis is important. No strategy will be employed without first investigating its expected impact on the security of accrued pension benefits for Scheme members.

The investment strategy undertaken or principles applied should have regard to the following objectives:

- The need to protect the security of members' accrued rights
- The desire to control the costs of benefits by preserving the Scheme's wealth.

- A desire to limit volatility in the contribution rate as a result of any failure of the investment strategy.
- Notwithstanding the above, a preparedness to take on risk in a controlled fashion in order to achieve incremental excess return, coupled with the desire to provide, if considered appropriate and prudent to do so at the time, pension increases above the guaranteed rates, if annual inflation exceeds some or all of those guaranteed rates.

Now that the Scheme is closed, in order to meet these objectives, the Trustee has established a long-term de-risking framework which aims to be fully funded on the Long-Term Funding Target basis by 2035. The Trustee significantly reduced funding level risk in 2016 and continues to look for opportunities to reduce risk whilst maintaining the overall level of expected return and generating this in a more efficient and diversified manner. In 2020, the Scheme's investment strategy was restructured to align with the increasingly cashflow negative position of the Scheme. The Scheme has invested in a number of mandates that are expected to provide income to support benefit payments, whilst retaining a high degree of hedging against interest rates and inflation risk.

The Scheme has a dynamic trigger based de-risking framework which is used to guide when to reduce risk. The framework is used to monitor the progress in the funding level and to capture improvements in the funding level promptly, if they arise. Responsibility for monitoring the Scheme's asset allocation and undertaking any de-risking activity is delegated to Mercer. Further details on the framework is set out in the IPID.

The following criteria have been applied in determining the investment strategy for the DC assets. The Trustee's primary objective is to act in the best interest of its members and ensure that the members have a suitable range of funds available for investment. The investment profile of the funds available should be consistent with the needs of the members and are reviewed on a regular basis.

The Trustee also recognises that members may not believe themselves qualified to make investment decisions. As such, the Trustee makes available a default option, the "Utmost Life Money Market Fund". The Utmost Life Money Market Fund places the emphasis on preserving capital whilst aiming to provide a return in line with prevailing short term money market rates.

4. Risk and Return Targets

The Trustee understands that taking some investment risk, with the support of the Group, is necessary to improve the Scheme's Technical Provisions and LTFT funding positions. The Trustee recognises that equities and other growth assets (such as hedge funds, investment and sub-investment grade credit and asset-backed securities) will bring increased volatility of the funding level, but believes this risk is justified in the expectation of improvements in the Scheme's funding level through outperformance of the liabilities over the long term.

The primary investment objective is to achieve a long-term return above the change in the value of the Scheme's liabilities, while maintaining a prudent approach to meeting the Scheme's liabilities. Before deciding to take investment risk relative to the liabilities, the Trustee receives advice from the Fiduciary Manager and Scheme Actuary. In particular, the Trustee considers carefully the following possible issues:

- Over the short-term, the inclusion of investment risk will mean that the relative value of the assets and liabilities will be more volatile than if investment risk had not been taken. This will increase the likelihood of there being a shortfall of assets relative to the liabilities in the event of a discontinuance of the Scheme. This consequence is particularly serious if it coincides with the Group being unable to make good the shortfall.
- The increased volatility in the relative value of assets and liabilities from taking investment risk may also increase the short-term volatility of the Group's contribution rate.

The ability of the Scheme to take investment risk is dependent on the continuing financial strength of the Group and its willingness to contribute appropriately to the Scheme. Having regard to the above issues, the Trustee adopts investment arrangements that it believes offer an acceptable trade-off between risk and return.

The aim of the long-term de-risking framework is to identify opportunities to de-risk the Scheme's investment strategy, reducing the reliance upon the employer covenant over time, with the goal of reaching a fully funded position on the Long-Term Funding Target basis by the target date of 30 April 2035.

5. Policy on Risk

The Trustee acknowledges the largest source of risk over the lifetime of the Scheme is the decision not to match assets and liabilities. The Trustee regularly reviews the level of liability hedging and the level of strategic risk against the liabilities. The Trustee aims to match 100% of the interest rate and inflation risk associated with the Scheme's assets.

To control risk, the Trustee sets the split between the Scheme's investments such that the expected return on the portfolio is sufficient to meet the objectives outlined in Section 3 of this Statement. As the funding level improves, investments will be switched towards less risky assets, whilst maintaining or increasing the significant degree of liability hedging.

- The Trustee recognises that even if the Scheme's assets are invested in matching assets there are practical constraints associated with achieving an exact match of the Scheme's assets and the Scheme's liabilities. The Trustee attempts to manage this risk where possible. For example, in 2019 the Trustee implemented a trigger-based framework to purchase CPI-linked liability hedging assets in order to provide a more accurate hedge of the liabilities.
- The Trustee has chosen to employ active management in some areas. Active management gives rise to *active risk*, which arises due to the potential for selecting an active manager that underperforms its benchmark net of management and transaction fees. Though the use of active management increases risk, the Trustee believes this is outweighed by the potential gains from successful asset management. To help diversify manager-specific risk, the Trustee has delegated responsibility for the selection, appointment, removal and monitoring of the Scheme's investment managers to Mercer via the Mercer Funds.

- The delegation of manager selection and sub-asset class selection allows the Trustee to focus on the strategic matters such as allocation between the broad asset classes which has most impact on risk levels.

- To help the Trustee ensure the continuing suitability of the current investments, Mercer and Barnet Waddingham provides the Trustee with regular reports regarding the performance of the underlying asset managers appointed within the relevant Mercer Funds.

- Across all of the Scheme's investments, the Trustee is aware of the potential for regulatory and political risks. *Regulatory risk* arises from investing in a market environment where the regulatory regime may change. This may be compounded by *political risk* in those environments subject to unstable regimes. Investments within the Mercer Funds may be made in securities that are not traded on regulated markets. Recognising the risks (in particular liquidity and counterparty exposure) such investments will normally only be made within diversified portfolios and with specialist managers. In any event, the Mercer Funds are regulated vehicles and the Trustee, with Mercer's advice, seeks to ensure that the assets of the Scheme are predominantly invested on regulated markets.

- The Trustee is also aware of concentration risk which arises, for example, when a high proportion of the Scheme's assets are invested in securities, whether debt or equity, of the same or related issuers. With the exception of the Scheme's Liability Driven Investment Portfolio, the overall investment arrangements are intended to provide an appropriate spread of assets by type and spread of individual securities within each asset class.

- The Trustee recognises the risks inherent in holding illiquid assets. The Trustee has carefully considered the Scheme's liquidity requirements and time horizon when setting the investment strategy and liquidity risk is managed by ensuring illiquid asset classes represent an appropriate proportion of the overall investment strategy.

- The Trustee further recognises longevity risk. This refers to the risk that an individual will live longer than their life expectancy according to the actuarial assumptions used within the triennial valuation. In that situation, the liabilities of the Scheme will be higher than estimated as pensions will be paid for longer than assumed. The Trustee keeps this risk under review.

- The Trustee recognise that environmental, social and corporate governance concerns including climate change can have a financially material impact on risk and return. Section 11 sets out how these risks are managed.

The Trustee acknowledges that it is not possible to monitor all of the risks listed above at all times. However, the Trustee seeks to take on those risks which it expects to be rewarded for over time, in the form of excess returns, in a diversified manner.

The Trustee has considered risk from a number of perspectives in relation to the DC Section, including the default. The list below is not exhaustive, but covers the main risks considered by the Trustee to be financially material.

Risk	How it is Managed	How it is measured
Market Risk **The risk that low investment returns over members' working lives or unfavourable market movements in the years just prior to retirement will secure an inadequate pension.**	The Trustee provides members with a range of funds, across various asset classes. Members are able to set their own investment strategy in line with their aims and risk tolerances.	The performance of the available funds is monitored on an annual basis.
Interest Rate Risk **The risk that unfavourable interest rate movements, particularly in the years just prior to retirement may lead to a reduction in the pension that the member's retirement account can secure.**	The Trustee provides members with a range of funds, across various asset classes, which will have varying sensitivities to interest rate risk.	The performance of investment funds and market fundamentals, including interest rates, are monitored on an annual basis.
Inflation Risk **The risk that investments do not keep pace with inflation.**	The Trustee provides members with a range of funds, across various asset classes, which have varying exposure to inflation risk.	Annual performance reports consider the long term performance of the funds to help the Trustee assess whether the returns have kept pace with inflation.
Manager Risk **The risk that the chosen underlying investment manager underperforms the benchmark against which the manager is assessed.**	The Trustee provides members with a range of funds, across various asset classes, which have varying levels of active management.	It is the Trustee's policy to monitor performance on an ongoing basis relative to the fund's benchmark and stated targets/objective.
Mismatch Risk **The risk that the financial assets a member is invested in as they approach retirement are not suited to the way they will access their retirement benefit.**	The Trustee has made a range of funds available to members including share, cash, and bond funds that can be selected by members as they approach retirement.	It is the Trustee's policy to monitor performance on an ongoing basis.
Liquidity Risk	The pooled funds in which the Trustee allows members to	When considering new investment options or

Risk	How it is Managed	How it is measured
The risk that assets may not be readily marketable when required.	invest provide the required level of liquidity. Units in the pooled funds in which the Scheme invests are believed to be readily redeemable.	reviewing existing options, the Trustee considers the pricing and dealing terms of the underlying funds.
Concentration Risk **The risk that a portfolio has an over-allocation to a single asset class, sector, country, or counterparty, thereby having a high exposure to non-systemic risk factors.**	The Trustee has made a range of funds available to members, so that they can choose to invest in a well-diversified portfolio. The range of funds enables diversification by asset class (e.g. equity, bonds, cash), by region and includes both passively and actively managed funds, which can help achieve diversification.	It is the Trustee's policy to monitor performance on an ongoing basis. The Trustee also periodically reviews the default investment option and self-select range.
Exchange Rate Risk **The value of an investment in the member's base currency may change as a result of fluctuating foreign exchange rates.**	The Trustee has made a range of funds available to members, across various asset classes, which have varying levels of exposure to foreign exchange rates.	It is the Trustee's policy to monitor performance on an ongoing basis.
Environmental, Social and Governance Risk **ESG factors can have a significant effect on the performance of the investments held by the Scheme, e.g. extreme weather events, poor governance.**	The Trustee's policy on ESG risks is set out in Section 11 of this Statement. The incorporation of ESG considerations is delegated to the Provider who in turn delegates to the underlying investment managers.	It is the Trustee's policy to monitor performance on an ongoing basis and ESG considerations are taken into account by the Platform provider in the selection of managers.

6. Realisation of Investments

The Trustee on behalf of the Scheme hold shares in the Mercer Funds. The investment managers to the Mercer Funds, (including the underlying third party asset managers appointed by MGIE and Mercer AG), within parameters stipulated in the relevant appointment documentation, have discretion in the timing of the realisation of investments and in considerations relating to the liquidity of those investments.

In regard the DC assets, the Scheme's investment managers have discretion in the timing of realisations of investments and in considerations relating to the liquidity of those investments.

7 Cashflow Management and Rebalancing

Mercer is responsible for raising cash flows to meet the Scheme's requirements according to an agreed process in place between the Trustee and Mercer and within the guidelines for the Mercer Funds.

8. Strategic Benchmark/Objective

The Trustee has established a strategic objective and investment benchmark for the Scheme, along with the long-term de-risking framework. Full details of the Scheme's current objective, benchmark and the long-term de-risking framework are set out in the IPID.

9. Investment Managers

The Trustee has appointed Mercer to act as discretionary investment manager. The Trustee has taken steps to satisfy itself that Mercer has the appropriate knowledge and ensures that it is fit to manage the Scheme's investments. The Trustee regularly reviews with the assistance of Barnet Waddingham the continuing suitability of Mercer, including Mercer's ability to select, appoint, remove and monitor the appointed managers. The MGIE funds are regulated by the Central Bank of Ireland, the FCA has approved the use of the MGIE funds in the UK and Mercer Limited is regulated by the FCA. The Mercer AG funds are organised under the laws of the Luxembourg and the FCA has approved the use of the Mercer AG funds in the UK.

In its capacity as investment manager to the Mercer Funds, Mercer, and the underlying third party asset managers appointed by Mercer, within parameters stipulated in the relevant appointment documentation, have discretion in the timing of the realisation of investments and in considerations relating to the liquidity of those investments.

The investment managers have been selected for their expertise in different specialisations and each manages investments for the Mercer Funds to a specific mandate, which includes performance objectives, risk parameters, and timescales over which their performance will be measured. The IPID gives brief details of each investment managers' mandate.

Where cash is held within a Mercer Fund this is swept into a short term liquidity fund. Otherwise cash is held in the Trustee bank account to meet short-term cashflow requirements.

The Trustee has selected Utmost Life as investment platform provider for the DC assets. Utmost Life offers a range of funds to members managed by various underlying fund managers. Further detail regarding the fund range are available in the IPID.

10. Investment Restrictions

As highlighted above formal investment management arrangements are in place for the managers used in the Mercer Funds. These include restrictions on the type of instruments that can be used. In addition, the Trustee has agreed with Mercer, fund guidelines for the Mercer Investment Fund 3 CCF which has been set-up solely for the assets of the Scheme. The purchase of shares of DS Smith plc is also prohibited unless via a multi-client pooled fund, but there is an overall limit that no more than 5% of the Scheme's assets (either pooled or directly held) can be held in Employer Related Investments.

11. Environmental, Social and Corporate Governance, Stewardship and Climate Change

The Trustee believes that environmental, social, and corporate governance (ESG) factors may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustee also recognise that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.

As noted above, the Trustee has appointed Mercer to act as discretionary investment manager in respect of the Scheme's assets and these assets are invested in Mercer Funds managed by MGIE and Mercer AG. Within these funds, Mercer has provided all of the third party investment managers a copy of Mercer's Sustainable Investment Policy. Mercer also aims to invest in managers who take a more active approach to considering ESG in their investment decision making. The managers have been given discretion in evaluating ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code. However, Mercer expects all managers to vote and Mercer monitors the manager's commitment to voting and incorporating ESG factors into their decision making and on a regular basis and discusses at length with the underlying investment managers their activity with regard to the above. Mercer also monitors the portfolios for UN Global Compact Breaches.

The Trustee receive regular reports and information from Mercer on their monitoring and the managers' compliance. This includes but is not limited to Mercer's ESG ratings for the underlying investment managers, analysis of carbon foot print and voting and engagement activity. Some of the voting and engagement information will be shared with the public on an annual basis. It has also reviewed the impact of climate change under various scenarios and updated the risk register to reflect climate considerations.

The United Nations' Sustainable Development Goals (SDGs) inform Mercer's long term investment beliefs and direct Mercer's and the Trustee's thinking when it comes to converting systemic risks into transformational investment opportunities as outlined in Mercer's Sustainability Policy.

The Scheme has an allocation to Sustainable Private Market Opportunities and ESG considerations integrated throughout the funds it invests in.

The Trustee will engage with Mercer where areas of concern are identified periodically. In practice, a formal documented review of ESG ratings and Mercer's integration of ESG into their and the underlying managers' investment decision making is undertaken at least annually.

The Trustee recognises the conflict of interest which may arise in the context of responsible investment. Mercer, MGIE and Mercer AG make investment decisions with the aim of improving long-term risk adjusted returns and assesses whether selected sub-investment managers have policies and procedures that manage conflicts in relation to stewardship.

Member views

To date member views have not been taken into account in the selection, retention and realisation of investments. However, the Trustee is keen to hear the views of members on ESG and climate change and shares via the implementation statement the Scheme's approach to ESG and climate change.

Investment Restrictions due to ESG, Stewardship and Climate Change Considerations

The Trustee has not set any investment restrictions to particular products or activities for ESG reasons, but may consider this in future. They are supportive of Mercer's decision to exclude any holdings in artic drilling, controversial weapons, the worst carbon emitters and tobacco from the Mercer Funds and the Credit Mandate has specific ESG exclusions and a climate reduction plan. The Trustee is also supportive of Mercer's engagement program with the managers and the areas that it covers.

12. Trustee's policies with respect to arrangements with, and evaluation of the performance and remuneration of, asset managers and portfolio turnover costs

The Trustee is a long-term investor and is not looking to change their investment arrangements on an unduly frequent basis.

Mercer manages the Scheme's assets by way of investment in Mercer Funds. This includes multi-client collective investment schemes and the Mercer Investment Fund 3 CCF which is established only for the Scheme.

Within the Mercer Investment Fund 3 CCF the Trustee expects Mercer to manage the assets in a manner that is consistent with the Trustee's overall investment strategy as outlined in this SIP and as documented in the guidelines to the Fund agreed between the Trustee and Mercer. In particular, for the management of the assets to reflect the long-term nature of the Scheme. The Trustee has taken steps to satisfy themselves that Mercer has the appropriate knowledge and experience to do so and keeps Mercer's performance under ongoing review using external advice.

Where multi-client Mercer Funds are used the Trustee accepts that they do not have the ability to determine the risk profile and return targets of specific Mercer Funds.

Should Mercer fail to align its investment strategies and decisions with the Trustee's policies, it is open to the Trustee to disinvest some or all of the assets invested in Mercer Funds.

To evaluate performance of Mercer and the underlying third party managers, the Trustee receives, and considers, investment performance reports produced on a quarterly basis, which presents performance information and commentary in respect of the Scheme's funding level and the Mercer Funds in which the Scheme is invested. The Trustee reviews the absolute performance and relative performance (over the relevant time period) on a net of fees basis. The Trustee's focus is on the medium to long-term financial performance of the Mercer Funds. The Trustee is also supportive of non-financial considerations being taken into account as highlighted in Section 11.

Mercer does not make investment decisions based on their assessment about the performance of an issuer of debt or equity. Instead, assessments of the medium to long-term financial and non-financial performance of an issuer are made by the underlying third party asset managers appointed by Mercer, MGIE or Mercer AG to manage assets within the Mercer Funds. Those managers are in a position to engage directly with such issuers in order to improve their performance in the medium to long term. The Trustee is, however, able to consider Mercer, MGIE or Mercer AG's assessment of how each underlying third party asset manager embeds ESG into their investment process. This includes the asset managers' policies on voting and engagement. The Trustee is also able to assess how Mercer's Sustainable Investment philosophy aligns with the Trustee's own responsible investment policy. This includes the asset managers' policies on voting and engagement. Section 11 provides further details of the steps taken, and information available, to review the decisions made by managers, including voting history and the engagement activities of managers to identify decisions that appear out of line with a Mercer Fund's investment objectives or the objectives/policies of the Scheme.

The asset managers are incentivised as they will be aware that their continued appointment by Mercer, MGIE and Mercer AG will be based on their success in meeting Mercer, MGIE and Mercer AG expectations and those of its clients. If Mercer, MGIE and Mercer AG is dissatisfied then it will, where appropriate, seek to replace the manager.

The Trustee monitors, and evaluates, the fees it pays for asset management services on an ongoing basis taking into account the progress made in achieving its investment strategy objectives as outlined in section 3. The fees for Mercer and MGIE are based on a percentage of the value of the Scheme's assets under management, which covers the advice, and investment management of the assets. In addition, the underlying third party asset managers of the Mercer Funds also charge fees based on a percentage of the value of the assets under management. In some instances, some of the underlying managers may also be entitled to charge fees based on their performance. The fees paid to Mercer and the underlying third party asset managers is reported separately.

Mercer AG fees are charged based on net commitment for the first four years following the final close and, thereafter, by reference to the Net Asset Value of the Mercer Fund.

Mercer reviews the fees payable to third party asset managers managing assets invested in the Mercer Funds on a regular basis with any negotiated fee savings passed directly to the Scheme. Mercer, and the third party asset managers', fees are outlined in a quarterly investment strategy report prepared for the Trustee, excluding performance-related fees and other expenses involved in the Mercer Funds not directly related with the management fee.

Details of all costs and expenses are included in the Mercer Funds' Supplements, the Report & Accounts and within the Scheme's annualised, MiFID II Personalised Cost & Charges statement. The Scheme's Personalised Cost & Charges statement also include details of the transaction costs associated with investment in the Mercer Funds.

The Trustee does not have an explicit targeted portfolio turnover range, but before significant restructuring the transaction costs are considered alongside the benefits. Performance is also reviewed net of portfolio turnover costs. Mercer (within its fiduciary duty) also considers the portfolio turnover of the underlying investment managers.

13. Additional Voluntary Contribution Assets ("AVCs")

Assets in respect of members' AVCs are invested in a range of investment options. With the assistance of Mercer, the AVC arrangements will be reviewed periodically to ensure that the investment range available remains consistent with the objectives of the Trustee and the needs of the members. More information on the AVC providers is detailed in the IPID.

14. Review of this Statement

The Trustee will review this Statement at least once every three years and without delay after any significant change in investment policy or legislation. Any change to this Statement will only be made after having obtained and considered the written advice of someone who the Trustee reasonably believes to be qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of pension scheme investments.

For and on behalf of DS Smith Pension Trustees Limited as Trustee of the DS Smith Group Pension Scheme