Redefining Packaging for a Changing World

Annual Report 2022

DS Smith

2021/22 Highlights

Financial

+5.4%
Corrugated box volumes
(2021: +3.5%)

£7,241m
Revenue[2]
(2021: £5,976m) (2022: +26%[3])

8.5%
Return on sales[1]
(2021: 8.4%) (2022: +10bps)

£378m
Profit before tax[2]
(2021: £231m) (2022: +71%[3])

+29%[3]
Adjusted operating profit[1]
(2021: £502m) (2022: £616m)

15.0p
Dividend per share
(2021: 12.1p) (2022: +24%)

£1,484m
Net debt
(2021: £1,795m)
(2022: improvement of £311m)

£519m
Free cash flow[1]
(2021: £486m) (2022: +7%)

Non-financial

313m
units of plastic replaced since 2020 (target of one billion units of plastic replaced by 2025)

29%
CO_2e per tonne reduction since 2015 (5% CO_2e per tonne reduction vs 2021)

100%
reusable or recyclable packaging (target achieved)

6%
reduction in accident frequency rate vs 2021

1. Based upon continuing operations, before adjusting items and amortisation. These are all non-GAAP performance measures – see note 32 to the consolidated financial statements.
2. From continuing operations.
3. Based on constant currency.

Leading the change for the circular economy

Contents

"Our circular business model positions us well to be the leading supplier of sustainable packaging solutions."

Geoff Drabble
Chair

"I am proud of the way the Group has performed in the year, supporting our customers, improving our profits and investing for growth."

Miles Roberts
Group Chief Executive

"Strong financial performance and cash generation have driven a significant reduction in our leverage during the year, positioning us well for the future."

Adrian Marsh
Group Finance Director

At a glance

DS Smith is a leading provider of sustainable fibre-based packaging across Europe and the US which is supported by recycling and papermaking operations. It plays a central role in the value chain across sectors including e-commerce, fast moving consumer goods and industrials. We have created a circular business focused on sustainable packaging.

Packaging

We are a leading international sustainable packaging company, delivering innovative corrugated products with a high quality service across Europe and North America. We are fully fibre-based and our product portfolio includes packaging for consumer products, e-commerce, promotion, transit and industrial packaging.

We partner with customers to provide innovative packaging solutions. We use our Circular Design Principles to improve the sustainability of our solutions. We complement our product range with consultancy services on supply chain optimisation and creative design.

Our packaging is fully sustainable and made from largely recycled and/or recyclable material, which means the packaging we produce helps our customers to achieve their own sustainability targets. Our corrugated packaging is typically produced within c. 200km of its destination due to the requirements for just-in-time delivery and the increased focus on sustainability.

c. 25,000 employees
c. 9.3 billion m² corrugated board sold in 2021/22

Paper

We are a leading international manufacturer of corrugated case material (CCM), which is the paper used for conversion into corrugated board. We also manufacture some specialist paper grades such as plasterboard liner. DS Smith is overall 'short paper', meaning we are a net buyer of paper for our packaging requirements. We operate a paper sourcing platform that ensures we procure the paper that is right for our customers' packaging. We determine whether we make or buy our required paper, and then we sell some of our paper output. Paper is readily transportable and is traded globally, so in some cases it is more efficient to sell our paper and buy in other regions, depending on local pricing.

We operate 13 CCM paper mills, 11 in Europe and two in the US. Of those, two are kraftliner mills (virgin paper – one in the US, one in Europe) and the remainder are principally dedicated to the production of recycled CCM (testliner). We also have two small mills in Europe producing specialist paper grades. Fibre for our testliner is principally sourced from our own recycling operations.

c. 4,000 employees
c. 4.5 million tonnes CCM produced in 2021/22

Recycling

We provide a full recycling and waste management service. We are Europe's largest cardboard and paper recycler and are also one of the leading full service recycling and waste management companies in Europe. We collect quality paper and cardboard for recycling from a range of sectors, including retailers, manufacturers, local authorities, and other recycling and waste management companies. The used paper and board we collect provides cost efficient raw material for the Group's recycled paper making processes. We also sell used fibre to third parties globally.

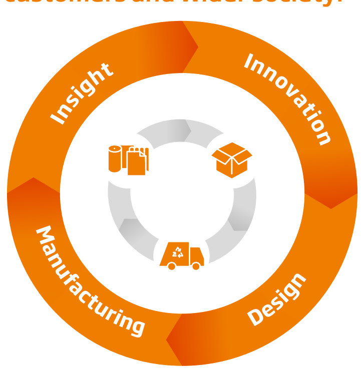
c. 1,000 employees
c. 6.2 million tonnes fibre managed in 2021/22

Our business model overview

Delivering more circular solutions for customers and wider society:

What we do →

- Provide sustainable solutions
- Replace problem plastics
- Take carbon out of supply chains
- Employ Circular Design Principles
- Provide innovative recycling solutions
- Work with resilient fast moving consumer goods (FMCG) customers



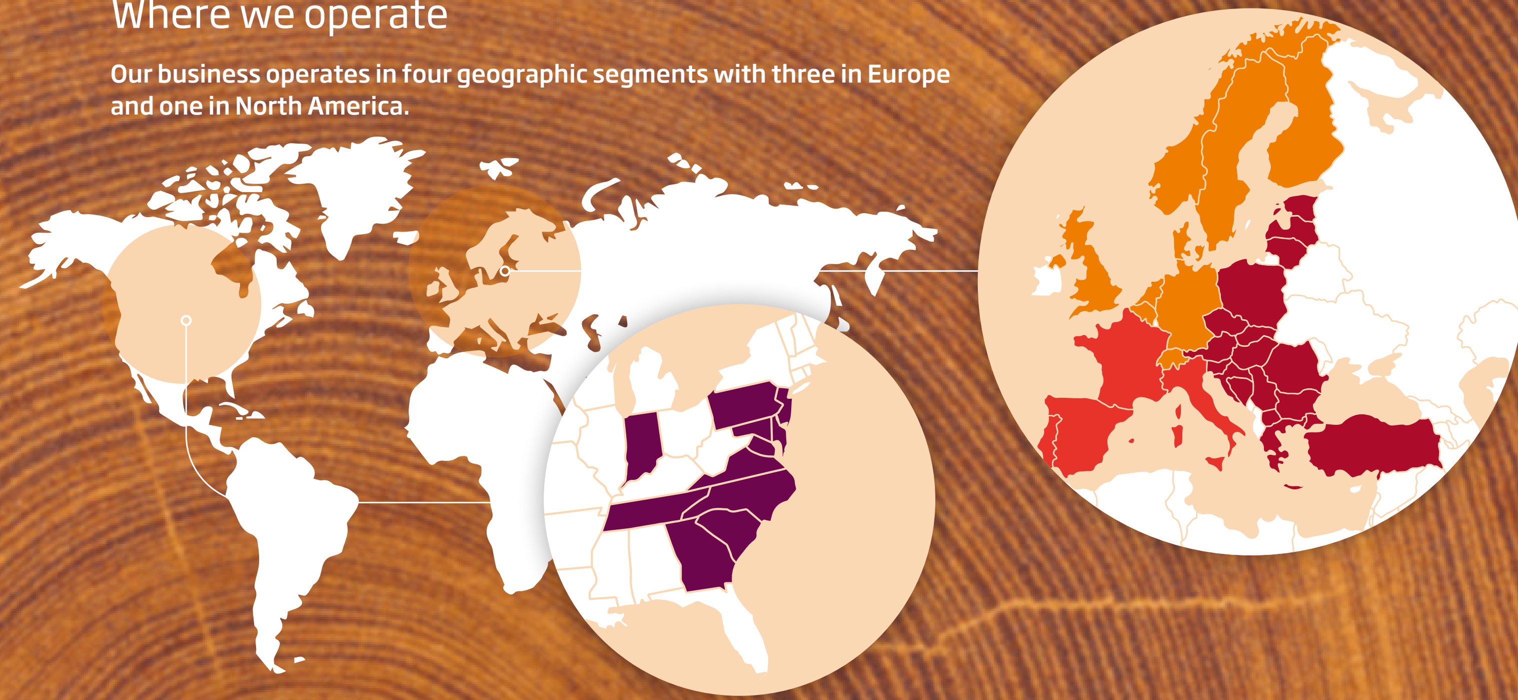
→ The value we create

- Satisfied customers
- Packaging that is sustainable
- Returns to our capital providers
- Safety and opportunities for our people
- Leadership in sustainability
- Community involvement
- An inclusive workplace

Find out more on page 14

Where we operate

Our business operates in four geographic segments with three in Europe and one in North America.



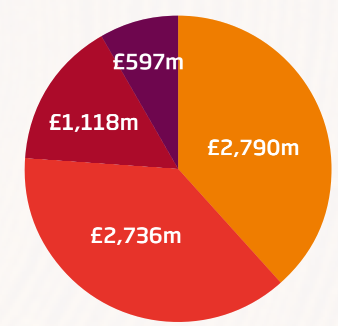
Northern Europe
Belgium, Denmark, Finland, Germany, Norway, Netherlands, Sweden, Switzerland and United Kingdom

Southern Europe
France, Italy, Portugal and Spain

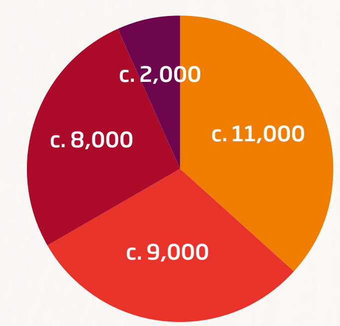
Eastern Europe
Austria, Bosnia-Herzegovina, Bulgaria, Croatia, Czechia, Estonia, Greece, Hungary, Latvia, Lithuania, North Macedonia, Poland, Romania, Serbia, Slovakia, Slovenia and Türkiye

North America
United States

2021/22 Revenue



2021/22 Employees



Our strategy

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

To delight our customers
How we engage with customers
See more on page 20

To realise the potential of our people
How we engage with our people
See more on page 24

To lead the way in sustainability
How we engage with society
See more on page 30

To double our size and profitability
How we engage with our investors
See more on page 34

Why invest in DS Smith?

We are a sector-leading, innovative business, aligned with powerful growth drivers. Our scale, innovation, sustainability credentials and strong purpose set us apart.

We are an industry leader

- **We are a leading supplier of innovative, sustainable packaging solutions** employing around 30,000 people in more than 30 countries mostly in the developed world.
- **Well-invested asset base and footprint to deliver for multinational customers** spanning 400+ sites in Europe, and in North America, where we are expanding rapidly.
- **Strong commitment to investment** in our asset base, research and development (R&D) and innovation.

We are a sustainability leader

- **We are the only solely fibre-based major packaging company in Europe** and Europe's largest cardboard and paper recycler.
- **We are driving the transition to the circular economy with a fully circular business model**, operating a 'short paper' model to drive long-term, consistent return on capital.
- **We have a leading sustainability strategy** which includes ambitious targets in plastic replacement and carbon reduction, resulting in excellent environmental, social and governance (ESG) ratings.

Strong customer base

- **We have ever-deeper relationships with our predominant customer base** of blue-chip, resilient FMCG and e-commerce brands.
- **Customer driven growth** through investment in innovation, sustainability, digital enablement and packaging capacity to gain further market share.
- **Consolidation of suppliers** – Our scope, scale and reach will further strengthen our position with some of the world's leading consumer goods companies as they reduce the number of suppliers they work with.

Strong market drivers

- **Rapid growth in e-commerce** – Our sustainable, omni-channel packaging is revolutionising packaging for the entire retail sector, both bricks and mortar and online.
- **Increasing importance of sustainability** – We are helping our customers respond by designing out waste, keeping valuable materials in use and making it easier for consumers to reuse and recycle packaging.
- **Plastic replacement** – We have already replaced over 300 million items of single-use plastic from our customers' supply chains with fibre alternatives.

Proven track record and strong balance sheet

- Strong corrugated box volume growth of 5.4 per cent.
- Adjusted operating profit growth +29 per cent[1].
- Strong free cash flow and leverage reduced to 1.6 times net debt/EBITDA.
- Investment grade credit rating.

1. Based on constant currency.

Redefining Packaging for a Changing World

Our Purpose
'Redefining Packaging for a Changing World'

Our Purpose is 'Redefining Packaging for a Changing World'. It is our reason for being. It sets out why we exist and the value we bring to our customers and all stakeholder groups.

Our Purpose focuses our DS Smith team on the rapidly changing world around us as consumers' lives and shopping habits are changing due to the acceleration of the digital world. It encourages us to look outside of the confines of the packaging industry and forward to see how these changes influence shopping patterns, such as switches from stores to home shopping, and will impact on the environment and how packaging plays its part in a more sustainable experience for all.

Our Purpose sharpens our instincts and encourages us to tackle some of the world's biggest challenges, such as replacing problem plastics.

Our Purpose feeds all parts of our organisation, including people, policies, research and development (R&D), design and customer interactions. We are redefining packaging through our four strategic goals: delighting our customers, realising the potential of our people, leading the way in sustainability and doubling our size and profitability. We believe that if we deliver in this way, we will meet our vision to be the leading supplier of sustainable packaging solutions.

We deliver our Purpose through our strategic goals...

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

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

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

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

...which help us to deliver our vision
To be the leading supplier of sustainable packaging solutions

Underpinned by our values

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

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

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

Be trusted
We can always be trusted to deliver on our promises

Be tenacious
We get things done

Now and Next Sustainability Strategy

Now and Next is our sustainability strategy that sets out how we will tackle the sustainability challenges we are facing today, as well as those that will impact future generations.

Now and Next strategy

Our focus is on:

- Closing the loop through better design
- Protecting natural resources by making the most of every fibre
- Reducing waste and pollution through circular solutions
- Equipping people to lead the transition to a circular economy

We will continue to:
Drive carbon reduction
Care for forests and their biodiversity

By 2025, measure and improve biodiversity in our own forests

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

NOW

We work with customers to design circular packaging solutions that achieve more from less, delivering for rapidly changing consumer lifestyles with minimum impact on the world around us.

By 2023, manufacture 100 per cent reusable or recyclable packaging

By 2025, optimise fibre use for individual supply chains in 100 per cent of our new packaging solutions

By 2025, take one billion pieces of problem plastics off supermarket shelves and work with partners to find solutions for 'hard to recycle' packaging

By 2025, engage 100 per cent of our people on the circular economy

NEXT

We will work together with partners to develop fully circular strategies, from design to production and supply to recycling, creating positive impact packaging for our changing world.

By 2030, aim for all of our packaging to be recycled or reused and pilot 20 new business models for improving post-consumer waste quality and recycling rates

By 2030, aim to optimise every fibre for every supply chain

By 2030, aim to use packaging and recycling to enable the circular economy by replacing problem plastics, reducing value chain emissions and eliminating consumer packaging waste

By 2030, engage five million people on the circular economy and circular lifestyles

How we contribute to the UN Sustainable Development Goals (SDGs)

12 RESPONSIBLE CONSUMPTION AND PRODUCTION — Responsible Consumption and Production: We keep materials in use for longer, reduce waste and pollution and protect natural resources.

13 CLIMATE ACTION — Climate Action: We reduce our emissions to combat climate change and its impacts.

15 LIFE ON LAND — Life on Land: We minimise our use of sustainably sourced fibre, protecting and restoring ecosystems.

8 DECENT WORK AND ECONOMIC GROWTH — Decent Work and Economic Growth: We commit to being a responsible employer, with high ethical, labour and employment standards.

Alignment with international frameworks

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

People are the foundation of our success and we prioritise their health, safety and wellbeing and contribution to our communities

Progress against our Now and Next sustainability targets

In 2021/22, we continued to deliver strong progress against our Now and Next sustainability targets. Turn to pages 30-33 to learn more and see the DS Smith Sustainability Report 2022 for a complete progress review.

Now and Next sustainability target		2020/21	2021/22	Status
Closing the loop through better design	By 2023, manufacture 100% recyclable or reusable packaging	99%	**100%**	Achieved[1]
	By 2030, aim for all our packaging to be recycled or reused	Ongoing	**Ongoing**	On track
	By 2030, pilot twenty new business models for improving post-consumer waste quality and recycling rates	Ongoing	**Ongoing**	On track
Reducing waste and pollution	By 2025, take 1 billion pieces of problem plastics off supermarket shelves		**313 million**[2]	Ahead
	By 2025, work with partners to find solutions for 'hard to recycle' packaging	Ongoing	**Ongoing**	On track
Protecting natural resources	By 2025, optimise fibre for individual supply chains in 100% of new packaging solutions	23%	**26%**	On track
	By 2030, aim to optimise every fibre for every supply chain	Ongoing	**Ongoing**	On track
	Maintain FSC® certification at 100% of our sites	100%	**100%**	Achieved
	Maintain forest management certification at 100% of our forests	100%	**100%**	Achieved
Driving carbon reduction	By 2030, reduce Scope 1, 2 and 3 GHG emissions by 46% compared to 2019	Ongoing	**Ongoing**	On track
	By 2050, reach Net Zero GHG emissions	Ongoing	**Ongoing**	On track
	Maintain 100% of our energy consumption is ISO 50001 certified	100%	**100%**	Achieved
Measuring and improving biodiversity	By 2025, measure and improve biodiversity in our own forests	Ongoing	**Ongoing**	On track
	By 2025, launch 100 biodiversity projects across Europe and North America	57	**100**	Achieved
	By 2025, run a biodiversity programme in the local communities of our mills	3	**12**	Ahead
Managing water responsibly[3]	By 2025, achieve zero non-conformances with consents to discharge	21	**10**	On track
	By 2030, reduce water withdrawal by 1% per tonne of production per year at mills in areas at risk of water stress compared to 2019	$8.10m^3$	**$8.08m^3$**	Ahead
	Maintain a water stress mitigation plan at 100% of our sites in areas at risk of water stress	100%	**100%**	Achieved
Sending zero waste to landfill[3]	By 2030, send zero waste to landfill	258,225 tonnes	**255,920 tonnes**	On track
Equipping people to lead the transition to the circular economy	By 2025, engage 100% of our people on the circular economy	9%	**50%**	Ahead
	By 2030, engage five million people on the circular economy and circular lifestyles	519,000	**2.3 million**	Ahead
Respecting and promoting human rights	By 2022, conduct a human rights risk assessment	Ongoing	**Delivered**	Achieved
Contributing to our communities	Maintain 100% of sites engage in community activities each year	100%	**100%**	Achieved
Sourcing sustainably	By 2025, ensure 100% of suppliers comply with our sustainability standards	45%	**78%**	Ahead
	Maintain that 100% of the papers we use are recycled or chain of custody certified	100%	**100%**	Achieved

1. We now consider this target 'achieved' because greater than 99.5% of our packaging volume meets this standard, enabling recyclability in practice and at scale. For the remaining less than 0.5% volume that is presently not either recyclable in practice or at scale, such as some barrier coatings and foam, we continue to push for circular alternatives.
2. Cumulative total of plastic units replaced with recyclable alternatives during 2020/21 and 2021/22.
3. Our environmental metrics were previously reported on a calendar year reporting period. All of our metrics are now reported on a financial year reporting period, and therefore historic environmental metrics have been restated.

Redefining Packaging

for a Changing World

£100m

investing in innovation for the next five years

DS Smith is applying science to fibre

We are exploring a range of new materials through our £100 million R&D programme, but more than this, we are partnering with our customers to help them realise the significant benefits of the circular economy. We are embedding circularity into all of our products which is felt throughout the whole life cycle.

See more online dssmith.com

Fibre harvested from the ocean floor

Beyond optimising traditional paper fibres, this year in an industry first, we conducted initial trials exploring how seaweed fibres may be used as a raw material in a range of packaging solutions.

In particular, it could play a significant role in removing problem plastics by acting as a barrier coating to protect items like foodstuffs.

"Seaweed has exciting applications that could become the next generation of sustainable packaging solutions. Our research into alternative fibre sources has the potential to lessen pressure on forests, protecting natural resources."

Thomas Ferge, Paper and Board Development Director at DS Smith

Inventing, re-imagining and redefining to deliver the circular economy

The events of the past year have impacted our customers all over the world, but through our global scale and innovative, customer-led approach we are well positioned to respond.

We must continue to lead, to predict and show our customers the way to tackle the huge challenges of new retail channels such as e-commerce and providing more sustainable, circular solutions at scale wherever they operate.

This is why we are leading the way with innovative new thinking that will accelerate the transition to the circular economy.

From our packaging to our processes, our designers and innovators are relentlessly pursuing every new opportunity to create circular solutions designed to eliminate waste and pollution, re-use or recycle products and materials, and regenerate nature.

Many of our customers are multinational industry-leading brands who require a global, consistent approach to their packaging; and they are increasingly looking for closer partnerships to grow and innovate with them.

As part of our five-year commitment to invest £100 million in research and development (R&D), we have opened a state-of-the-art laboratory at Kemsley Mill, the second largest paper mill in Europe, to advance our research into alternative fibre sources for paper and packaging products.

We have also announced a new flagship innovation centre for ideation, design, testing, piloting and collaboration near Birmingham, UK. This facility will allow us to install and test pilot product and service lines to enable customers to visualise the value that we can bring to them.

Packaging innovation is the lifeblood of our organisation and is vital in keeping global supply chains running as they become more integrated, demanding and focused on sustainability.

"70 per cent of waste is determined at the product's design stage. That means innovative design, and the materials and processes we use, is at the heart of the transition to the circular economy."

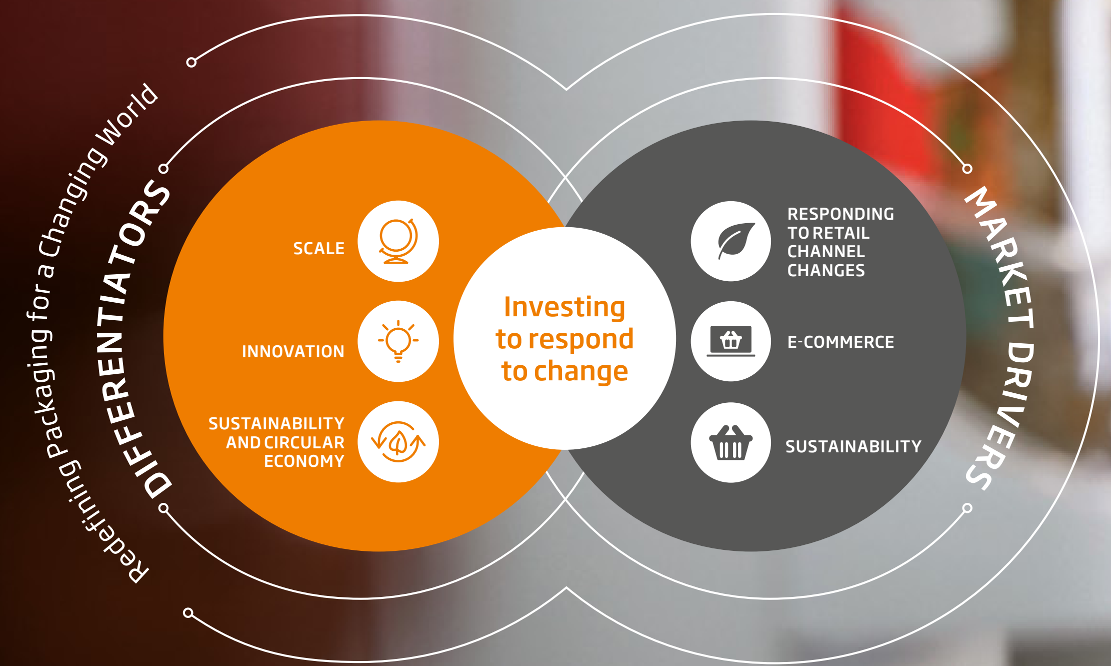
Alan Potts, Design & Innovation Director

A crucial part of making sure our packaging meets the evolving demands of the supply chain is ensuring that circularity is built in at the start.

We have embedded our pioneering Circular Design Metrics across all our packaging sites to ensure that we can measure the environmental impact of all our design solutions. An industry first, our metrics enable us to quantify the sustainability performance of each of our packaging designs across eight key different indicators: carbon footprint, design for reuse, supply chain optimisation, recyclability, planet safety, material utilisation, renewable sourcing and recycled content.

We are committed to ensuring that the performance of our packaging matches these needs and our industry-first science-based optimisation programme PACE™ (Performance, Assurance, Consistency & Environmental excellence) enables us to guarantee our boxes deliver the right specification, efficiency, carbon savings and cost for our customers.

Redefining Packaging for a Changing World



64% of consumers actively reduced their use of plastic packaging last year (Euromonitor)

78% of people are more likely to purchase a product that is clearly labelled as environmentally friendly

85% agree that they 'want to buy products which use as little packaging as possible'

Collaborating with our customers to replace problem plastics

Globally, our design teams have been innovating to find solutions to our customers' single-use and hard to recycle packaging, with more than 1,000 recyclable, fibre-based solutions developed for products from wine boxes and ready meal trays to shrink wrap and fruit punnets.

See more online dssmith.com

Asda

As part of Asda's accelerated target to reduce own brand plastic by 15 per cent by the end of 2021, the retailer worked to make in-store displays more sustainable, cutting down on plastic and non-recyclable materials. We helped Asda find a sustainable alternative for shelf edge label holders that will replace one million pieces of unnecessary plastic from its displays this year.

"Removing unnecessary plastic is at the top of our minds and is very important to our customers. This project with DS Smith has enabled us to remove the plastic shelf edge label holder, making it easier for our shipper units to flow through our cardboard recycling stream."

Lisa Walker, Packaging and Print Specialist at Asda

Every change brings innovation and with it significant opportunities

The past 12 months have seen the environment in which we operate continue to evolve at pace. Large scale events including Covid-19, climate change and macroeconomic factors have been a catalyst for consumers to consider the way they relate to packaging.

This changing landscape has resulted in consumers becoming increasingly aware of the world around them and their role within it. They see their purchasing choices as a way to have influence and will actively seek out companies offering more sustainable solutions.

"Small steps made now can have the biggest impact. Our customers like to play their part and by offering to bring used packaging directly back to us to then recycle into new packaging with DS Smith again and again is a significant step towards a circular economy."

Jacquie Silvester, Head of Sustainability and Improvement at Cotswold Co.

With global e-commerce predicted to account for 21 per cent of total sales in 2022 and 24.5 per cent by 2025, there is mounting pressure on retailers and brands to live up to consumers' sustainability expectations, with consumers more likely to choose a clearly marked sustainable alternative and 64 per cent of consumers willing to pay more for sustainable packaging.

Sustainable packaging has also risen up the agenda for governments, with many implementing legislative changes, including introducing taxes, aimed at curbing the use of plastics and plastic packaging. Such legislation is driving innovation with a sizeable opportunity at stake.

Our research has demonstrated that 1.5 million tonnes of single-use plastic, or 70 billion units, could be removed from supermarket shelves across Europe each year and replaced with alternative renewable and recyclable materials.

We are at the forefront of this effort having already helped to remove 313 million pieces of problem plastic from supermarkets and online retailers globally since 2020. To achieve this, we have created more than 1,000 wholly recyclable fibre-based packaging solutions for both traditional and e-commerce retailers.

Not only are sustainable packaging and services impacting consumer preferences, how and where consumers choose their products have also been impacted by the changing world around us. Covid-19 accelerated developing consumer preferences for buying their products through a range of different channels, leading to increased growth of e-commerce shipments.

The customer 'unboxing experience' must not be forgotten and is a key driver for brands as they look to truly differentiate their engagement with consumers.

As the world continues to evolve and consumer preferences shift, we will remain agile, helping our customers to respond to these trends while meeting our shared sustainability ambitions.

Chair's statement

"Our Purpose of 'Redefining Packaging for a Changing World' has never been more relevant for our business and society at large. A number of the structural growth drivers have been accelerated by the pandemic and our assets, strategy and people position us well to benefit. As a fully fibre-based company, our circular model supports our vision to be the leading supplier of sustainable packaging solutions."

Geoff Drabble,
Chair

A year of momentum

2021/22 has been a year of strong momentum in the business despite continuing to operate within a Covid-19 environment for much of the year and more recently the uncertainty caused by the Russian invasion of Ukraine and the impact on the macroeconomic environment.

I am pleased with our performance, with record volume growth translating to 29 per cent profit growth through managing our supply chain and cost base and increasing packaging prices to recover the significantly increasing input costs. We saw good growth across all our customer base, with volumes from our bedrock of fast moving consumer goods customers growing particularly well.

We have seen particularly strong performances from regions where we have invested significantly recently, with the North America and Southern Europe regions delivering the highest margins of the Group. In the US, we are seeing the benefit of the Indiana site contributing to exceptional volume growth in the region, and in the Southern region, Europac has delivered a very strong operational and financial performance.

We are driving the transition to the circular economy with a fully circular business model which has delivered during the period, with excellent cash generation, despite increasing our investment in the business and an inflationary environment. We have reduced our leverage down to 1.6 times EBITDA versus our medium-term target of 2.0 times, and have made good progress in our return on sales and in particular return on average capital employed during the year.

Investing in our business

We have consistently invested to benefit from long-term growth drivers of a changing retail environment and sustainable solutions in anticipation of the growth which is now playing out, with e-commerce in particular accelerated by Covid-19. That investment has taken the form of designers, technicians and equipment, resulting in a range of innovative and sustainable solutions via our Circular Design Principles and e-commerce products and services, so that our packaging adds value, helping our customers in the transition to a more circular economy and achieve their own sustainability targets.

We have also invested in additional capacity with two new packaging sites in Italy and Poland. Our site in Italy is now operational, with the site in Poland currently being commissioned ready for production to commence in the next few weeks, all in line with customer driven demand for ever more sustainable packaging and we are confident in the returns these sites will deliver.

Health and safety

Our values and priorities remain unchanged. The primary areas of focus for the Board and management team are for the safety, health and wellbeing of our employees together with serving our customers in these challenging times.

Our people have responded magnificently, despite the ongoing impact of Covid-19, adapting ways of working where needed, enabling us to continue to serve our customers in a safe operating environment. Despite the many challenges we have faced, this is the 13th consecutive year we have seen an improvement in our health and safety KPIs.

Sustainability

Sustainability is at the heart of our business, both in how we operate our own business, but also how we help our customers solve their sustainability challenges. In the year, we announced our commitment to a science-based target in line with the 1.5°C trajectory which equates to a 46 per cent absolute reduction in CO_2 by 2030 versus 2019 and are committed to Net Zero carbon emissions by 2050. We saw a greater acceleration in our customers' aspirations for plastic replacement and we continue to take a leadership position in the debate with our presence at COP26 and our collaboration with the Ellen MacArthur Foundation. Our engagement with stakeholders on the topic of ESG has increased significantly as the interests and requirements of customers, investors and consumers continue to grow.

The Board

In January 2022 Rupert Soames informed the Company that he planned to retire from the Board at the conclusion of the Annual General Meeting on 6 September 2022. Rupert handed over his Senior Independent Director duties to David Robbie from 28 February 2022. On behalf of the Board and the Company, I would like to thank Rupert for his great contribution and commitment to the Board and the Company and wish him continued success in the future. His tireless work in completion of the recent Chair succession process and his subsequent assistance in my integration into the role have been invaluable.

I am also pleased to welcome David's appointment as Senior Independent Director, a role in which I am sure he will excel given his already considerable contribution as Audit Committee Chair.

I am delighted that Alan Johnson has been appointed to the Board as a Non-Executive Director. He also joins the Audit, Nomination and Remuneration Committees of the Board. Alan has a strong financial background in consumer goods and retail, having held a number of senior finance positions at Unilever during a 30-year career, including Chief Audit Executive and Chief Financial Officer of the Global Foods Division.

Dividend

The Board considers the dividend to be a very important component of shareholder returns and it is integral to our capital allocation policy of delivering a return to shareholders while maintaining a robust balance sheet with the flexibility for reinvestment in projects expected to deliver returns in our return on capital range, in the medium term. We have a longstanding capital allocation and dividend policy of paying a dividend with cover of 2.0 – 2.5 times to adjusted EPS. In respect of 2021/22, we paid an interim dividend of 4.8 pence and propose a final dividend of 10.2 pence, together 15.0 pence, representing cover of 2.0 times, in line with our policy.

Outlook

On behalf of the Board, I would like to welcome colleagues who have joined DS Smith during the year and to thank everyone for their commitment and hard work.

We have seen real progress in the business during the year and our customer driven investment into research and development, people and new sites positions us well to continue that momentum into the future.

The new financial year has started well, building on the momentum from the previous year. Whilst there remains considerable uncertainty about the overall economic environment, our expectations remain unchanged. Strong customer demand reinforces our confidence to invest in the business, with capital expenditure expected to further increase in the current year. We currently expect to see 2-4 per cent growth in our volumes, aided by our focus on resilient end markets, a strong performance in the US and the opening of new sites in regions where demand is buoyant. This growth, combined with the benefits of ongoing pricing momentum and careful management of our cost base gives us confidence for the year ahead and is expected to result in a further substantial improvement in our performance.

Engaging with stakeholders: Section 172 statement

The Board aims to promote the success of the Company for the benefit of its shareholders as a whole, taking into account the long-term consequences of its decisions and looking at those decisions through a variety of lenses. This involves the Board and management considering in detail and discussing the interests of the Company's stakeholders including our customers, our people, our investors, our suppliers, local communities and non-governmental organisations; the importance of maintaining our reputation for high standards of business conduct; and the environment. More information about our stakeholders is set out on page 18 and 19. More information about the Board balancing stakeholder interests is set out on page 69. Examples of what that has looked like in practice over the year are summarised below. Engagement with all our stakeholders is led by our executive teams, who in turn regularly update Board members, via presentations and briefings. In the governance section of this Annual Report we use s172 to highlight the examples referred to below:

Stakeholder	Strategic Report	Governance
Our customers	Pages 10 and 11 (collaboration), 18 (engagement)	Page 74 (engagement with our customers via updates from sales, marketing and innovation functions)
Our people	Pages 18 and 25 (engagement and feedback), 25 (decisions made in consultation with employees), 26 (engagement on health and safety), 28 (global recognition programme)	Pages 73 (engagement with our workforce), 73 (EWC meetings), 73 (EWC representative attending Remuneration Committee meeting and Remuneration Committee Chair attending EWC Executive meetings)
Our investors	Page 18 (engagement)	Pages 73 (engagement with our shareholders)
Our suppliers	Page 19 (engagement and supplier standards)	Page74 (engagement with our suppliers via updates from Group procurement)
The environment and communities	Pages 19 (engagement with stakeholders on environmental matters and charitable giving), 32 (engagement with ESG rating agencies)	Pages 73 (discussion of commitment to align to a 1.5ºC scenario), 74 (engagement with other stakeholders including briefing on community engagement)
Governments and non-governmental organisations	Page 19 (engagement)	Page 73 (engagement with other stakeholders including briefing on COP26)

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

To be the leader in sustainable packaging solutions

Our relationships and resources

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

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

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

Intellectual capital
We have substantial customer understanding, innovation and patented designs.

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

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

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

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

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

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

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

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

How we create value

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

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

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

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

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

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

Our differentiators

- Scale
- Innovation
- Sustainability and circular economy

See more on page 10

Market drivers

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

The value we create

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

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

Replacing plastic
We have replaced 313 million units of plastic with alternative fibre-based solutions since 2020.

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

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

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

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

Q&A: Leading the transition to the circular economy

"Leading the transition to a circular economy is embedded at the very heart of how we operate and drives many of our innovative products and services from plastic replacement and closed loop solutions to our industry-first Circular Design Metrics."

Miles Roberts,
Group Chief Executive

At the time of writing this passage, we are of course trying to help where we can to support those affected by the Russian invasion of Ukraine. We have colleagues in the region and our thoughts are with them and their loved ones. This terrible shock to our society, along with the new world of living with Covid-19, reinforces to me more than ever the need to be a purposeful Company and for all of us at DS Smith to think about how we can be a positive force.

In these uncertain times, our long-term vision allows us to remain dynamic in response to these challenges, while driving us to realise the growth opportunity within the changing world in which we operate. We partner with our customers and stakeholders to meet these challenges, to ensure security of supply and to keep delivering innovative, sustainable solutions.

To realise growth, we are increasing our investment in innovation, developing value generating digital platforms and developing new products and services to meet the new packaging needs of our resilient FMCG and e-commerce customers.

We announced in 2021 a doubling of our R&D investment to £100 million by 2025 to explore new materials, design and innovation. We have added an additional 4 per cent capacity through new greenfield packaging sites in Italy and Poland. Our site in Italy is now operational, with the site in Poland currently being commissioned ready for production to commence in the next few weeks, all in line with customer driven demand for ever more sustainable packaging. We have also launched our Digital & Data Hub, allowing us to accelerate value creation and transform the way we work.

We are now approaching two years since we implemented our updated sustainability vision and strategy, which maps out ambitious commitments and goals for the next decade. Over the past year, we furthered our ambitions, committing to a 1.5°C science-based target, as well as committing to reach Net Zero greenhouse gas (GHG) emissions by 2050.

We also recognise that this changing world has placed increased demands on our employees and as well as a focus on wellbeing and diversity and inclusion, our 'development for all' programme aims to give everyone the chance to grow their skills and enjoy a career in our world leading, sustainable business. Importantly, our safety statistics have again improved, for the 13th year in a row.

We are well positioned to respond to continued macroeconomic and geopolitical challenges and the structural growth in demand for our products and services is stronger than ever. We have strategically positioned the business well to capture these drivers – from the surge in e-commerce to plastic replacement – while continuing to maintain our security of supply.

Ultimately, we are very proud of how we have responded over the past year to a number of different challenges. We continued to drive the way our customers see value in packaging; and when they expected more from us, we partnered with them to enable the transition to a more circular economy. Through this, we are delivering on our Purpose to Redefine Packaging for a Changing World.

Miles Roberts
Group Chief Executive

Q How are you supporting employees through the challenges of the past year?

I am extremely proud of the commitment, professionalism and flexibility of our employees in this extraordinary time. We invested significantly to ensure that we had the right procedures in place to ensure the wellbeing and safety of every one of our employees.

We always aim to delight our customers and that cannot be achieved without having the best people in our industry. We have a strong Purpose and values to underpin our culture and we aim to give every one of our colleagues the platform to realise their potential. We do this through a number of programmes including our Diversity & Inclusion initiatives and networks, development for all activities and wellbeing support.

Q The wider macroeconomic environment has been particularly challenging – how are you delivering security of supply and value to customers?

It is vital that we have, and continue to, manage the inflationary cost pressures experienced in the market through long-term paper and other supplier relationships, significant risk management and hedging and the excellent work that is happening within the procurement team.

As a result of this security of supply, alongside the excellent service, quality, and innovative, sustainable solutions we provide to our customers, we have been able to continue to deliver real value to our customers. This has meant we continue to grow volumes with our customers and further strengthen our long-term partnerships.

Q As you approach the two-year anniversary of Now and Next, what progress has been made?

Our Now and Next Sustainability Strategy positions DS Smith at the forefront of the packaging industry and sets a clear roadmap to address immediate challenges, while also working to meet the needs of the next generation. Leading the transition to a circular economy is embedded in our operating model and drives many of our innovative solutions including plastic replacement, recyclable closed-loop solutions and our Circular Design Metrics.

We have delivered excellent progress on our Now and Next Sustainability Strategy: achieving our targets to manufacture 100 per cent recyclable or reusable packaging and to fund 100 biodiversity projects across Europe and North America. We have also increased our ambition on CO_2 emissions, setting a 1.5°C science-based target, as set out in the Paris Climate Agreement and committing to reach Net Zero GHG emissions by 2050. Our target is to reduce our Scope 1, 2 and 3 GHG emissions 46% by 2030 compared to 2019. We are already seeing progress in improvements across five major ESG ratings – for CDP achieving an A- in climate change.

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

DS Smith will be taking the lead in positively influencing all our stakeholders and society – we are doing this through our Now and Next Sustainability Strategy. We are taking leadership positions in the major trade associations at European and national level to drive advocacy on all the major issues that affect our business – critical areas such as decarbonisation of our supply chain, the debate on reuse and recycling, and the continuing evolution of extended producer responsibility for packaging in all our markets.

All of these industry efforts will be built on by our own DS Smith engagement with regulators, politicians and consumers to help people understand the special position of the fibre packaging supply chain in the circularity agenda.

Q Do you expect the momentum in the US to continue?

We are extremely pleased to see the continued strong performance in the US, reflecting the improved volumes across our packaging plants, the improved paper and packaging market pricing and the US export paper price. Packaging volumes in the region have seen significant increases within the Group, on the back of continued excellent customer traction as well as growth in a number of packaging sites as we continue to see excellent momentum in our new box plant in Indiana.

The recovery in the past year is testament to the support and confidence of many existing and new customers to our new products, production capacity and ways of working. It also reinforces the strategic rationale and allows us to serve our multinational customers in both the US and Europe.

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

Through the global pandemic, we have continued to grow our business, building on our existing customer relationships as well as winning new customers with a focus on the resilient FMCG and e-commerce markets. By leveraging our scale, our deep customer relationships and innovative solutions, we have a strong platform to grow our market share over the next year. The pandemic has accelerated our key growth drivers – changing retail channels including e-commerce, and demand for sustainability – and we are ideally placed to capitalise on this opportunity. As a business, we are focused on delivering for all our stakeholders including employees, customers, suppliers and shareholders to deliver real value for all.

Our strategy

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

To delight our customers
How we engage with customers
See more on pages 20 to 23

To realise the potential of our people
How we engage with our people
See more on pages 24 to 29

To lead the way in sustainability
How we engage with society
See more on pages 30 to 33

To double our size and profitability
How we engage with our investors
See more on pages 34 and 35

Our stakeholders

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

Our customers

Why this stakeholder is important to us

Our customers are largely fast moving consumer goods (FMCG) companies that produce goods typically sold in supermarkets and increasingly via e-commerce channels. We make corrugated packaging for some of the largest global food brands, online retailers and industrial customers and sell paper and recycling to third parties.

Their concerns

Customers are increasingly concerned about sustainability, both in terms of recyclable packaging materials and reducing overall lifecycle impact, including optimisation in the supply chain. They are interested in transparency in the supply chain, compliance with laws and regulation and competitive pricing. They are also focused on the quality of the product and security of the supply chain and meeting their own sustainability targets.

Our response

Our customers require an innovative and flexible partner with reliable world-class supply chains and scale. We continue to innovate with new sustainable solutions and provide more ways to work with customers than ever before. Our packaging is fully sustainable which means it helps our customers achieve their own sustainability targets.

Our customers
Read more on pages 20 to 23

Our people

Why this stakeholder is important to us

We are around 30,000 people across 34 countries worldwide, speaking 26 languages. We are inspired by our Purpose and are diverse in our thinking.

Their concerns

Our people are interested in a company they can be proud of and a strong supportive culture in which they feel safe, recognised, included and fairly rewarded and in which they can fulfil their potential.

Our response

By giving everyone a voice, we provide a meritocracy with development opportunities for all and recognition of personal achievement, regardless of gender, ethnicity, age or religion. We encourage feedback and have mechanisms through our employee works councils including the European Works Council, biennial employee survey and more regular pulse surveys, which inform local action plans and sharing of best practice.

We are committed to ensuring our employees work in a safe, fair and productive environment and invest in their development. We base our approach to, and expectation of, our employees on our five DS Smith values (see page 5).

Our people
Read more on pages 24 to 29

Our investors

Why this stakeholder is important to us

Our shares are listed on the London Stock Exchange, and we raise our debt from banks and through listed bonds. Our equity and bonds are owned by a wide range of investors in the UK, Europe, the US and beyond.

Their concerns

Our investors are concerned about financial and operational performance, sustainability strategy and ESG scores, compliance with laws and industrial relations.

Our response

We engage with equity investors and analysts through regular meetings and conferences, and similarly engage with our banking syndicate, fixed income investors and ratings agencies periodically. We aim to provide long-term shareholder value creation.

Our suppliers

Why this stakeholder is important to us

We have approximately 40,000 suppliers, ranging from small suppliers of goods and services to large paper manufacturers, from whom we source substantial volumes of paper for our corrugated board.

Their concerns

Our suppliers are also concerned with compliance with laws, competitive pricing and sustainability.

Our response

We engage with suppliers to enforce our established supplier standards and supplier Code of Conduct, which set out our ways of working, including for example, in relation to our obligations under anti-modern slavery laws.

The environment and communities

Why this stakeholder is important to us

Leading in sustainability and care for the environment is core to our Purpose and is one of our four strategic goals.

Their concerns

Reducing GHG (greenhouse gas) emissions, water consumption and waste to landfill are priorities as well as education on the importance of the circular economy and how everyone can help care for the environment and our communities.

Our response

In January 2022, we announced our ambitious commitment to align our global operations to a 1.5°C scenario as set out in the Paris Climate Agreement, by committing to reduce our Scope 1, 2 and 3 Green House Gas (GHG) emissions 46 per cent by 2030, compared to 2019 and to reach Net Zero GHG emissions by 2050.

Our Purpose also guides our community programmes and charitable foundation which supports local and larger initiatives, from sponsoring local educational projects to donations to environmental and education-focused charities, such as the Arkwright Foundation. Our DS Smith Charitable Foundation has donated over £350,000 to causes aligned with our Purpose in 2021/22.

The environment and communities
Read more on pages 30 to 33

Governments and non-governmental organisations

Why this stakeholder is important to us

We engage in detailed consultations with governments on the topics of recycling and reuse, extended producer responsibility and the decarbonisation of heat. We participate in industry organisations across the UK, EU and North America to combine our influence.

Their concerns

The circular economy, reducing CO_2 and energy usage, water usage and waste and landfill and focus on sustainability.

Our response

We take a leadership role with relevant non-governmental organisations, such as our global partnership with the Ellen MacArthur Foundation. We are engaging with leading ESG organisations such as the Science Based Targets initiative to set meaningful and ambitious goals around our carbon emissions

To delight our customers

"People are becoming more conscious of their impact on the world. We help our customers by designing sustainable packaging solutions, to help achieve their sustainability goals and meet growing demand for sustainable packaging solutions."

Marc Chiron,
Sales, Marketing and Innovation Director, Packaging

We do this by:

- Delivering on our commitments for quality and service
- Providing value-adding packaging solutions
- Driving innovation

In 2021/22 we:

- Supported our customers throughout the pandemic by maintaining our continuity of service
- Strengthened our value proposition and helped customers better position themselves for a more circular economy
- Accelerated innovation programmes, including plastic replacement
- Flexibility and agility in our co-operation with customers

In 2022/23 we will:

- Drive circularity and continue to deliver market leading sustainable solutions
- Accelerate our leadership on e-commerce
- Continue to scale up innovations
- Drive improvement of service levels

Our KPI

On-time, in-full deliveries (OTIF)

Definition

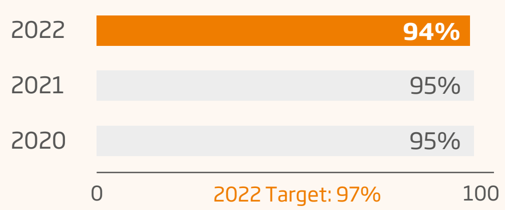
The proportion of our orders that are delivered on time, in full across our businesses.

Why this is a KPI

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

2021/22 performance

In the year 2021/22, our overall OTIF was 94 per cent. This is below our target of 97 per cent due to disruption caused to supply chains by Covid-19 and the Russian invasion of Ukraine. We continue to strive for higher service levels and have seen improvements in our underlying operations.



We work with many of the world's biggest and most iconic brands. We add value by enhancing their consumers' experience, ensuring they are available when shoppers look for them online or in-store and helping to create value recognition and maintain price-points. In addition, we focus on transforming the design of point-of-sale packaging and displays, to minimise supply chain complexities and enable speed to market.

Our end-to-end approach is adopted by many of our multinational customers and has been a real source of value growth in these relationships. By working in close partnership, we gain insight that allows us to develop packaging that supports the delivery of increased sales, lower costs, manages risks and allows for a circular ready approach.

Our packaging customers

We have a globally diverse customer base, with over 80 per cent of our customers being fast moving consumer goods (FMCG) and other consumer products. FMCG customers require high-quality, innovative, value-adding packaging. We invest in the insights and innovation needed to meet this demand; and deliver this on a multinational scale.

Our exposure to this market makes us more resilient and less cyclical as demand for these products remains consistent. Our multinational customers require a partner that has a geographic footprint which matches their own. DS Smith is exceptional in having the scale, expertise and innovative approaches to support our customers around the world. Over the past year, we have seen real growth in our US operations as we continue to partner with global customers and expand our operations at our Indiana site.

In the changing global landscape, our FMCG customers demand security of supply of packaging. We continue to support our customers by investing in our existing capability and in new sites to build capacity as their demand for our products and services grows. We are tracking well with the construction of our two new sites in Italy and Poland in line with customer driven demand for ever more sustainable packaging.

While consumers' relationships with packaging have undeniably changed, so too have the needs of our customers and the challenges they have faced. We have responded with tailor-made solutions that helped our customers respond to trends such as increased e-commerce demand or the need for more sustainable packaging. We continue to help new and existing customers navigate this period of uncertainty through security of supply, quality and innovation.

Through our ePack online platform, we have helped both small and large customers, and it has continued its expansion across Europe to operate in markets including Spain and Italy. The platform offers 100 per cent eco-friendly packaging to support e-retailers build on the transformations happening across e-commerce and boost growth in sectors like apparel and online groceries, while also offering plastic-free alternatives such as paper mailing bags or fully recyclable insulated fibre-based boxes for delivery.

We have worked hard to continue innovating with our customers to respond to these trends, transforming our sustainability and innovation workshops through new digital platforms.

Case study: Switch from polystyrene to fibre to reduce emissions and cost

We partnered with Fresco y del Mar, a Galician company selling fish and seafood from the region, to switch from expanded polystyrene to fibre-based packaging.

The cardboard solution aligns to Fresco y del Mar's commitment to respecting nature, marine environments and fair fishing. It keeps the product fresh while also reducing logistics emissions and cost, as 410 empty corrugated boxes can be transported per pallet, compared to 36 expanded polystyrene boxes of the same volume.

"It is motivating to work with a company sharing the same challenges constructively to find the best way forward to a more sustainable future. We share circularity in our DNA."

Pablo Sueiro,
Fresco y del Mar

Value proposition for customers

More sales
We help our customers generate more sales with the right packaging

Lower cost
We help our customers eliminate unnecessary cost

Risk managed
We help our customers address risk throughout the supply chain

Circular ready
We help our customers with circular packaging solutions

Circular Design Principles

Following the launch of our Circular Design Principles, we have developed Circular Design Metrics for packaging. With this pioneering tool we can give a clear identification of a packaging design's sustainability performance.

We have embedded our Circular Design Metrics across all our packaging sites, training over 700 designers to support the transition to the circular economy and help customers achieve their sustainability goals.

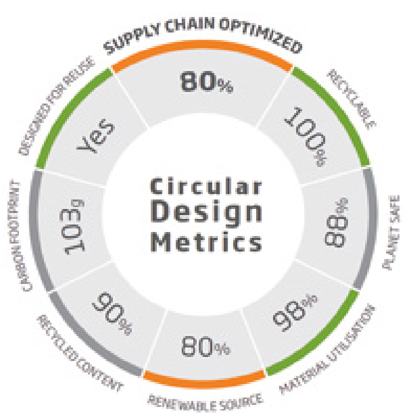
In an industry first, we can now measure and quantify the sustainability performance of each of our packaging designs across eight key different indicators: carbon footprint, design for reuse, supply chain optimised, recyclable, planet safe, material utilisation, renewable source, and recycled content.

We are the only packaging producer to offer this unique tool which gives its customers across a wide range of sectors such as FMCG, industrial, retail and e-commerce a clear view of their packaging designs' circularity performance.

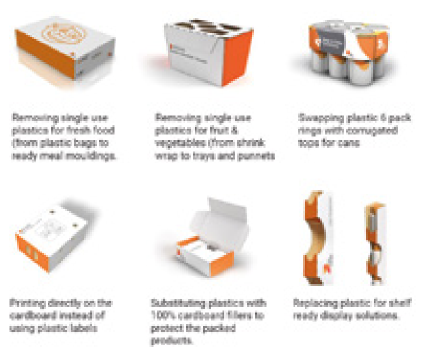
As more than 70 per cent of a product's environmental impact is determined at the design stage, data from the Circular Design Metrics enables brands and retailers to compare different design solutions, helping them to reduce waste and pollution and keep materials and products in use for longer.

Through our Circular Design Principles, brands can keep materials in use, design out waste so that it is easier for consumers to reuse and recycle packaging, and regenerate natural systems.

Moreover, we have been working to reduce plastic packaging by innovating in sectors where sustainable fibre-based packaging can make a big difference in reducing plastic use. Through innovations, such as Ecobowl, we have extended our ability to tackle 'hard to recycle' plastics and we've developed over 1,000 designs focused specifically on plastic replacement – with over 300 million units of plastic replaced since 2020.



Examples of fibre-based solutions to replace common sources of problem plastics



As companies and retailers embrace the transition to more sustainable packaging, there is an opportunity to make significant progress against their environmental and social responsibilities while also responding to changing consumer behaviours.

Our paper customers

Supplying customers across the globe, we are a leading manufacturer of sustainable packaging and speciality papers made from 100 per cent recycled or chain of custody certified fibre sources. Our mills in Europe and the US produce around 4.5 million tonnes of corrugated case materials and specialist industrial products annually.

The high performing packaging papers we produce, such as recycled corrugated case materials and kraftliners, are integral in allowing the Group's packaging division to produce sustainable paper-based packaging solutions. Our customers for speciality papers, such as plasterboard liners, come from a variety of industries including construction, printing, food manufacturing, stationery supplies and education.

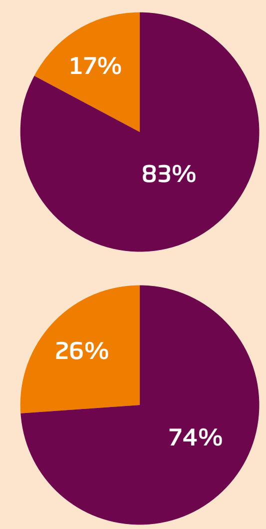
Combining our expertise of 15 mills across Europe and North America, which are strategically located near raw material sources and our customers, with forward-thinking research and development focus, enables us to provide customers with the high performing quality papers they need for their onward manufacturing operations.

Through our stringent quality measurement systems and ability to track fibre through the complete papermaking process, we ensure delivery of high-quality finished papers to all our customers. Our commitment is to create sustainable, high performing papers, that deliver the packaging solutions needed in an ever-changing world.

DS Smith has a higher proportion of FMCG customers than the market average

Our corrugated packaging customers by volume

European industry average corrugated packaging by volume



● FMCG and other consumer goods ● Industrial

Source: DS Smith analysis

Our recycling customers

We provide recycling and waste management services to companies of all sizes across a diverse range of sectors in both Europe and North America. From municipalities and waste management companies, to printers, manufacturers, wholesalers, and some of the best-known brands and retailers the world over, our customers benefit from our recycling expertise. We partner with organisations large and small to keep significant amounts of paper and cardboard out of landfill and incineration every year.

The paper and cardboard we collect for recycling serves our own paper mills as part of our closed loop recycling business model, while also being sold into our global network of third-party paper mills.

With a full recycling and waste management service, we work with our customers to reduce waste and recycle more. By innovating around collection infrastructures and working with customers to build recyclability into their supply chains, we are helping to provide solutions for our customers' and wider society's biggest recycling challenges.

Through our digitalisation of recycling systems, we are working with customers to create impactful data-led solutions for our customers to make the right decisions relating to their recycling.

We are currently working with IBM to explore the use of image recognition to better identify contaminates in recycling that can hinder the recycling process. We are also harnessing Near Infra-Red (NIR) scanners to tackle plastic contamination in recycling. First trialled in our mills in the UK and Italy, NIR scanners are now being rolled out across our European mill network and can identify quantities of plastic in paper and cardboard collected for recycling even before the paper is unloaded at our mills. This technology allows us to work with our customers to improve the quality of material they collect for recycling.

Case study: Contributing to Lidl Sustainability Vision

We are helping Lidl in France close the loop on its cardboard recycling and deliver on its commitments to recovering valuable resources and reducing its impact on the environment.

By partnering with DS Smith, Lidl is able to close the loop on its on-shelf packaging and, within a six month period, Lidl France recycled more than 95,000 tonnes of cardboard, including 22,621 tonnes of cardboard using our closed-loop model.

"At Lidl, we are convinced that the best waste is the one that is not produced. But we are also realistic as we know that every act of production and consumption involves waste. It is therefore our responsibility to manage it by first limiting it as much as possible, then by recycling it."

Camille Fossano, Logistics Environment Manager, Lidl France

To realise the potential of our people

"To realise our Purpose of 'Redefining Packaging for a Changing World' we need a modern, diverse, motivated and engaged workforce where everyone has the opportunity to realise their potential. We are passionate about working together and exploring new ways to innovate and delight our customers; it is fundamental to our business success. Our priority has been the health and wellbeing of our employees, continuing to serve our customers and to support our local communities. At the same time, we have not lost focus or momentum on building an inclusive, engaging workplace, recognising employees and providing development opportunities.

As we look forward, we are building on the learnings from the Covid-19 pandemic to shape new sustainable ways of working. We are developing a compelling proposition to attract and retain employees where they can thrive, and grow and sustain our business in a changing world by developing strategic capabilities (innovation, data & digital, sustainability and capital projects)."

Jacky Wearn,
Group Human Resources Director

We do this by:

- Ensuring the health, safety and wellbeing of all our employees and creating a working environment where they feel proud, engaged, included and developed to perform at their best

In 2021/22 we:

- Conducted a global engagement survey to understand what is working and areas to improve; to listen, respond and act
- Continued celebrating the contribution and success of employees with our second Smithies awards event held virtually
- Provided managers with a set of tools to drive high levels of health and safety and wellbeing engagement
- Continued to develop our leadership pipeline from early talent through to mid and senior leadership
- Provided more opportunities for employees to develop by offering new ways of accessing learning
- Accelerated our diversity and inclusion ambition by increasing diverse senior leadership hires, continuing to raise awareness and activating employee resource groups
- Implemented functional talent meetings with diversity data to support career coaching and accelerated development of diverse talents

In 2022/23 we will:

- Run listening groups to drive action as part of our engagement evolution with regular pulse surveys and feedback
- Continue to recognise the contribution of our employees through the Smithies recognition programme
- Consolidate our employee feedback to develop a compelling proposition that describes how people can thrive at DS Smith
- Embed the health and safety and wellbeing culture through our local site networks
- Continue to invest in the capability of our managers and leaders to support our employees
- Provide consistent training to develop our technical and operational capability using new immersive learning technology
- Review the ongoing success of widening opportunities for employees to access development
- Focus on embedding diversity and inclusion by expanding employee resource groups, local networks and roundtables
- Continue to scale functional and cross-divisional talent meetings and support the development of diverse talents through our leadership programmes

Engaging our employees

Employees increasingly want to work for organisations that align with their own values and bring meaning to their everyday lives. By engaging employees, we enable them to identify and feel ownership of our Purpose, which in turn drives productivity, innovation, retention and performance. Ensuring we fully understand what matters to employees, how we help them thrive and where we need to improve, continue to be fundamental to our engagement strategy.

Our global engagement survey enables us to monitor the engagement of our employees with our business, culture and Purpose. As well as traditional themes such as management practices, communication and personal development, our latest survey was designed to help us better understand areas that we did not ask about previously, such as ethics and inclusion. The survey enables us to understand how the different issues that drive positive engagement have changed as the world changes.

Alongside engagement, we measure and track employee enablement, which is the creation of a working environment in which everyone can do their best work and where their skills and abilities are fully utilised. When employees feel both engaged and enabled, we see higher levels of productivity.

Our 2021 survey results also show that the topics that are the core of our strategic ambition, such as health and safety, sustainability, diversity and inclusion and customer focus, are also shared by our employees, being the highest-ranking items in the survey. This survey highlighted increasing demand from employees for additional learning and development. In 2022/23 we will continue to focus on these areas with our learning and development offers, line manager capability development and The Smithies recognition awards.

Our KPI

Accident frequency rate (AFR)

Definition

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

Why this is a KPI

We believe all employees contribute to a safe working environment and culture and our focus is on individual ownership.

2021/22 performance

The effect of the Covid-19 pandemic has been felt throughout the organisation creating significant absenteeism challenges. Despite this, we have improved our health and safety performance, which is a significant achievement.

Health and safety key performance indicators	2021/22	2021/20		Variance vs. pro forma
		Reported	Pro forma[3]	
Total LTAs[1]	**96**	102	101	-5%
AFR[2]	**1.91**	2.06	2.04	-6%

1. LTA: number of accidents resulting in lost time of one shift or more.
2. AFR: number of LTAs per million hours worked.
3. Pro forma data adjusted for acquisitions and disposals.

We continue to discuss the themes of the survey findings with employees through listening groups and our European Works Council (see case study opposite) and will evolve our listening approach to ensure continuous feedback conversations happen and timely local action is taken. As well as challenges around development, we know the attraction and retention of employees will be critical to our future success. In 2022/23 we will also consolidate our employee feedback to progress our plans and develop a compelling proposition that describes how people can thrive.

European Works Council

A further opportunity for us to listen to and learn from the views of employees comes from the important partnership with our European Works Council (EWC). The EWC brings together employee representatives from across Europe, engaging them through an effective information and consultation process.

The full council of up to 50 representatives meets with the management team twice a year to share feedback, exchange views and discuss opportunities to improve; an event which is interpreted live to ensure everyone is included and can participate.

In addition the EWC Executive holds monthly meetings with their Regional representatives in order to ensure we have a regular two-way dialogue on employee matters across Europe.

Ensuring the health, safety and wellbeing of all

The Covid-19 pandemic continued to affect many aspects of our daily life but, despite these challenges, we progressed towards our Vision Zero ambition, developing our four strategic goals and providing a working environment where engaging in health and safety activities is integral to our business success.

Health and safety leadership

Leadership behaviours are critical to drive engagement; when our leaders engage in health and safety, we see a positive impact on our health and safety employee engagement index. This is the central theme of our health and safety onboarding programme, which continued this year and trains all new and promoted site managers on the behaviours and mindsets required as health and safety leaders. To further develop our safety culture, we introduced leadership focused safety programmes which helped create health and safety role models, whilst encouraging and recognising safe behaviours and their value, raising awareness and placing health and safety at the centre of everyday activities.

Key figures (rounded):

- Leadership delivered safety talks: 32,000
- Verification of critical controls performed by leadership: 36,000
- Safety observation tours performed by leadership: 85,000
- Leadership lead risk assessments: 133,000

We have seen a 25 per cent increase in leadership led health and safety activities and an increase in employee engagement. In 2022/23 we will continue embedding the health and safety leadership behaviours through our local site networks.

Health and safety engagement

Engaged employees who work proactively in identifying and eliminating risks are driving a resilient and interdependent health and safety culture. We consistently see that when employee engagement increases, the number of accidents decreases. Equally, when the workplace feels 'safe' to employees, we see their engagement and commitment increasing. The health and safety engagement index measures the participation rate of employees in risk identification and elimination activities. This index has increased by 50 per cent this year.

Key figures (rounded):

- Safety observations and near miss reporting: 360,000

Engagement with robust health and safety processes is essential to ensure safe working environments. In 2022/23 we will continue working through our local site networks to further increase health and safety engagement.

Health and safety processes

The easing of the travel restrictions worldwide allowed us to return to on-site health and safety auditing which aims to drive continuous improvements and accelerate the implementation of our global health and safety standards such as workplace transport (see case study), machine guarding or working at heights.

Workplace transport health and safety standards

The health and safety standards for workplace transport (forklifts) includes risk assessments, training and certification of drivers, and physical barriers where possible or well-marked pedestrian routes and aids. To provide pedestrians with further safety, we have introduced proximity technology which detects nearby pedestrians and automatically slows down forklifts. After a successful pilot in Italy, the implementation has been accelerated and is now being introduced across Europe and North America in 2022/23.

> "This is an important example of how technology can help us to better protect workers and employees in our dynamic work environment. Our commitment in seeking new smart solutions is an essential element to achieve our health and safety vision."
>
> **Luigi Marini, MD Italy**

Health and safety culture

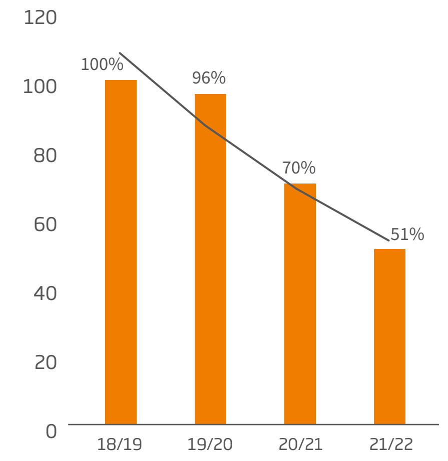
Our focus on leadership, engagement and processes is designed to develop and drive an interdependent safety culture in which every person in the organisation feels responsible for safety and acts proactively to identify and eliminate risks.

Key figures:

- Recycling: 83 per cent LTA reduction year-on-year
- Paper: 43 per cent LTA reduction year-on-year
- EU packaging: six per cent increase year-on-year
- North America packaging: 25 per cent LTA reduction year-on-year
- Sites with zero accidents: 266

We firmly believe that our drive towards Vision Zero has been key in having a safe and healthy working environment. Despite multiple external challenges, not only do we celebrate significant improvements across all divisions, but the overall number of employee accidents and accident frequency rate have reduced by 27 per cent year on year to a record low. In 2022/23 we will continue striving towards our Vision Zero ambition and ensure the health and safety culture is adopted across our site network.

Consistent reduction in employee accidents



Health and wellbeing

The health and wellbeing of our employees has long been our top priority and recently more so than ever. With the unprecedented scale of the pandemic, it has caused increased pressures and demands on our employees' physical and mental wellbeing. We have developed and promoted a broad set of tools and resource through our local site network as well as external partners to support employee health and wellbeing (see case study). These include toolkits, such as wellbeing ideas for remote employees, anxiety management and resilience hints and tips.

This year, we built on the Health and Wellbeing framework and launched initiatives across the business to build positive, healthy working environments, including a variety of wellbeing programmes to address the needs across the organisation. Leadership role modelling has encouraged and inspired employees to care for their own wellbeing across the organisation. This year we also introduced bitesize training building resilience and wellbeing eLearning such as mindfulness, physical and digital workspace, resilience and remote working. In 2022/23 we will continue working with our local site networks encouraging employees to access the resources available to strive towards a consistent approach to health and wellbeing.

Supporting wellbeing through massage in the Netherlands

As an outcome of listening to the feedback from employees at our site in Eerbeek, a pilot wellbeing programme was launched in May 2021. Given the physical and mental strain that work can cause, all employees can have a regular massage on a bi-weekly basis.

"In addition to an ergonomic workspace, the bi-weekly massage is a very welcome and helpful moment for me to relax. This reduces the tension, is well-appreciated and improves my focus."

Team Manager Maintenance, Eerbeek

DS Smith learning

The number of employees accessing online learning continued to increase this year. We invested in adding new earning paths including Sales, Marketing and Innovation, Finance, Diversity and Inclusion, Sustainability, Legal and Compliance. Extending access and the successful delivery of engaging and innovative learning content has made employees more curious about what learning is available.

Development for all

Our commitment to development for all continues to explore and test options which provide ease of access for employees who are not connected to our systems (see case study). We have done so by directing learning to specific employee groups, installing learning kiosks on sites and providing learning applications which can be used on mobile devices. This offers personal, professional and technical related development, encouraging our employees to embrace lifelong learning.

Kemsley Mill development for all

The management team at Kemsley Mill have fully supported development for all opening a new learning centre and flexing shift patterns to ensure everyone could attend launch sessions where they explore opportunities for their professional and personal development.

"During the launch week, March 2022, one third of employees attended sessions, many downloaded the learning app to their mobiles, completed learning modules and enquired about qualifications on offer."

Steve Maxwell,
HR Business Partner

Leadership development

We continue to invest in leadership development to grow a strong, robust and diverse pipeline of talent. Partnering with Oxford Saïd Business School (OSBS) this year we have relaunched our two Group-wide programmes; Global Leadership Programme (GLP) which is our senior leadership offer, with 24 places; and Aspire which targets high performing and high potential future leaders, with 50 places. Both programmes have evolved to reflect our organic growth ambition, the changing context in which we operate and the world of business. In addition, we have added a new Continuous Professional Development webinar series led by thought leading Oxford faculty.

The Fundamentals of First Line Management programme implementation continues to cascade across the organisation and several new 90-minute virtual bitesize training sessions have been added this year. This provides an expanded learning resource which has seen 1,567 participants this year across 13 subjects and we will continue enhancing line manager capability in 2022/23.

Developing diverse leadership talent

This year, we launched our targeted development offer called Accelerate for high-potential, mid-level female talent who have the potential to progress to senior leadership positions. It is aimed at those transitioning into leadership roles, considering their next role and those consolidating their career decisions. As at April 2022, 30 women have completed the programme and recommended it as an impactful investment in their development. In 2022/23 we will continue Accelerate and have additional cohorts planned.

To support diverse talents deeper in the organisation, this year we are launching an inclusive development centre approach to inspire individuals who are not currently in management roles to self-nominate, explore their strengths and create development plans which will guide their future growth. Linking directly with our innovation agenda we create a space for participants to consider how they can directly influence the creation of new ideas, ways of working and product development.

Creating a modern, inclusive and diverse culture

A diverse workforce better reflects the communities we operate in and customers we serve, improving our response to local contexts and diverse customer needs. Our engagement survey feedback tells us that employees are more productive and more likely to succeed when they are part of an inclusive workplace, where everyone is valued, respected, engaged and feels safe to be themselves at work. This can lead to improved business performance, giving room for more creativity and innovation. Creating an inclusive culture where employees thrive is core to our Purpose and is key to our continued success. This year, we launched our diversity and inclusion strategy with three pillars. In the first year of this strategy, we are on a journey to embed our approach across the business.

Visible leadership

Leadership lead by example

Active networks

Engaging with our people in a different way to build a sense of inclusion and to drive action

People and processes

Policies and procedures that create an environment where people can do their best work

Visible leadership

Every employee has an important role to play in creating a diverse and inclusive workplace culture. By role modelling inclusive behaviours, leaders can help create a workplace where all employees can realise their potential. We launched our inclusive leadership workshop to help leaders take ownership and drive action (see case study). We have over 200 leaders who are part of a global, diverse alumni network supporting each other. In 2022/23 we will embed the inclusive leadership workshops throughout the organisation.

In October 2021 we launched our Diverse Voices campaign where everyone can share their perspective and experience to help raise awareness of events across the year, e.g., men's mental health awareness, Black History Month, and International Women's Day. These stories help raise awareness of cultural differences, celebrating diversity, and highlighting important issues faced by different groups.

As part of a healthy diet programme, baskets of fruit are available for employees in the Belgium office.

Developing an inclusive culture through reverse mentoring

After the inclusive leadership workshop, several leaders, including some senior leaders, were paired with reverse mentors of different backgrounds. Reverse mentoring is an opportunity to connect with our diversity and inclusion agenda on a personal level and drive action to create cultural transformation. It builds a bridge between different backgrounds, benefiting both parties.

- "It provided a great opportunity to have a trusted conversation about the diversity and inclusion agenda. We focused on how we can improve awareness and challenged what I can do as a leader to be more inclusive." **Socky Angel, North Sales Director (UK), Reverse Mentor.**
- "We talked about areas we can improve and will explore these in future conversations." **Adam Platts, Sales Director (UK), Mentee.**

Active networks

Everyone has a role to play to make the organisation a more diverse and inclusive environment. We recognise that real change comes from employees by treating others fairly with respect. We continue making good progress through our Global Diversity and Inclusion Forum, where individuals are committing to driving action personally in 2022/23. Our partnership with the European Works Council Diversity and Inclusion Committee is driving significant opportunities to help embed our ambition locally through our site networks.

To raise awareness, build a sense of inclusion and drive action, we mobilised and engaged employees through active networks. This year, we launched our first Employee Resource Groups (ERGs), LGBTQ+ and Allies Network, an Ethnic and Cultural Diversity Network and set up local site networks e.g., Kemsley Mill's diversity and inclusion network.

As a result of active networks, inclusion events have taken place such as our diversity and inclusion roundtables with external speakers, helping employees raise awareness, engage and hear how they can drive action. In 2022/23 we will continue exploring additional ERGs and run local roundtables across the business.

People processes

We recognise that policies turn the open conversations in our active networks into meaningful action to provide opportunities to address inequalities and create an environment where employees can thrive. This year, we made progress to build awareness and embed in the business practices of our global Equal Opportunities and Anti-Discrimination Policy. We also ensured that business language is non-discriminatory throughout the organisation. In 2022/23, we are working to ensure the policy and training are embedded throughout our site network supported by employee groups such as the European Works Council.

To attract diverse talents, we refreshed our career site and showcase diverse career journeys. We set targets for gender diverse pipelines in professional roles, senior search and our graduate programme. We track metrics throughout the hiring process which helps address under representation resulting in an improvement in female hiring for professional roles. We launched the Career Transition Partnership for veterans and in 2022/23 we will explore opportunities to support inclusive employability initiatives.

Diversity of our Executive team

In November 2021, the Department for Business, Energy & Industrial Strategy announced government support for a new five-year independent review, the FTSE Women Leaders Review. The purpose is to monitor the representation of women among leaders of FTSE 350 companies, focusing on both board membership (with a voluntary target increase to 40 per cent by 2025) and senior leadership roles.

We voluntarily take part and have adopted the review's definition of senior leadership to provide a consistent measure of progress year on year, which includes direct reports of our four Executive Committees: Group Operating Committee, Group Strategy Committee, Group Health, Safety, Environment and Sustainability Committee and the Group M&A Committee. For more information about these Committees, please see page 71. The 2021 report was published in January 2022 and represents our position as of 31 October 2021:

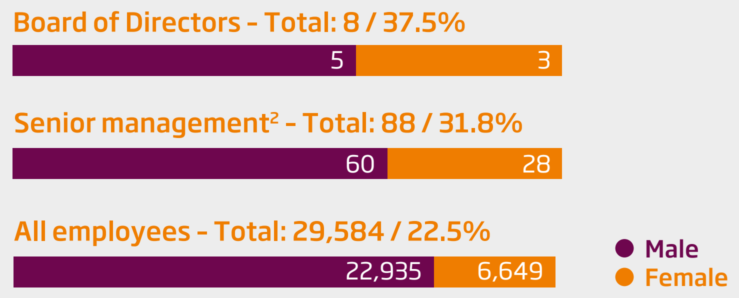
Overall FTSE ranking	41
Women on DS Smith Plc Board	37.5%[1]
Female Executive Committee and direct reports	32.9%[2]

1. Compared to FTSE 100 average of 39.1%.
2. Compared to FTSE 100 average of 32.5%.

We acknowledge diversity is broader than gender and we are making progress through our employee resource groups and recruitment searches. We recognise it continues to be a challenge to attract women into manufacturing, however we are making progress. Targeted recruitment actions resulted in increasing diverse senior leadership hires, with 38 per cent female hire ratio at the senior level and we exceeded gender parity of graduate offers for the second year in a row. We continue to support the acceleration of our female leadership pipeline with mentoring and executive coaching support, and ensuring representation of women in leadership programmes, with 32 female participants across cohorts. This year, we have implemented function talent meetings using gender diversity analytics to understand the diversity profile at every level of the talent pipeline, driving action to ensure transparent conversations and career coaching take place. In 2022/23 we will continue to scale the function and across division talent meetings and support the development of female talents through the leadership programmes.

For gender pay gap reporting we choose to report not only on the UK legal entities where headcount is above 250, but on the UK total figures to provide a comprehensive view. This year, the mean gender pay gap improved to 2.2 per cent (3.5 per cent in 2020). We are working hard to deepen our leadership pipeline, with 32 per cent of our global senior management positions occupied by women. We know that gaining exposure to strategy development is key for executive succession and three of our female leadership talents now sit on four of the Group Executive Committees. For more information search 'gender pay gap report' on dssmith.com. However, the UK only represents a small proportion of our total workforce and our policies and practices are applied globally.

Gender diversity[1]



1. As at 30 April 2022.
2. Definition of senior management: our four Group Executive Committees and their direct reports.

To lead the way in sustainability

Q&A with Wouter van Tol:

Head of Sustainability, Government and Community Affairs

Q How can the circular economy help the world to tackle climate change?

The circular economy rethinks how we all live our lives and run our businesses, challenging us to use our finite resources many times over. We can cut greenhouse gas emissions by evolving from a linear system to a circular system that eliminates waste and pollution, keeps products and materials in use and regenerates natural systems.

Q How significant is the commitment to a 1.5°C science-based target?

Our business has ambitious growth plans over the coming years as we lead the transition to a circular economy. Delivering our commitment will require cutting emissions as we grow through investment in next- generation engineering solutions, self-generated renewable energy sources and power purchasing agreements to replace grid electricity, which are significant steps to take in an energy intensive industry.

Q What were your highlights from being at COP26?

Arguably COP26 was the most significant global climate change conference since the Paris Agreement in 2015. Being surrounded by world leaders and other businesses reinforced the imperative to take serious action in this crucial decade to 2030. By building a common agenda together, businesses can be a part of the solution. This is why we joined the UN Race to Zero and the Get Nature Positive campaigns as collective platforms to accelerate change towards a low carbon and circular economy, protecting the natural world that we depend on.

We do this by:

- Closing the loop through better design
- Reducing waste and pollution through circular solutions
- Equipping people to lead the transition to a circular economy
- Protecting natural resources by making the most of every fibre

In 2021/22 we:

- Set our 1.5°C science-based target to reduce Scope 1, 2 and 3 GHG emissions by 46 per cent by 2030 compared to 2019 and reach Net Zero emissions by 2050
- Delivered progress on our Now and Next Sustainability Strategy; achieving our targets to manufacture 100 per cent recyclable or reusable packaging and to fund 100 biodiversity projects across Europe and North America ahead of our plans
- Placed on the prestigious 'A List' for CDP Water Security, increased our CDP Climate Change score to A- and earned EcoVadis 'Platinum' rating
- Played our part at COP26, with a sustainable packaging installation at the Ellen MacArthur Foundation Café in the New York Times Climate Hub where we launched our Circular Economy Lesson Plan as part of our goal to engage five million people on the circular economy and circular lifestyles by 2030

In 2022/23 we will:

- Drive our circular design and innovation agenda to maintain that all of our packaging is reusable or recyclable, replace problem plastics and optimise solutions to ensure that we use no more natural resources than necessary
- Deliver further progress on our Now and Next Sustainability Strategy

See DS Smith Sustainability Report 2022 for more information about how we are leading the way in sustainability with our Now and Next Sustainability Strategy.

Additional non-financial metrics can be found in DS Smith ESG Databook 2022.

Highlights of 2021/22 Now and Next progress

Closing the loop through better design

In 2021/22, 99.6 per cent (2020/21: 99.2 per cent) of packaging manufactured met our 100 per cent reusable or recyclable standard. Our community of over 700 designers continues to apply our Circular Design Principles to ensure that new packaging solutions are fit for the circular economy and recyclable by design. We now consider this target 'achieved' because greater than 99.5 per cent of our packaging volume meets this standard, enabling recyclability in practice and at scale. For the remaining less than 0.5 per cent volume that is presently not either recyclable in practice or at scale, such as some barrier coatings and foam, we continue to push for circular alternatives. These hard-to-recycle materials are being targeted with action plans through research and development efforts and our Group-wide Recyclability Forum. These are significant steps on the journey for all our packaging to be recycled or reused by 2030.

Reducing waste and pollution

Our progress to replace one billion pieces of problem plastic by 2025 continued strongly, with 313 million units replaced with corrugated alternatives by the end of 2021/22. This equates to on average more than 3 million units per week, boosting recyclability and reducing waste and pollution, since May 2020 when this target was set. We continue to work tirelessly to find solutions for our customers' single-use and hard-to-recycle packaging, with more than 1,000 recyclable fibre-based solutions developed for hundreds of thousands of products, from wine boxes to ready-meal trays to shrink wrap and fresh fruit punnets. With our Circular Design Metrics, our customers are able to compare the performance of different solutions to make more sustainable choices, for example switching from a plastic to fibre-based punnet for cherry tomatoes, substituting plastic for corrugated material that is recyclable and planet safe.

Protecting natural resources

In 2021/22, we optimised fibre use for individual supply chains in 26 per cent (2020/21: 23 per cent) of new solutions, ensuring that fibre use is minimised as far as practicable by tailoring specifications to our customers' unique supply chain conditions and performance requirements. As we aim to optimise fibre for individual supply chains in 100 per cent of our new packaging solutions by 2025, we continue to find ways to deliver more for our customers but using fewer natural resources. This includes reducing fibre use, which in turn decreases energy and water consumption during manufacture, whilst reducing greenhouse gas (GHG) emissions in the supply chain. It has been challenging to increase fibre optimisation over the past year as supply chains have necessarily had to flex to meet changing customer needs in response to Covid-19. However, we continue to analyse our customers' supply chain data with our performance prediction tool to optimise circular solutions for storage, transit and operational conditions.

Driving carbon reduction

In 2021/22, the Group GHG emissions intensity was 194 kg CO_2e per tonne of net saleable production (2020/21: 205 kg CO_2e/t nsp), a reduction of 5 per cent compared to last year and 29 per cent compared to 2015 (274 kg CO_2e/t nsp), the base year for our old carbon target.

This year, we undertook a strategic assessment to achieve Net Zero by 2050, defining a series of scenarios with best cost estimates, optimising for the lowest cost to reach the most ambitious science-based target. This informed our decision to commit to a 1.5°C target, which aims to reduce Scope 1, 2 and 3 GHG emissions 46 per cent by 2030 compared to 2019 and to reach Net Zero GHG emissions by 2050. We will encourage 100 per cent of our strategic suppliers to adopt science-based targets by 2027. The target has been validated by the Science Based Targets initiative (SBTi). As this is an 'absolute' reduction target, from next year we will begin reporting carbon reduction progress in 'absolute' tonnes of CO_2e, across all three scopes.

During the year, Kemsley K4 Combined Heat and Power (CHP) plant started up, delivering steam and electricity to the Mill with a c. 7 per cent energy efficiency improvement compared to its predecessor, decreasing overall emissions. Further steam supply to the Mill from the neighbouring K3 waste-to-energy plant made c. 30,000 tonnes of saving compared to the natural gas powered solution it replaced. At Contoire-Hamel Mill, the biogas from the anaerobic wastewater treatment plant began delivery, removing c. 1,300 tonnes CO_2e. Our €7.5 million expansion of the anaerobic waste water treatment facility at Rouen Mill has boosted biogas production to deliver green electricity with an expected c. 2,600 tonnes CO_2e saving annually. At Alcolea Mill, stationary steam siphons are beginning to deliver thermal improvements of around 10 per cent and a vacuum system upgrade at Kemsley Mill is expected to save c. 4,800 tonnes CO_2e annually. Projects to increase energy efficiency through measures such as equipment upgrades were implemented at Dueñas Mill, Lucca Mill and Viana Mill. Our LED lighting rollout continued, with 37,587 lamps installed at 101 sites delivering over c. 14,000 tonne CO_2e saving per annum. A power purchasing agreement (PPA) was introduced to cover a portion of our electrical energy demand in Iberia, saving c. 17,000 tonnes CO_2e annually. At our Packaging plants, we are continuing to review opportunities for wind and solar, including electrical supply to charging stations for electric vehicles. We maintained ISO 50001:2018 certification at 100 per cent of our in-scope sites, which drives our Group-wide energy management programme.

Measuring and improving biodiversity

In 2021/22, we began a project with the the University of Georgia to baseline the biodiversity in our forests in Georgia, North America. This included developing an inventory of potential species through a Geographic Information System (GIS) review of all properties, field surveys and laboratory, computer and literature research. The findings will form the basis of our plans to measure and improve the biodiversity of the forest. We achieved our target to launch 100 (2020/21: 57) biodiversity projects in our local communities ahead of our 2025 deadline, improving local environments for plants and animals, protecting natural habitats and enhancing species diversity in the areas in which we operate. Alongside these projects, 12 (2020/21: three) of our mills have launched longer-term biodiversity programmes. For example, at Aschaffenburg Mill, wildflower meadows, native plants and shrubs and a landscaped area for lizards have been introduced. Aschaffenburg is the only paper mill to receive the 'Blossoming Company Award' from the German Ministry for the Environment and Consumer Protection. At Alcolea Mill, work has begun to protect the white stork, a local endangered species, with nesting poles, native tree planting and bat boxes.

Managing water responsibly

Throughout 2021/22, we maintained water stress mitigation plans at 100 per cent of sites at current or future risk of water stress, building water stress risk into business continuity planning. Given that in the long-term, competition for finite water resources could increase in the river basins from which we withdraw water, we set a new Now and Next sustainability target to decrease water withdrawal by 1 per cent per year, every year to 2030, compared to 2019 at our paper mills located in regions at high or extremely high risk of water stress. This was achieved for 2021/22, operating at 8.08m³/t nsp (2020/21: 8.10 m³/t nsp) and therefore lessening pressure on natural water systems through water reduction, reuse and recycle opportunities. Finally, we received notification of non-conformance with water discharge consents 10 times in 2021/22 (2020/21: 21), delivering progress on our journey to zero by 2025.

Sending zero waste to landfill

From glass to metals, we are collaborating with others to identify innovative circular solutions for the non-fibre waste that enters our circular business. In 2021/22, 255,920 tonnes of waste was sent to landfill (2020/21: 258,225 tonnes), a less than anticipated reduction owing to delays to a number of key landfill diversion projects. At Kemsley Mill, c. 8,000 tonnes of landfill waste will be diverted annually through the K3 waste-to-energy facility, producing steam for the mill in the process. At Alcolea Mill and Belisce Mill, landspread and sludge opportunities are set to divert c. 9,000 tonnes per year and at Dueñas Mill, an alternative use has been identified for c. 11,000 tonnes annually. At our Packaging plants, we maintained a recycling rate of 99 per cent and Aschaffenburg Mill, Coullons Mill, Kaysersberg Mill and Witzenhausen Mill sent zero waste to landfill in the period.

Sourcing sustainably

Throughout the year, we continued to roll out our Global Supplier Standard (GSS) to our suppliers. In 2021/22, 78 per cent (2020/21: 45 per cent) of our suppliers overall agreed to our GSS, reflecting progress towards our target of 100 per cent of suppliers agreeing by 2025. We continued our engagement programme with our strategic suppliers, encouraging suppliers to complete sustainability assessments and share best practice and learning, including on the circular economy.

We maintained our standard that 100 per cent of papers purchased are recycled or chain of custody certified.

Equipping people to lead the transition to the circular economy

We continued to immerse our people in circular economy learning and development opportunities, engaging 50 per cent (2020/21: nine per cent) of our people with targeted circular economy engagement campaigns. We rolled out bespoke circular economy eLearning modules and building on the success of last year, another cohort attended the Ellen MacArthur Foundation Circular Economy Masterclass. We are further embedding circular economy into our brand and Purpose campaign so that it remains front-and-centre of everything we do. Beyond our own people, we are reaching our industry, communities and the next generation to promote the circular economy and circular lifestyles. In 2021/22, we engaged over 2.3 million (2020/21: 519,000) people from all over the world across various platforms. At COP26, we launched our circular economy lesson plan as a free resource for young people and their teachers to educate them about the circular economy and how we can all play a part in protecting our planet's natural resources. Outside of the classroom, we continue to reach the general public through engaging circular economy content, social media and video posts.

Contributing to our communities

In our local communities, 100 per cent of our in-scope sites contributed to their communities throughout 2021/22, with engagement focused on (but not limited to) our Community Programme themes of circular economy education and biodiversity. From engaging young people on the International Day of Education to improving local environments on World Cleanup day, our people contributed hundreds of hours to support community initiatives throughout the year.

Respecting and promoting human rights

We achieved our Now and Next sustainability target to undertake a human rights high-level risk and gap analysis, identifying potential human rights risks. This involved country and sector risk analysis, in addition to stakeholder interviews and engagement to highlight improvement opportunities. The findings set out areas of strong performance as well as opportunities to develop our roadmap to strengthen due diligence on human rights. As next steps, we developed a Human Rights policy and established a multi-disciplinary Modern Slavery and Human Rights Committee, which reports to our Group Operating Committee, thereby strengthening the governance of human rights due diligence.

ESG ratings

We are delighted that over the past year, our leading ESG and sustainability performance was recognised by our ESG ratings, with improvements in CDP, DJSI (S&P Global Corporate Sustainability Assessment), EcoVadis, MSCI and Sustainalytics.

- **CDP** – 'A List' (Water Security), A- (Climate Change), B (Forests)
- **DJSI (S&P Global CSA)** – 67
- **EcoVadis** – Platinum
- **MSCI** – AA
- **Sustainalytics** – 'Low ESG Risk'
- **Circulytics** – A-
- **FTSE4Good** – Included since 2012
- **ISS** – 'Prime' B-
- **Support the Goals** – 4 of 5 stars
- **UN Global Compact** – Member since 2013

Group greenhouse gas (GHG) emissions

Metric	Unit	2019/20 (base year)	2020/21	2021/22	Compared to last year	Compared to base year
Direct (Scope 1) GHG emissions	tonnes CO_2e	2,181,890	2,047,265	2,023,278*	-1%	-7%
Indirect (Scope 2) GHG emissions[1]	tonnes CO_2e	792,275	763,727	759,257*	-1%	-4%
Indirect (Scope 3) GHG emissions	tonnes CO_2e	5,671,258	5,562,318	5,468,167	-2%	-4%
Total GHG emissions	tonnes CO_2e	8,645,693	8,373,310	8,250,702	-1%	-5%
GHG emissions from energy export	tonnes CO_2e	791,810	666,283	647,258*	-3%	-18%
Total GHG emissions (net)[2]	tonnes CO_2e	2,182,355	2,144,709	2,135,278*	0%	-2%
Energy consumption[3]	MWh	15,707,667	15,446,255	15,324,120*	-1%	-2%
Energy exported	MWh	1,977,616	1,739,114	1,774,539*	2%	-10%
Total production	tonnes	10,222,065	10,445,145	11,014,256*	5%	8%
GHG emissions per tonne production	kg CO_2e / t nsp[4]	213	205	194*	-5%	-9%
Out of scope GHG emissions	tonnes CO_2e	37,850	36,762	33,517	-5%	-9%

1. Calculated using the market-based approach. Both market-based and location-based figures are provided in DS Smith ESG Databook 2022.
2. Calculated as ('Scope 1' + 'Scope 2 (market-based)') – 'GHG emissions from energy exports'. 19 per cent generated by UK-based operations in 2021/22.
3. 14 per cent of energy consumption by UK-based operations in 2021/22.
4. t nsp – metric tonnes net saleable production.

* Independent Assurance has been obtained for these metrics – see assurance statement below.

Methodology

Greenhouse gas emissions are reported in accordance with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (Revised) under a financial control boundary. All figures are reported on a like-for-like basis, including in the base year, to provide a meaningful comparison over time. See DS Smith ESG Databook 2022, which can be downloaded from the DS Smith ESG Reporting Hub, which contains the basis of preparation, including definitions and methodology notes.

Additional non-financial metrics can be found in DS Smith Sustainability Report 2022.

Independent Assurance Statement

Deloitte have provided independent third-party limited assurance in accordance with the International Standard for Assurance Engagements 3000 (ISAE 3000) and Assurance Engagements on Greenhouse Gas Statements (ISAE 3410) issued by the International Auditing and Assurance Standards Board (IAASB) over the 2021/22 selected information, identified with * in the above table, and other selected information relating to carbon, energy, water, waste and production identified with * within DS Smith Annual Report 2022 and DS Smith Sustainability Report 2022. Deloitte's full unqualified assurance opinion, which includes details of the selected information assured, can be found on our website at https://www.dssmith.com/sustainability/reporting-hub.

Independent verification to a limited level of assurance for the 2019/20 base year was provided by Bureau Veritas.

To double our size and profitability

Q&A with Adrian Marsh

Group Finance Director

Q How have you performed against your financial KPIs?

We have made good progress in the year against our medium term target metrics. We saw record corrugated box volume growth during the year in the first half of the year, with growth slowing in the second half as we hit stronger comparators. Despite the growth, we were behind our GDP +1 per cent target, reflecting the large fluctuations in GDP as the economy bounced back very strongly after a period of decline during the pandemic. This has meant the comparison to GDP +1 per cent has been hard to achieve (following our outperformance of 9 per cent in our last financial year). While behind our KPIs for the year, we grew both our return on sales and return on average capital employed (ROACE) compared to the prior year and during the period and we exit the year with ROACE for the six month period in the second half in our medium-term target range.

Cash flow has been a continued focus for the business and we are delighted to have delivered another strong cash flow conversion in line with our target and significant reduction to our net debt ratio (net debt: EBITDA), down to 1.6 times from 2.2 times a year ago, principally due to strong free cash flow generation of £519 million.

We do this by:

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

In 2021/22 we:

- 5.4 per cent like-for-like corrugated box volume growth
- 29 per cent growth in adjusted EBITA
- 7 per cent growth in free cash flow, with net debt: EBITDA at 1.6 times

In 2022/23 we will:

- Continue to drive volume growth of 2-4 per cent
- Continue to manage costs in an inflationary environment
- Invest in growth, innovation and environmental efficiency

Our KPIs

Like-for-like corrugated box volume growth

Definition

Like-for-like volume of corrugated box products sold (excluding the effect of acquisitions), measured by area.

Why this is a KPI

We target volume growth of at least GDP +1 per cent because we expect to win market share by delivering value to our customers across their supply chain on a multinational basis.

2022 Performance

Corrugated box volumes grew strongly by a record 5.4 per cent. Despite the growth, it is behind our target of GDP +1 per cent of +9.0 per cent, which was particularly volatile due to Covid-19 with major declines seen in the comparative period and hence a stronger bounce back post pandemic. Over the two-year period the average of GDP +1 per cent was 1.6 per cent and our compound average box volume growth over the same period was 4 per cent.

2022	5.4%
2021	3.5%
2020	0.6%

2022 Target: GDP +1%

Further information on the calculation of financial KPIs and other non-GAAP performance measures is given in note 32 to the consolidated financial statements.

Return on sales

Definition

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

Why this is a KPI

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

2022 Performance

Return on sales (RoS) grew 10 basis points to 8.5 per cent due to the 23 per cent improvement in adjusted operating profit more than offsetting the dilutive impact on RoS of the significant cost inflation pricing.

2022	8.5%
2021	8.4%
2020	10.9%

2022 Target: 10% - 12%

Net debt/EBITDA

Definition

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

Why this is a KPI

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

2022 Performance

Net debt as at 30 April 2022 was £1,484 million and 1.6 times EBITDA with the reduction principally due to excellent cash management.

2022	1.6x
2021	2.2x
2020	2.1x

2022 Target: <2.0x

Cash conversion

Definition

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

Why this is a KPI

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

2022 Performance

Cash conversion was 142 per cent, in line with our target, driven by higher cash inflows from operating activities.

2022	142%
2021	150%
2020	103%

2022 Target: >100%

Adjusted return on average capital employed

Definition

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

Why this is a KPI

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

2022 Performance

Adjusted ROACE progressed significantly during the year, by 260 basis points to 10.8 per cent , reflecting the improvement in adjusted operating profit. The improving trend in profitability combined with the improving returns from recent acquisitions and investments means ROACE was 12.1 per cent for the second six months of the year.

2022	10.8%
2021	8.2%
2020	10.6%

2022 Target: 12% - 15%

Operating review

A year of growth and momentum

Organic corrugated box volumes have shown record growth of 5.4 per cent across the year, reflecting continued growth in the resilient fast moving consumer goods (FMCG) and other consumer related sectors, which represent over 80 per cent of our volumes, together with a recovery in the industrial sector following the impact of the pandemic in the prior year. In a challenging supply chain environment, our large scale, security of supply and high service levels have driven ongoing gains with our customers including large multinational companies. Regionally, we have seen particularly good performances in the US, Southern and Eastern Europe.

The structural market drivers of plastic replacement, consumer and retail channel evolution and e-commerce continue to help accelerate growth. We have continued to invest in innovation and have embedded our pioneering Circular Design Metrics across all our packaging sites. We are the only packaging producer to offer this unique tool, which gives our customers across a wide range of sectors such as FMCG, industrial, retail and e-commerce a clear view of their packaging designs' circularity performance and helps them achieve their sustainability goals.

Looking forward, customer demand remains strong and we expect to see continued volume growth of 2-4 per cent in the current financial year.

For the full year, revenue grew by £1.5 billion (26 per cent) on a constant currency basis and 21 per cent on a reported basis, driven by corrugated box volume growth (£203 million) and higher selling prices (£1,279 million) across the Group. External paper, recycling, and other packaging revenues increased (£23 million) as higher pricing more than offset reduced volumes sold externally as the organic growth of our packaging volumes meant we utilised a greater proportion of our paper production internally.

Raw material, energy and transportation input costs all rose significantly over the comparative period. However, these were mitigated by effective supplier arrangements, long-term hedging positions and rising packaging selling prices.

Volume growth combined with increased packaging selling prices, partly offset by the increased input costs, resulted in adjusted operating profit growing by 29 per cent on a constant currency basis and 23 per cent on a reported basis to £616 million. Corrugated box volume growth contributed £65 million and the effect of an increase in the average sales price and mix was £1,279 million versus the comparable period. £714 million of this increase was due to an increase in packaging prices with the remainder of £565 million due to increases in price of external sales of paper, recycling material and energy. These increases reflect the recovery through increased sales pricing (with a lag) of the significant increases in input costs during 2021 and 2022. Compared to the comparative period, input costs increased by £1,207 million with rises in raw material costs of £720 million, energy costs of £297 million and other costs of £190 million. The net energy cost increase, after the price benefit of energy sales, was £174 million. The energy impact, while significant, was mitigated by the Group's three-year rolling hedging programme. Group return on sales grew during the year to 8.5 per cent (2020/21: 8.4 per cent) with the second half at 8.8 per cent, reflecting the significant growth in profitability more than offsetting the dilutive effect of higher cost and selling prices.

Adjusted basic earnings per share from continuing operations grew 35 per cent on a constant currency basis to 30.7 pence (2020/21: 24.2 pence). Basic earnings per share of 20.4 pence grew by 61 per cent compared to the prior year on a constant currency basis (2020/21: 13.3 pence), reflecting the growth in operating profit.

Cash generation during the year was strong, with £519 million of free cash flow (2021: £486 million) driving a reduction in net debt to £1,484 million (2021: £1,795 million). The free cash flow was driven by increased profitability and a positive working capital inflow of £215 million, more than offsetting the increased capital expenditure. £109 million of working capital inflow relates to margin calls to manage our energy hedging counter-party risk and this is expected to reverse in the financial year 2022/23.

The continued reduction in net debt, together with the increasing profitability, improved our leverage ratio of net debt/EBITDA to 1.6 times, compared to 2.2 times as at 30 April 2021, and within our medium-term target of at or less than 2 times.

The increased profitability of the Group, together with tight capital management, drove a 260 basis point increase in return on average capital employed (ROACE) to 10.8 per cent, with excellent momentum throughout the year, reflected in a ROACE in the second half of the year of 12.1 per cent, within our medium-term target range.

Investing for growth

Within our financial metric priorities of maintaining our investment grade credit rating and a net debt/EBITDA ratio of below 2 times, our capital allocation priorities remain focused on disciplined investment to support growth with our customers and drive shareholder returns.

With strong structural market drivers and growth with our customers, we continue to see attractive opportunities to invest organically in our business via focused innovation, expansion of current and new sites and improving efficiency.

Our new site in Italy is now operational, with the site in Poland currently being commissioned ready for production to commence in the next few weeks, all in line with customer driven demand for ever more sustainable packaging. Together they represent approximately an additional 3 to 4 per cent packaging capacity at full utilisation and are 80 per cent pre-sold. These are expected to make a 15 to 20 per cent return on capital once operating at full capacity, which is anticipated to be in the third year of operation.

While the Board recognises the current macroeconomic uncertainties, strong customer pull underpins our confidence in the organic growth opportunities and accordingly capital expenditure for 2022/23 is expected to increase by approximately 20 per cent to around £500 million. This will be allocated across three main areas: investing for growth by systematically enhancing the capability and efficiency at existing packaging plants; further aligning our paper capacity with our packaging customers; and replacing assets with more environmentally efficient options as part of the usual capital replacement cycle. All the growth projects undertaken have estimated returns on capital in excess of the Group target ROACE range of 12 to 15 per cent.

Innovation

Many of our customers are multinational industry-leading brands who require a pan-continental, consistent approach to their packaging, and they are increasingly looking for closer partnerships to grow and innovate with them.

As part of the commitment we announced in 2021 to invest £100 million in research and development (R&D) over five years, we have opened a state-of-the-art laboratory at Kemsley Mill, one of the largest paper mills in Europe, to advance our research into alternative fibre sources for paper and packaging products.

We have also announced a new flagship innovation centre for ideation, design, testing, piloting and collaboration near Birmingham, UK. This facility will allow us to install and test pilot product and service lines to enable customers to visualise the value that we can bring to them.

Packaging innovation is the lifeblood of our organisation and is vital in keeping global supply chains running as they become more integrated, demanding and focused on sustainability.

Leading the way in sustainability

Sustainability has been at the heart of our business for many years as we have developed and grown into a solely fibre-based corrugated packaging business. We continue to work actively with our customers to help them address their sustainability challenges. Our Circular Design Principles combined with our carbon reduction programme and focus on plastic replacement are allowing us to meet our customers' increasing sustainability requirements. Momentum in plastic replacement is accelerating and we have replaced 313 million units of plastic since 2020.

We continue to make good progress in delivering against our sustainability targets. We have reduced our CO_2 per tonne of production by 29 per cent from 2015, achieved a 5 per cent reduction in water abstraction within paper mills in areas at risk of water stress, achieved our target of 100 per cent reusable or recyclable packaging and launched 100 biodiversity projects.

We are delighted that this progress has been recognised with an improvement in rating by a number of external indices including MSCI ACWI Index, Dow Jones Sustainability Index, EcoVadis, Sustainalytics and CDP.

Looking forward, we have the most ambitious carbon reduction targets in our industry with a Science Based Targets initiative approved CO_2 reduction target of 46 per cent from 2019 to 2030 and a commitment to achieving net zero carbon emissions by 2050.

Dividend

The Board considers the dividend to be a very important component of shareholder returns. Our policy is that dividends will be progressive and that, in the medium term, dividend cover should be on average 2.0 to 2.5 times (relative to adjusted earnings per share), through the cycle. Accordingly, and reflecting the strong growth in the business and our confidence in the outlook, we are announcing a final dividend for this year of 10.2 pence, taking the total dividend for the year to 15.0 pence per share (2020/21: 12.1 pence), in line with our policy and an increase of 24 per cent over the prior period.

Subject to approval of shareholders at the AGM to be held on 6 September 2022, the final dividend will be paid on 1 November 2022 to shareholders on the register at the close of business on 7 October 2022.

Our medium-term targets and key performance indicators

We measure our performance according to both our financial and non-financial medium-term targets and key performance indicators. We have seen an improvement in our performance for all measures.

As set out above, like-for-like corrugated box volumes grew by a record 5.4 per cent driven by growth with our FMCG and consumer-focused customers. Although volume growth was behind our target of GDP +1 per cent, GDP has been particularly impacted by Covid-19 with major declines seen in the comparative period in the prior year, when we exceeded our target by 9.0 per cent, followed by a strong recovery in the financial year 2021/22. Over the two-year period the average of GDP +1 per cent was 1.6 per cent and our compound average box volume growth over the same period was 4.0 per cent.

Return on sales grew 10 basis points to 8.5 per cent. Despite the 29 per cent improvement in adjusted operating profit, the dilutive impact of the significant cost and selling price inflation limited the annual improvement in return on sales, which was below our target range of 10 to 12 per cent. The margin progressively improved during the period, with the margin in the second half being 8.8 per cent, underpinning our confidence in achieving our medium-term target.

Adjusted ROACE grew 260 basis points 10.8 per cent (2020/21: 8.2 per cent), reflecting the significant growth in adjusted operating profit. The improving trend in profitability through the year combined with the improving returns from recent acquisitions and investments means ROACE was within our medium-term target range of 12 to 15 per cent at 12.1 per cent for the second half of the year.

Net debt as at 30 April 2022 was £1,484 million (30 April 2021: £1,795 million), with the reduction principally due to free cash flow of £519 million. Working capital performance was extremely good with both a strong focus in the business and the benefit of rising input costs such as paper and OCC on our payables. It also benefitted from £109 million of working capital inflow which relates to margin calls to manage our energy hedging counterparty risk which is expected to reverse in the financial year 2022/23. Cash generated from operations before adjusting cash items of £1,092 million was used to invest in net capex of £415 million, which increased by 28 per cent on the prior year, principally reflecting the investment in two new packaging plants in Italy and Poland. Net debt/EBITDA (calculated in accordance with our banking covenant requirements) is 1.6 times (2020/21: 2.2 times), substantially below our banking covenant of 3.75 times. The Group remains fully committed to maintaining its investment grade credit rating.

During the year, the Group generated free cash flow of £519 million (2020/21: £486 million), reflecting increased profitability and strong cash and working capital management. Cash conversion, as defined in our financial KPIs (note 32), was 142 per cent, well ahead of our target of being at or above 100 per cent.

DS Smith is committed to providing all employees with a safe and productive working environment. We are pleased, once again, to report improvements in our safety record, with our accident frequency rate (defined as the number of lost time accidents per million hours worked) reducing by a further 6 per cent to 1.9, reflecting our ongoing commitment to best practice in health and safety. We are proud that 266 out of a total of 325 reporting sites achieved our target of zero accidents this year and we continue to strive for zero accidents for the Group as a whole.

The Group has an industry leading target for customer service of 97 per cent on-time, in-full deliveries. In the year we achieved a good performance at 94 per cent, despite the impact on supply chains of the pandemic and latterly the Russian invasion of Ukraine. Management remains fully committed to the target and the highest standards of service, quality and innovation to all our customers and we will continue to strive to meet the demanding standards our customers expect. Other markers of quality such as our defects rate (measured in parts-per-million) have improved significantly, having reduced 13 per cent.

Operating review

Unless otherwise stated, any commentary and comparable analysis in the operating review is based on constant currency performance.

Group

£m	**Year ended 30 April 2022**	Year ended 30 April 2021	Change – reported	Change – constant currency
Revenue	**£7,241m**	£5,976m	+21%	+26%
Adjusted operating profit[1]	**£616m**	£502m	+23%	+29%
Operating profit	**£443m**	£311m	+42%	+49%

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

Revenue grew 26 per cent driven by packaging volume growth and higher selling prices across the Group. Operating profit grew 29 per cent with growth in corrugated box volume and increased sales price partly offset by increased input costs.

Northern Europe

£m	**Year ended 30 April 2022**	Year ended 30 April 2021	Change – reported	Change – constant currency
Revenue	**£2,790m**	£2,370m	+18%	+21%
Adjusted operating profit[1]	**£139m**	£138m	+1%	+5%
Return on sales[1]	**5.0%**	5.8%	(80bps)	(80bps)

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

The Northern Europe division has seen good corrugated box volume growth in Germany and Benelux offset by declines in the UK where there was a particularly strong comparator following the exceptional e-commerce related growth during the pandemic.

Revenues have increased by 21 per cent in the region due to a combination of the increases in corrugated box volumes and pricing and the increased sales prices for externally sold paper, recycled fibre and energy. Adjusted operating profit grew 5 per cent, reflecting the increased pricing in packaging, recycling and external paper sales more than offsetting increased input costs, principally OCC and energy. Return on sales reduced by 80 basis points, reflecting the greater impact of lower margin external recycled fibre sales, together with greater cost inflation than other regions.

Southern Europe

£m	**Year ended 30 April 2022**	Year ended 30 April 2021	Change – reported	Change – constant currency
Revenue	**£2,736m**	£2,156m	+27%	+33%
Adjusted operating profit[1]	**£324m**	£223m	+45%	+53%
Return on sales[1]	**11.8%**	10.3%	+150bps	+150bps

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

Southern Europe saw very strong growth in volumes driven by Iberia in particular, which had been significantly impacted by reduced tourism in the financial year 2020/21.

Revenue grew by 33 per cent, due to the impact of higher box volumes and increases in both box and paper pricing. Adjusted operating profit grew by 53 per cent compared to the prior period, with the packaging operations benefitting from the pass through of higher paper prices, together with a very positive impact from paper sold externally. Return on sales improved by 150 basis points reflecting the strong improvement in operating profit.

Since the acquisition of Europac in 2019, the region has grown its profitability significantly, with Europac contributing not only to the improved profit and margin growth in the region but also the overall strength of the Group's security of supply of paper. In 2021/22, the return on invested capital from the acquisition was 12 per cent, in line with our target of being in our ROACE target range of 12 to 15 per cent in the third full year of ownership.

Eastern Europe

£m	**Year ended 30 April 2022**	Year ended 30 April 2021	Change – reported	Change – constant currency
Revenue	**£1,118m**	£909m	+23%	+30%
Adjusted operating profit[1]	**£73m**	£78m	(6%)	0%
Return on sales[1]	**6.5%**	8.6%	(210bps)	(200bps)

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

Organic corrugated box volumes in Eastern Europe have grown the fastest within Europe and well across the whole region, reflecting the business mix and comparative performance in the prior year.

Revenues grew 30 per cent, principally reflecting increases in corrugated box volumes and pricing. Adjusted operating profits were flat, reflecting the timing lag in the recovery of higher paper prices through increased packaging pricing. The region has the lowest proportion of paper capacity relative to packaging production within the regions in the Group, which impacts margin in the short term via the increased paper costs.

North America

£m	**Year ended 30 April 2022**	Year ended 30 April 2021	Change – reported	Change – constant currency
Revenue	**£597m**	£541m	+10%	+14%
Adjusted operating profit[1]	**£80m**	£63m	+27%	+31%
Return on sales[1]	**13.4%**	11.6%	+180bps	+180bps

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

Packaging volumes in the region have continued to see the strongest increases within the Group, reflecting continued excellent customer traction with growth across a number of packaging sites and the increasing utilisation of the box plant in Indiana. Full utilisation is expected to be completed on plan in the financial year 2022/23.

Revenues increased by 14 per cent, principally reflecting the packaging volume and pricing growth and the increase in export paper prices more than offsetting reduced volumes in external paper sales as we utilised, as planned, more of our paper production. Adjusted operating profit grew by 31 per cent, reflecting the improvement in paper and packaging pricing, resulting in a 180 basis point increase in return on sales to 13.4 per cent, the highest region within the Group.

Outlook

The new financial year has started well, building on the momentum from the previous year. Whilst there remains considerable uncertainty about the overall economic environment, our expectations remain unchanged. Strong customer demand reinforces our confidence to invest in the business, with capital expenditure expected to further increase in the current year. We currently expect to see 2-4 per cent growth in our volumes, aided by our focus on resilient end markets, a strong performance in the US and the opening of new sites in regions where demand is buoyant. This growth, combined with the benefits of ongoing pricing momentum and careful management of our cost base gives us confidence for the year ahead and is expected to result in a further substantial improvement in our performance.

Pricing power in a highly volatile environment

"Significantly improved profitability and returns, good volume growth and robust cash performance were delivered through our agile business model, which responded to a fast changing and highly volatile market environment while continuing to meet our customers evolving needs through our supply of sustainable, innovative fibre-based packaging solutions."

Adrian Marsh,
Group Finance Director

Overview

2021/22 has seen the Group continue to demonstrate the strength of its business model in the face of significant macro-economic volatility as the global economy emerged from the impact of Covid-19. The benefits of the rising demand for fibre based packaging in general and the security of supply that DS Smith offers its customers in particular have more than offset sharply rising prices of key raw materials and energy prices. This environment has been further hardened by the current conflict in the Ukraine.

Box volume growth, year-on-year, of 5.4 per cent was again extremely good and recognised the Covid-specific dynamics of the various markets we operate in. The growth drivers of the business particularly around single use plastic replacement have continued to gather momentum and the opportunity to grow further in the US, with the greenfield plant in Lebanon, Indiana, remaining extremely positive. Customers are clearly recognising the strength and scale of DS Smith and with security of supply, quality and service major issues for them, it has been pleasing to see this reflected in the Group's strong volume growth.

The business has experienced unprecedented rises in its input costs, with our net energy and recyclate costs increasing year-on-year by 81 per cent and 49 per cent respectively on a constant currency basis. These increases have been mitigated through the size, scale, and expertise of our procurement operations, long-term buying relationships for both recyclate and paper, and our long-running three year rolling energy hedging programme which we believe has been a real competitive advantage during this highly volatile period.

The second half of the year saw the Group continue to improve its profitability and cash performance, consolidating the good performance of the first half, with further box price rises reflecting the level of inflation in the markets we serve. During the first half of the year, the Group disposed of its non-core Dutch paper mill operations, consistent with the Group's paper strategy and track record of recycling capital from non-core operations to higher returning packaging assets.

During this significant period of macroeconomic uncertainty, the Group remains committed to achieving its medium-term financial measures and key performance indicators, as established by the Board, together with maintaining its investment grade credit rating. The principal measure of return on average capital employed (ROACE) for the year was 10.8 per cent (2020/21: 8.2 per cent), with the second half year at approximately 12.1 per cent, which was within the target of 12 to 15 per cent. The results are described below:

- Organic corrugated box volume growth of 5.4 per cent (2020/21: 3.5 per cent)
- Revenue increased 26 per cent on a constant currency and 21 per cent on a reported basis to £7,241 million (2020/21: £5,976 million)
- Adjusted operating profit of £616 million, an increase of 29 per cent on a constant currency basis and 23 per cent on a reported basis (2020/21: £502 million)
- 42 per cent increase in operating profit to £443 million on a reported basis; 49 per cent increase on a constant currency basis (2020/21: £311 million)
- 71 per cent increase in statutory profit before tax to £378 million on a constant currency basis and 64 per cent increase on a reported basis (2020/21: £231 million)
- Adjusted return on sales at 8.5 per cent (2020/21: 8.4 per cent)
- Adjusted return on average capital employed of 10.8 per cent (2020/21: 8.2 per cent)
- Net debt to EBITDA ratio of 1.6 times (2020/21: 2.2 times)
- Cash conversion 142 per cent (2020/21: 150 per cent).

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

Non-GAAP performance measures

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

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

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

Trading results

Revenue increased by 21 per cent on a reported basis to £7,241 million (2020/21: £5,976 million). Strong demand throughout the year saw volume growth of 5.4 per cent and this was coupled with higher selling prices of packaging, paper and recyclate to mitigate the unprecedented price rises of raw materials and key input costs. Volumes rose in all European regions and were noticeably higher in North America as a result of the continued growth at the greenfield packaging site at Lebanon, Indiana.

Reported revenues are subject to foreign currency translation effects. In the year, the euro accounted for 61 per cent of Group revenue. As such, the movements of the euro against sterling during the year constituted the majority of the £240 million of negative foreign exchange translation impact. On a constant currency basis, revenues increased by 26 per cent.

Corrugated box volume growth of 5.4 per cent (2020/21: 3.5 per cent growth) reflects the momentum seen in the Group's core markets and segments, with both new and existing customers.

The Group's current year volume growth should be set against a backdrop of exceptionally distorted Covid related GDP data. As a Group, c. 83 per cent of corrugated box volumes are sold to consumer goods customers, substantially ahead of the industry average, an indicator that our continued development of tailored and innovative packaging solutions is regarded as a differentiated offering in the market. Annualised growth over the past two years is estimated at 4.0 per cent, compared to a GDP +1 figure of 1.6 per cent.

Adjusted operating profit of £616 million on a reported basis is an increase of 23 per cent (2020/21: £502 million). This is largely attributable to volume growth of (£65 million) consolidated by price rises of £1,279 million exceeding input cost increases of £1,207 million and FX and other impacts (£23 million).

Operating profit at £443 million, is an increase of 49 per cent on a constant currency and 42 per cent on a reported basis (2020/21: £311 million). The Group benefitted from a strong performance across its whole business responding to a fast changing economic environment. Costs are proactively managed, of which the largest, energy, is predominantly managed and hedged on a 3 year rolling basis. As at the year end the Group has £714 million of net "in the money" commodity derivatives recognised as assets on the balance sheet, the benefits of which will flow through in future accounting periods.

On a reported basis, depreciation declined to £290 million (2020/21: £304 million) as the underlying increase was offset by the effects of exchange and the disposal of the non-core De Hoop paper mill in the Netherlands. Amortisation decreased marginally to £138 million.

The key measure of return on average capital employed (ROACE) improved to 10.8 per cent (2020/21: 8.2 per cent). This performance, as expected, was below the Group's medium-term target of 12 to 15 per cent for the year. However, the strong momentum in the second half of the year delivered an estimated return within this target range and the Board is confident this will be repeated for the full year 2022/23.

The Group has continued to focus on margin recovery through commercial disciplines and ongoing cost management and efficiency programmes. Adjusted return on sales increased by 10 basis points to 8.5 per cent (2020/21: 8.4 per cent) – whilst this is still below the medium term target of 10 to 12 per cent, the Board remains confident that target will progressively be achieved over the next couple of years.

Income statement – from continuing operations (unless otherwise stated)	**2021/22 £m**	2020/21 £m
Revenue	7,241	5,976
Adjusted operating profit[1]	616	502
Operating profit	443	311
Adjusted return on sales[1]	8.5%	8.4%
Adjusted net financing costs[1]	(70)	(78)
Share of profit of equity-accounted investments, net of tax	7	5
Profit before income tax	**378**	**231**
Adjusted profit before income tax[1]	**553**	**429**
Adjusted income tax expense[1]	(131)	(97)
Adjusted earnings[1]	**422**	**332**
Profit from discontinued operations, net of tax	–	12
Adjusted basic earnings per share[1]	30.7p	24.2p
Profit for the year attributable to owners of the parent (including discontinued operations)	**280**	**194**
Basic earnings per share from continuing and discontinued operations	20.4p	14.2p
Basic earnings per share from continuing operations	20.4p	13.3p

1. Adjusted to exclude amortisation and adjusting items (see note 4).

Adjusting items

Adjusting items before tax and financing costs were £35 million (2020/21: £49 million) which includes £29 million in relation to an investment in an associate in Ukraine. Without the impairment linked to the catastrophic Russian invasion of Ukraine, adjusting items would have been £6 million (2020/21: £49 million), in line with guidance.

The £29 million consisted of the full impairment of the Group's 49.6 per cent investment in the Ukrainian associate, RKTK. The Group has provided support to RKTK and its employees following the invasion of Ukraine by Russia. However, the invasion has caused significant damage to the assets of RKTK and impacted its ability to trade. Accordingly, an impairment of the entire investment has been recognised, together with amounts in connection with the trading activities conducted by the Group with the associate. There was no cash impact from this impairment.

Within restructuring costs, £8 million (2020/21: £27 million) principally relates to the completion of the major restructuring programme in Germany and the structured review of the underlying, indirect cost base of the European Packaging business.

Merger and acquisition-related costs of £1 million (2020/21: £2 million) were incurred, being predominantly professional advisory fees and purchase of minority interests.

On 12 October 2021 the Group sold its non-core Dutch paper mill operations. Cash consideration, net of cash and cash equivalents and transaction costs, was £35 million and net assets divested were £28 million, resulting in a net gain of £7 million. In addition, there were £4 million of other site disposal costs.

Non-acquisition and disposal adjusting items in 2022/23 are expected to be £nil.

Interest, tax and earnings per share

Net finance costs were £72 million (2020/21: £85 million). The decrease of £13 million on last year is primarily a result of lower levels of debt throughout the year. The employment benefit net finance expense of £3 million has remained at a similar level to the prior year.

Adjusting financing costs of £2 million (2020/21: £7 million) relate to the final unwind of the Interstate Resources put option.

The share of profits of equity-accounted investments was £7 million (2020/21: £5 million).

Profit before tax increased by 64 per cent on a reported basis to £378 million (2020/21: £231 million), driven by the increase in operating profit and a reduction in financing costs. Adjusted profit before tax of £553 million (2020/21: £429 million) increased by 29 per cent on a reported basis, again due to the increase in the underlying adjusted operating profit.

The tax charge of £98 million (2020/21: £49 million) reflects the impact of higher profits. The Group's effective tax rate on adjusted profit, excluding amortisation, adjusting items and associates, was 24.0 per cent (2020/21: 23.0 per cent). The tax credit through adjusting items was £2 million (2020/21: £16 million).

Reported profit after tax, amortisation and adjusting items for continuing and discontinued operations was £280 million (2020/21: £194 million). The increase in operating profit led to an increase of 53 per cent in basic earnings per share from continuing operations on a reported basis to 20.4 pence (2020/21: 13.3 pence), with adjusted earnings per share from continuing operations 27 per cent higher at 30.7 pence (2020/21: 24.2 pence) on a reported basis, 35 per cent higher on a constant currency basis.

Acquisitions and disposals

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

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

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

Cash flow

Reported net debt of £1,484 million (30 April 2021: £1,795 million) has decreased from the prior year, driven by higher cash inflows from operating activities. The rise in EBITDA from the strong business performance was combined with a net working capital inflow of £215 million, partly due to the ongoing focus on cash management, in particular cash collection and inventory management but also in no small part from higher commodity prices, most notably paper and energy, leading to increases in trade payables at the year-end compared to the prior year. The Group's energy and carbon hedges increased significantly in value during the year and in order to manage our counterparty risk there were margin calls made, of which £109 million relating to positions maturing after the year end. This £109 million is reflected within the cash flow statement as a working capital inflow which will reverse in 2022/23 and should, therefore, not be considered as an underlying working capital improvement.

Trade receivables factoring is £26 million lower than April 2021 at £381 million. Going forward the Group expects to continue to sell high credit quality receivables under this programme within the range £350-400 million outstanding at any one time. This is a reduction of some 30 per cent from the peak balance of £559 million in 2018.

Net capital expenditure increased by £92 million to £415 million in the year. The Group continued to focus on growth and efficiency capital projects, which represented 56 per cent of the reported spend in the year. Major investments in greenfield packaging plants in Italy and Poland were a significant portion of this, with operations in Italy starting up at the very end of the year and meaningful production at both sites expected during 2022/23. Proceeds from the disposal of property, plant and equipment were £16 million (2020/21: £8 million).

Tax paid of £96 million is £30 million higher than the prior year, which benefitted from tax receipts of £20 million in North America.

Net interest payments of £62 million decreased by £6 million over the prior year driven by the maturity of debt bearing higher interest rates and a lower net debt position throughout the year. The remainder of interest principally comprises interest on the Euro medium-term notes and US private placements, with amortisation of debt issuance and other finance costs accounting for the majority of the difference between cash interest paid and finance costs reported in the income statement.

Cash outflows associated with adjusting items decreased by £35 million to £13 million, and include restructuring and integration costs. The current year reduction is driven by a further decrease in merger and acquisition costs incurred in prior years. The impairment of the investment in RKTK had no cash flow effect.

Acquisitions and disposals of £13 million in the year (including leases divested of £1 million) include the settlement of £23 million of payments relating primarily to the October 2021 payment to the former owners of Interstate Resources and £35 million of inflows relating to the disposal of businesses, predominantly the Group's non-core Dutch paper mill.

Cash generated from operations before adjusting cash items increased by £149 million to £1,092 million. Net cash inflow was £333 million, a £33 million decrease on the prior year, following the resumption of the dividend payments (£166 million in 2021/22, nil in 2020/21).

Cash flow	**2021/22 £m**	2020/21 £m
Cash generated from operations before adjusting cash items	1,092	943
Capital expenditure (net of disposal of fixed assets)	(415)	(323)
Tax paid	(96)	(66)
Net interest paid	(62)	(68)
Free cash flow	**519**	**486**
Cash outflow for adjusting items	(13)	(48)
Dividends	(166)	–
Acquisitions and disposals of businesses, net of cash and cash equivalents	12	(74)
Other	(19)	2
Net cash flow	**333**	**366**
Issue of share capital	7	3
Loans, borrowings and finance leases divested	1	3
Foreign exchange, fair value and other movements	(30)	(56)
Net debt movement – continuing operations	**311**	**316**
Net debt movement – discontinued operations	–	(10)
Opening net debt	(1,795)	(2,101)
Closing net debt	**(1,484)**	**(1,795)**

Statement of financial position

At 30 April 2022, shareholder funds increased to £4,232 million, from £3,533 million in the prior year. Profit attributable to shareholders of £280 million contributed to the increase (2020/21: £194 million), together with a net increase in the cash flow hedge reserve of £712 million (2020/21: £112 million gain), and an actuarial gain on employee benefits of £68 million (2020/21: £5 million loss) offset by foreign currency translation losses of £40 million (2020/21: loss of £95 million). Dividends paid in the year were £166 million (2020/21: nil). Equity attributable to non-controlling interests was £2 million (2020/21: £2 million).

The Group's bank and private placement debt covenants stipulate the methodology upon which the net debt to adjusted earnings before interest, tax, depreciation and amortisation (EBITDA) ratio is to be calculated. The effects of IFRS 16 *Leases*, adopted since 1 May 2019, are excluded by the banks from the ratio's determination. The ratio has reduced to 1.6 times, with an increase in adjusted EBITDA and a reduction in adjusted net debt. This represents an improvement from the H1 position of 1.9 times. The ratio remains compliant with the covenant requirements, which across all banking debt is 3.75 times. We retain a 3.25 times level in the remaining US Private Placement loan notes ($268 million) which will mature during the 2022/23 financial year. As the exercise of the second tranche of the Interstate Resources put option is still outstanding at 30 April 2022, this has not been factored in to the calculated ratio. If the exercise of the remaining 10 per cent stake subject to the put option was included, the ratio would increase to c. 1.7 times. The Group's publicly traded euro and sterling bonds are not subject to any financial covenants. The bonds are, however, subject to a coupon step up of 125 basis points for any period the Group falls below an investment grade credit rating.

The Group is also compliant with a second financial covenant in the remaining US Private Placement loan notes, requiring an adjusted EBITDA to net interest payable ratio of not less than 4.50 times. The covenant will fall away when the US Private Placement loan notes mature in August 2022.

The covenant calculations also exclude income statement items identified as adjusting by the Group and any interest arising from the defined benefit pension schemes. At 30 April 2022, the Group has substantial headroom under its covenants, with the future outlook assessed as part of the annual going concern review. The Group's investment grade credit rating from Standard and Poor's remains stable at BBB-, which takes into account all the items excluded from covenant calculations and working capital.

Statement of financial position	30 April 2022 £m	30 April 2021 £m
Intangible assets	2,906	2,995
Property, plant and equipment	3,128	3,050
Right-of-use assets	199	226
Inventories	703	537
Trade and other receivables	1,229	819
Cash and cash equivalents	819	813
Derivative financial instruments	811	115
Other	91	145
Total assets	**9,886**	**8,700**
Bank overdrafts	(73)	(94)
Borrowings	(2,072)	(2,301)
Trade and other payables	(2,540)	(1,849)
Provisions	(55)	(56)
Employee benefits	(86)	(175)
Lease liabilities	(203)	(230)
Derivative financial instruments	(84)	(56)
Other	(539)	(404)
Total liabilities	**(5,652)**	**(5,165)**
Net assets	**4,234**	**3,535**
Net debt	**1,484**	**1,795**
Net debt to EBITDA ratio	**1.6x**	**2.2x**

Energy costs

Production facilities, in particular paper mills, are energy intensive which results in energy being a significant cost for the Group. In 2021/22, costs for gas, electricity and other fuels, net of periodic local incentives, were £609 million (2020/21: £325 million). The year saw significant increases from the first to the second half, in addition to the previous year increases, with energy costs for the first half year of £240 million increasing to £369 million in the second half year (2020/21: H1 £146 million, H2 £179 million). The net impact on the Group was mitigated by an increase in energy sales revenue of £119 million. The energy impact was also mitigated by the Group's three-year rolling hedging programme and the benefits of free allowances following the introduction of phase 4 of the EU Emissions Trading Scheme. The Group's energy and carbon hedges increased significantly in value during the year and in order to manage our counterparty risk there were margin calls made, of which £109 million relates to derivatives that mature after the year end. There was no impact on income from these margin calls. The Group continues to invest in energy efficiency projects and limits the exposure to volatile energy pricing by hedging energy costs with suppliers and financial institutions, managed by the Group's Energy Procurement team.

Capital structure and treasury management

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

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

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

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

Available cash and debt facilities are reviewed regularly to ensure sufficient funds are available to support the Group's activities. At 30 April 2022, the Group's committed facilities totalled £3.5 billion, of which £1.5 billion remained undrawn and £2.8 billion matures beyond one year or more. Undrawn committed borrowing facilities are maintained to provide protection against refinancing risk.

At 30 April 2022, the committed borrowing facilities had a weighted average maturity of 3.0 years (30 April 2021: 3.9 years). Additional detail on these facilities is provided below. Total gross borrowings at 30 April 2022 were £2,072 million (30 April 2021: £2,301 million). The committed borrowing facilities described do not include the £420 million of three-year committed factoring facilities, which allow the sale of receivables without recourse. Given the three-year committed nature of these facilities, they fully protect the Group from any short-term liquidity risks which may arise from volatility in financial markets.

The Group continues to sell trade receivables without recourse, a process by which the trade receivables balance sold is de-recognised, with proceeds then presented within operating cash flows. Such arrangements enable the Group to optimise its working capital position and reduces the quantum of early payment discounts given. The balance of trade receivables sold as part of the factoring programme decreased by £26 million to £381 million at 30 April 2022 (30 April 2021: £407 million).

In November 2019, the Group established a €1 billion Euro Commercial Paper Programme. At 30 April 2022, the programme was undrawn due to the positive cash position in the Group.

Facilities	Currency	Maturity Date	£m equivalent
Syndicated RCF 2018	Various	2024-25	1,400
Euro medium-term notes	EUR	2022-26	1,552
Euro RCF 2020	EUR	2024	50
Sterling bond medium-term note	GBP	2029	250
US dollar private placement	USD	2022	213
Euro term loan	EUR	2025	23
Committed facilities at 30 April 2022			**3,488**

Impairment

The net book value of goodwill and other intangibles at 30 April 2022 was £2,906 million (30 April 2021: £2,995 million).

IAS 36 Impairment of Assets requires annual testing of goodwill and other intangible assets, as well as an assessment of any other assets for which there may be indicators of impairment. As part of this testing, the Group compares the carrying amount of the assets subject to testing with the higher of their net realisable value and value-in-use to identify whether any impairment exists. The asset or group of assets, value-in-use is determined by discounting the future cash flows they expect to generate from the basis of the Group's weighted average cost of capital (WACC) of 9.5 per cent (2020/21: 9.5 per cent), plus a blended country risk premium for each group of assets. Asset values were tested as at 30 April 2022, with no impairment identified as a result of the testing performed.

Presented within the adjusting items summary is the outcome of the decision to impair the investment in our Ukrainian associate, RKTK.

Pensions

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

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

	30 April 2022 £m	30 April 2021 £m
Aggregate gross assets of schemes	1,113	1,178
Aggregate gross liabilities of schemes	(1,199)	(1,353)
Gross balance sheet deficit	(86)	(175)
Deferred tax assets	21	40
Net balance sheet deficit	(65)	(135)

The net deficit has decreased versus prior year driven by significant increase in discount rate assumptions at 30 April 2022 and a less than corresponding fall in the asset valuations.

The 2019 triennial valuation of the main UK scheme incorporated updates to underlying scheme assumptions, including demographic and life expectancy rates, which, along with updates surrounding mortality and proportion married assumptions and future improvements, resulted in a net c. 1 per cent increase in the valuation of the scheme liabilities. No changes were made to the previously approved funding plan following the triennial valuation.

Total cash contributions paid into the Group pension schemes, reported within cash generated from operations in the cash flow, were £21 million in 2021/22 (2020/21: £32 million), which primarily constitute the agreed contributions under the UK defined benefit scheme deficit recovery plan.

Turning risk into resilience

Our Group risk policy

Our Group risk policy provides the framework to ensure there is a common understanding of risk management practices across all parts of the Group and is fully integrated with our annual corporate planning process. We use these practices to evaluate and accept those risks that we believe we have the capacity, know-how and experience to manage, or to understand and tolerate those risks that we cannot influence, in order to realise the potential opportunities for growth and development.

Risk activities in 2021/22

We recognise that risks are evolving rapidly in our changing world and that requires new ways of thinking and working to identify, assess, manage and take risks effectively. We continue to build on the solid foundation that we have already established and which has proven effective to maintain resilience during events such as the Covid-19 pandemic, supply chain shocks and geopolitical turmoil from the Russian invasion of Ukraine. Our aim is to continuously review and improve the risk process to obtain better quality output from the corporate planning process and year-end risk assessments. Areas of focus during the past year include:

- Updating and maturing our business continuity plans across the business to adhere to our Group policy, whilst providing the training and tools and raising awareness of the importance of preparedness amongst our people
- Energy management, where our dynamic hedging strategy has minimised short-term pricing risk
- Supply chain management, such as identifying critical supplies to our operations with single source suppliers and/or with connections to Ukraine and Russia
- Updating and enhancing scenario analysis specifically on cyber and climate risks.

Risk governance

Our governance framework remains robust and largely unchanged in the past year. In summary:

- The Board sets out the Group's risk appetite annually, based on the level of risk it is willing to accept in pursuit of corporate targets
- The risk strategy and setting of objectives is executed by the Group Operations Committee (GOC) with oversight from the Audit Committee and Board
- Our GOC, management committees and specialist Group functions provide guidance to the businesses on how to better integrate risk management processes into day-to-day activities.

The Group's risk policy sets out how this governance framework translates into the annual risk reporting cycle (see page 81), which links with our Internal Audit cycle, and informs our management and governance processes specifically for climate-related risks (see pages 56-60).

Report on our principal risks

Like many businesses we are subject to general external risks and the impact of macro factors such as changes in social, political, financial, regulatory and legislative environments, which can play alongside and/or amplify internal risks in operational and strategic categories for example. Our principal risks and uncertainties are those that may have the greatest impact on our key priorities when considering our current controls and mitigation plans on a net risk basis within a three-year horizon. These risks have been discussed at Audit Committee meetings during 2021/22. They are summarised with details of our key mitigating activities on pages 52 to 55.

Risks identified and assessed

The 12 principal risks disclosed in our 2021 Annual Report remain the most relevant to the Group according to our latest assessment, including risks across strategic, market, operational, financial, geopolitical and technological risk categories. The same top three risks are considered to be the most disruptive to our plans. These have been placed in the highest priority category:

- **Eurozone and macroeconomic impacts** continue to have an increasingly negative outlook, especially when considering trends such as cost inflation, energy prices, supply chain shortages and logistics challenges, many of which are amplified by the war in Ukraine, with the Group potentially left vulnerable given the international nature of our supply chain, the competitiveness of our markets, and the performance of major economies impacting the level of consumer spend and demand for our packaging products.
- **Paper/fibre price volatility** continues to put pressure on our integrated paper and packaging business model and our ability to ensure packaging prices appropriately reflect this volatility.
- **Cyber attacks** targeting businesses' informational and operational technologies are seemingly becoming increasingly common and sophisticated, requiring significant investment in technological and human defences to keep pace.

The risk of our sustainability commitments not meeting the expectations placed on the Group, both in terms of speed and scale of change, has been assessed to have reduced in severity since the 2021 Annual Report and so is no longer in the highest priority category. This reflects the positive performance against our current sustainability targets and the setting of our new 1.5°C science-based target for carbon reduction and Net Zero emissions commitment by 2050.

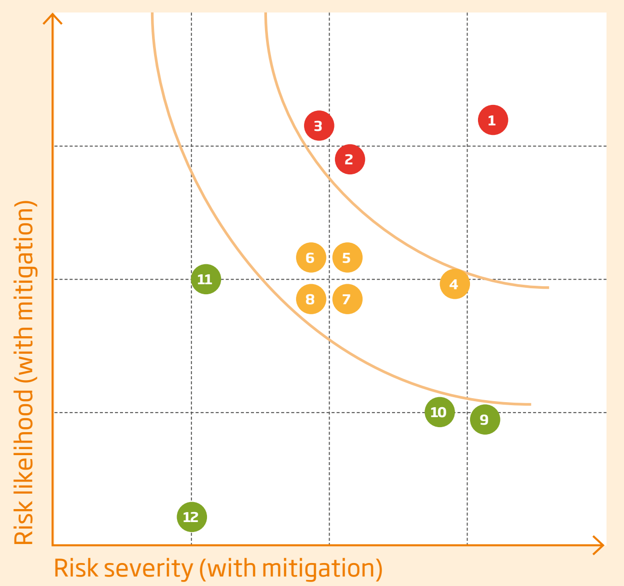
Covid-19

The evolving impacts arising from the ongoing Covid-19 pandemic continued to be considered in our assessment of each of the principal risks. Whilst the associated impacts from the Covid-19 disease are reducing, our assessments recognise that new or repeating waves may still arise. We continue to learn to live with pandemic risks and to build operational resilience and adapt our ways of working.

Prioritising our risk management efforts

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

Net (mitigated) risk heat map results



List of risks

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

Bubble colour reflects risk relative priority (red highest risk, amber second level, green third level priority)

Emerging risks

Our risk management programme includes a formal review of emerging risks. We define emerging risks as those which are not meaningfully impacting the Group today but are highly uncertain because their evolution is rapid, indirect or both, and have the potential for significant impact. These risks will typically have longer-term impacts which may fall outside of our Corporate Plan horizon but warrant attention now to avoid the worst effects.

Emerging risks require regular monitoring of external trends and insights, which, when combined with our existing knowledge and expertise, identifies the risks that could become relevant to the Group in the future. Collating information from both internal and external sources builds our list of key emerging risks to watch or act upon, which is formally reviewed at least twice per year with the GOC alongside our principal risks. In 2021/22, we completed our first internal emerging risk surveys with sample employee populations to support the assessment.

Of the emerging risks identified and assessed, three risks were considered to have the highest impact on the Group and detailed in the table below. The assessment concluded that there is no single emerging risk identified where there is disproportionate impact to the Group's plans considering the mitigation/investments.

Emerging risks	Summary mitigations
New information security risks (cyber-physical convergence): The risk that a mass integration of previously unconnected physical devices/assets with the internet increases the Group's vulnerability to current and new forms of cyber attacks, especially if security procedures for Internet of Things (IoT) devices, smart buildings and other operational technologies lag behind.	Our Operational Technology Steering Committee operates to improve operational technology security and facilitate digital initiative preparedness and effective change management to drive performance and reliability improvements across operations.
Inflationary pressures: The risk that significantly increased prices of goods and services over a prolonged period of time will raise the cost of doing business and/or reduce customer/consumer buying power.	The Group is deploying a multitude of tools to mitigate or offset inflation, including: • Focused hedging strategy on energy-traded commodities • Continuous cost improvement throughout our operations • Major programmes with suppliers and customers on value/price parameters.
Reusable packaging regulation: The risk of an introduction of stricter EU legislation on the sustainability of products (e.g. reusability vs recyclability) or consumer sentiment turning against single-use packaging of any form.	• Our dedicated Government Affairs team tracks/monitors relevant legislation with the Group actively involved in trade associations to build the reputation of fibre-based materials • Increased level and focused investments in innovative packaging solutions to drive and support the circular economy agenda.

Viability Statement

Context

The Group's strategy and key differentiators are detailed on page 5 and pages 8 to 11, and our risk management framework is described on pages 79 to 81. Understanding of our business model, our strategy and our principal risks is a key element in the assessment of the Group's prospects, as well as the formal consideration of viability.

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

The most recent Corporate Plan process was undertaken against the backdrop of the return to pre-Covid-19 levels of activity/profitability in 2022/23. The budget process for 2022/23, conducted subsequent to the Corporate Planning process, reflected different dynamics, particularly with regard to fibre, energy and paper prices, but validated the overall Group profitability as set out in the Corporate Plan in the first financial year. Similarly, the going concern exercise which builds on the budget validated the overall Group profitability as set out in the Corporate Plan for the second year. On that basis, the Directors are satisfied that the Corporate Plan provides a suitable basis for the viability assessment.

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

Assessment of longer-term viability

In accordance with the UK Corporate Governance Code, the Directors have assessed the viability of the Group over a three-year period to 30 April 2025, which is a longer period than the 12-month outlook required in adopting the going concern basis of accounting. This assessment period remains appropriate given the timescale of the Group's planning and investment cycle.

The Directors confirm that they have performed a robust assessment of the principal risks facing the Group as detailed on page 47, including those that will threaten its business model, future performance and solvency or liquidity.

The assessment of the Group's viability considers a pessimistic but plausible scenario aligned to the principal risks and uncertainties set out on pages 53 to 55 where the realisation of these risks is considered remote, considering the effectiveness of the Group's risk management and control systems and current risk appetite. The degree of severity applied in this scenario was based on management's experience and knowledge of the industry to determine plausible movements in assumptions. The Directors note that the Group enjoyed a large degree of resilience to the consequential downturns from the Covid-19 pandemic and through the increased economic volatility in the post-pandemic period.

The Group has significant financial resources including committed and uncommitted banking and debt facilities, detailed in note 20. In assessing the Group's viability, the Directors have assumed that the existing banking and debt facilities will remain in place or mature as intended.

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

Confirmation of viability

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

Going concern

The Board has reviewed a detailed consideration of going concern, based on the Group's recent trading and forecasts, and including scenario analysis. This takes into account reasonably foreseeable changes in trading performance, including the continued uncertainty of the long-term impacts on the economic landscape presented by an inflationary economic environment and the ongoing war in Ukraine. More detail of the assessment performed is included in note 1 to the financial statements.

At 30 April 2022 there was significant headroom on the Group's committed debt facilities at a level of c. £1.9 billion. The going concern assessment covered a forecast period of 12 months from the date of approval of this financial report. Based on the resilience of the Group's operations to both Covid-19 and the high-cost environment experienced throughout the financial year, as well as the current and forecast liquidity available, the Board believes that the Group is well placed to manage its business risks successfully despite the uncertainties inherent in the current economic outlook, and to operate within its current debt facilities.

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

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

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

Liquidity and financing position

The total drawn debt facilities at 30 April 2022 were £2.0 billion, of which, £1.8 billion is publicly listed debt with no attached covenants and £0.2 billion carries a covenant of net debt:EBITDA of less than 3.25 times. In addition, the Group has access to c. £1.5 billion committed bank facilities, which were undrawn at 30 April 2022, which provide liquidity to the Group and carry the same covenant of net debt:EBITDA of less than 3.75 times. The Group is not forecast to increase net debt in the going concern analysis. There is significant liquidity/financing headroom across the going concern forecast period. For this reason, the going concern review has focused more on forecast covenant compliance.

Overview

In determining the going concern basis for preparing the financial statements, the Directors consider the Company's objectives and strategy, its principal risks and uncertainties in achieving its objectives and its review of business performance and financial position. The economic environment reflected in this Going Concern assessment is based on the 2022/23 budget which anticipates robust organic box volume growth across each of our regions, consistent with the prevailing rates of growth in 2021/22 recognising the inflationary pressures in the Group's raw materials, energy and overhead cost bases. In preparing the financial statements, the Group has modelled two scenarios in its assessment of going concern. These are:

- The base case is derived from the 2022/23 full year budget. The key inputs and assumptions include: Packaging volume growth at moderate levels across the future periods considered by the modelling, driven by continued FMCG and e-commerce demand, together with a conservative recovery in industrial volumes. Both paper sales price and input fibre price are consistent with those anticipated in the budget.
- The downside case assumes European packaging volumes largely stagnating at 2021/22 levels, reflecting no future growth and a continued spike in energy prices not mitigated by a commensurate increase in paper prices. With a significant portion of the Group's packaging contracts being either directly linked/referenced to a paper index this would result in higher input costs for the Group that are more difficult to pass through to end customers. A significant cash outflow from working capital is incorporated into 2023/24, providing an additional headwind to the Group's net debt and covenant ratios.

Mitigating actions

The outturns of the above scenario modelling, combined with the strong performance operating throughout 2021/22, provide the Group a level of comfort that no significant cost/cash flow mitigations need to be built in to the going concern modelling. However, a range of options remain at the Group's disposal should they be required which provide the opportunity to support EBITDA, cash flow and net debt, including:

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

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

At a high level, it is estimated that the Group EBITA would have to fall by about 45 per cent from 2021/22 levels for a breach of the net debt:EBITDA covenant to occur.

Going concern basis

Based on the forecast and the scenarios modelled, together with the performance of the Group in the current year, the Directors consider that the Group has significant covenant and liquidity headroom in its borrowing facilities to continue in operational existence for the foreseeable future. Accordingly, at the June 2022 Board meeting, the Directors concluded from this analysis it was appropriate to continue to adopt the going concern basis in preparing the financial statements.

Net risk tolerance key

Unacceptable	Re-assess	Acceptable
●	●	●

Risk change key

Increasing	Stable	Decreasing
↗	↔	↘

Risk priority classification	1	1	1	2	2	2
Risk	**1. Eurozone and macroeconomic impacts** Multiple political/economic factors from Brexit, foreign exchange/interest rates, to weakening major economies significantly impact the level of consumer spend and customer demand for our packaging products.	**2. Paper/fibre price volatility** Volatile commodity pricing for recovered paper (including old corrugated cases (OCC)) and containerboard grades can create significant short-term challenges to capture appropriate returns by aligning raw material costs to packaging sales revenues.	**3. Cyber attacks** A major cyber incident on our information or operational technology (e.g. ransomware) and/or a failure to stop/identify sophisticated malicious cyber intruders on our IT infrastructure (i.e. phishing attacks) resulting in short-term trading impacts, financial losses and reputational harm – impacting us, our suppliers and customers.	**4. Regulation and governance** Our governance model fails to support the way we are organised and our geographical spread, resulting in unauthorised, illegal, unethical or inappropriate actions (including breach of anti-bribery, data privacy, etc.).	**5. Sustainability commitments** Our efforts to decarbonise and transition our supply chain to a circular, low carbon economy are not enough or are too slow against the growing expectations of the Group to play a positive role in society and address global climate change and related environmental, social and business challenges.	**6. Security of paper/fibre supply** Large fluctuations in the availability of recovered paper (including OCC) and containerboard could adversely affect our performance, as the Group remains a net purchaser of specific grades of paper and faces recycling collection/segregation challenges.
Inherent risk expected change	↗	↗	↗	↗	↗	↗
Key mitigating actions	• A robust corporate planning process where macroeconomic trends are evaluated alongside investments to improve production cost base, efficiency and deliver other initiatives such as sustainable growth priorities to strengthen resilience • Focus remains on supplying packaging to fast moving consumer goods (FMCG) customers with a constant focus on quality, service and volume growth, as these customers tend to show greatest resilience against GDP volatility • Our dynamic energy hedging strategy over two to five-year horizons smooths pricing volatility, and other developments in our procurement and logistics flows (e.g. due to Brexit) are helping to evolve our operating model and maintain resilience.	• Maximise our commercial credentials, services and contract management to build up box prices and sell the added value of our products, services, innovations, sustainability credentials, and customer brand benefits • Focus on providing sufficient paper from internal manufacturing operations to support our Packaging division, whilst determining the optimal integration level, to ensure that we balance the external effects of paper availability over the long term • Initiatives to implement productivity improvements, demand forecasting improvements and the development of skills and tools in our sales and paper sourcing teams.	• Regular awareness training and testing to better equip our employees with the knowledge to identify potential phishing/other social engineering techniques, led by our Chief Information Security Officer and expanding internal IT resourcing as well as external partner support • Investments in IT security controls to improve our capability to detect, respond to and prevent malicious cyber activity, including network segregation between/within IT and operational technology environments • Regular improvements in, and testing of, IT disaster recovery planning, policies and procedures, including penetration/vulnerability testing, to inform and ensure the Group's ability to progress towards cyber resilience.	• The Group continues to maintain detailed and extensive arrangements for the management of standards, domestic and international compliance rules and new regulations, with regular business unit legal compliance and control reviews including health, safety, environment, supply chain and product integrity/safety • Training employees on a variety of compliance modules including antitrust, anti-bribery and corruption, and modern slavery to ensure full understanding of the applicable laws and high standards expected • The Group operates a workplace malpractice helpline ('Speak Up!'), providing a confidential route for employees to report perceived malpractice of any type.	• Focused on deploying our roadmap of carbon reduction investments towards Net Zero, focused on energy efficiency, plant upgrades and switching to alternative energy sources, whilst monitoring and adapting to regulatory changes such as in carbon taxes and resource extraction • Ensuring we meet the growing consumer, customer and investor demand for sustainable packaging, through a focus on packaging and related supply chain designed for a circular economy • Regular reviews of, and governance and reporting on, our sustainability priorities to ensure they align with the expectations of stakeholders, wider society and scientific climate projections, as well as implementing TCFD recommendations and submission to ESG ratings, such as CDP.	• Our Paper Sourcing division's capability (knowledge, experience and buying strength) to optimise the make, buy, sell decision across the Group, ensuring the Group sources key paper grades from external suppliers to deliver and flex to paper volume needs • A clearly defined fibre strategy based on performance packaging, and a 'best fit' footprint alignment between internal paper production, quality fibre sourcing and the capacity needs of our Packaging division • The Group has the skills and experience to mitigate short-term paper scarcities, such as through using different papers, improved stock management, and better forecasting and communication with customers and across divisions.
Net risk expected change	↗	↗	↗	↔	↔	↔
Key Risk Indicator	Eurozone GDP growth rate	Paper/recovered fibre market price and box selling price	IT security training effectiveness and phishing campaign statistics	Group and divisional compliance training and reviews	Reduction of CO_2e per tonne of production	Paper/recovered fibre supply volumes
Risk tolerance to Corporate Plan priorities	○ ● ○	○ ● ○	○ ● ○	○ ○ ●	○ ○ ●	○ ○ ●
Opportunity examples	Ability to reposition our business model outside of our traditional geographic markets and sources of supply.	Accelerate improvements in commercial awareness and expertise of pricing fluctuations and strengthen the effectiveness of fibre and efficiency programmes.	Accelerated investments to strengthen our technology infrastructure and operational resilience to prevent losses and enhance business continuity credentials.	Ability to demonstrate a standard of ethics and behaviours beyond the standards requested of us and potentially influence how the regulatory landscape changes.	Capitalise on efficiencies in energy upgrade projects and meet the growing societal demand for sustainable products in a circular economy.	Our closed loop model and paper sourcing strategy offer significant customer opportunities and ability to generate a 'best fit' cost and quality solution.
Alignment with strategic priority	To double our size and profitability	To double our size and profitability	To double our size and profitability	To delight our customers	To lead the way in sustainability	To double our size and profitability
Governance oversight	Group Chief Executive and Group Finance Director present reviews and forecasts on the impact of the macroeconomic environment at each Board meeting.	The Group Chief Executive and Group Finance Director present regular updates on paper and OCC prices to the Board.	Cyber security assessment reports, IT network management and external advisory guidance are reviewed by the Executive Directors and Audit Committee.	Results of internal control reports and internal corporate governance, ethics and compliance updates are regularly reviewed by the Audit Committee and Board.	The Board receives regular updates on the Group's sustainability performance and strategy.	Paper sourcing opportunities are discussed with the Board, with specific focus on critical papers.

Net risk tolerance key

Unacceptable	Re-assess	Acceptable
●	●	●

Risk change key

Increasing	Stable	Decreasing
↗	↔	↘

Risk priority classification	2	2	3	3	3	3
Risk	**7. Packaging capacity limits to growth** Our performance and volume growth expectations, and an increasing demand for packaging, is limited by our production capacity and ability to grow organically at the pace required.	**8. Organisation capability** Our management approach to our people and assets, including succession and workforce planning, talent retention and development, hybrid working models, and strategy for ageing assets, fails to identify and resource for future capability needs, resulting in critical gaps in skills, knowledge and equipment, limiting productivity gains across key business areas.	**9. Disruptive market players** Disruptive behaviours in our key markets, should significant suppliers or competitors combine, reduce our capability to purchase paper or restrict our ability to compete more effectively, and these larger combined groups could also dispose of assets leading to new market entrants, increasing competition and causing loss in market share.	**10. Substitution of fibre packaging** Fibre-based packaging loses its credentials as a sustainable product of choice against developments in plastic packaging or other materials that can be reused and recycled, resulting in our products being substituted and/or replaced by competitor products.	**11. Digital enablement** Digital transformation initiatives, from point-of-sale through to manufacture and delivery to customers, are too slow or the investments required too high to adequately adapt our ways of working or we miss the opportunity to meet the demand for smart products, including customer ease of access to our products and services.	**12. Shopping habits** We fail to match or adapt our offer to the pace and direction of change in consumer spending across the full retail FMCG spectrum, from the mega-large brands, micro-brands and omni-channel distribution networks of the big box superstores and discounters, to the rise in e-commerce and importance of consumers' values.
Inherent risk expected change	↗	↗	↔	↗	↗	↗
Key mitigating actions	• Targeted organic growth in our existing key markets from strategic investments in new greenfield packaging manufacturing sites, including our new builds in Poland and Italy coming online in 2022 • Further expansions/developments of our current packaging and paper sites through multi-year capital plans, enhancing equipment utilisation and efficiency, whilst improving the customer-production footprint alignment • Developing clusters of production sites to improve capacity loading, implementing new shift patterns and sales and operational performance programmes to optimise a full system of supply/demand loading, inventory and logistics planning.	• People performance, potential and succession management is formally reviewed and subject to calibration by senior management, and core skills gaps are identified to inform clear action plans and address key talent retention or attraction risks, including an increasing focus on diversity and inclusion actions • Annual senior talent reviews address strategic workforce questions, and evaluate the capability profile of the senior leadership population and the talent bench strength • Our HR and operational leaders collaborate to prioritise key business transformation activities aimed at new and foreseeable work realities, run in-house learning academies to build the necessary skills and reduce reliance on external labour markets, and review operating models to improve organisation flexibility and productivity.	• A strong corporate planning ethos focused on growth and reputation in order to be a market leader, and an evolving approach by introducing concepts such as agility, adaptability, and responsiveness to emerging threats in the key areas of innovation, sustainability and digitalisation • Continuous improvement of our procurement and supply chain processes for all paper grades and critical raw materials, including enhanced contingency plans if critical suppliers were to be disrupted • Focused on strong, long-standing relationships with all of our existing customers, across large FMCG, regional and local customers, whilst incubating areas of potential breakthrough innovations to stand out from competitors and attract new business.	• Collaboration between our Paper and Packaging divisions, innovation and research and development teams to deliver innovative papers and corrugated products, and develop new materials with our suppliers and partners for barrier/lamination concepts and plastic replacements • Our Recycling division uses commercial insights and works to create pan-European alignment in our services, including providing our key packaging customers with closed loop opportunities • Our Government Affairs team tracks proposed government legislation, the potential impact on DS Smith, and sets/drives focused and proactive communication strategies, including involvement in related industry trade associations to maintain and build the development of fibre-based materials in terms of recyclability, circularity, quality standards and innovation potential.	• A new Group-wide focus to identify/leverage digital revenue opportunities as part of a key priority in the Corporate Plan, supported by developing a clearly defined digital operating model and governance framework to enable faster decision-making and strong delivery • Delivering digital customer experiences, such as customer and investor online events, and the continued expansion of the DS Smith ePack webshop model to provide online ordering to meet small and medium sized business's packaging needs • Investments to digitalise and optimise our manufacturing assets and supply chain management, such as advancements in operational technology and logistics management, with a focus on digital security.	• A Corporate Plan focused on growing e-commerce, packaging volumes and through incremental and breakthrough innovations (including new materials, partnerships and business models) with our FMCG customers and continuing to explore business opportunities such as plastic replacements, point-of-sale packaging and end-to-end services • Applying a differentiated service offering to different customer categories, including the digitalisation of our customer experience, our Impact Centres, and through training our designers and sales teams on circularity principles • Trend and insights teams working on understanding customer and consumer habits, needs and behavioural changes to inform research and development options and operational capabilities.
Net risk expected change	↔	↔	↔	↗	↗	↘
Key Risk Indicator	Packaging demand and production volume metrics	Employee turnover including external/internal hiring ratios and diversity and inclusion metrics	Proportion of market share	Fibre packaging volume and market share growth and level of legislative protection	Customer satisfaction surveys and website visitor traffic	Revenue and production growth for FMCG sector
Risk tolerance to Corporate Plan priorities	○ ○ ●	○ ○ ●	○ ○ ●	○ ○ ●	○ ○ ●	○ ○ ●
Opportunity examples	Develop and grow our own business in line with our customers' growth, working together to serve the changing consumer demand, whilst maintaining high quality and service offering.	Our HR and operational priorities focused on improving processes, productivity and ways of working to capture and enhance people and equipment capabilities.	Strengthen our differentiation and reputation, and capture additional market share during times of disruption amongst key competitors.	Accelerated research, development and investment into new and enhanced fibre-based products to serve the sustainable packaging demand and grow our reputation.	Capitalise on digital investments which build our reputation as an easy and accessible business to work with and buy from.	Changes in consumer needs and behaviours lead to new opportunities to actively engage customers on cardboard packaging solutions.
Alignment with strategic priority	To delight our customers	To realise the potential of our people	To double our size and profitability	To lead the way in sustainability	To delight our customers	To double our size and profitability
Governance oversight	Demand and production metrics are reported through monthly divisional trading update meetings, and multi-year demand forecasts reviewed by the Group Strategy Committee.	The Nomination Committee regularly reviews Board succession planning and receives updates on senior talent management programmes.	The Group Finance Director provides the Board with regular updates on the market.	The GOC and Board receive regular product innovation and government affairs updates.	The GOC and Board are provided with updates on digital initiatives and customer experience.	Trading, customer and consumer trends and the innovation pipeline are regularly discussed with the Board.

Adapting to a changing climate

In our circular business, materials are kept in use for longer as we turn waste into recyclable paper-based packaging solutions. Although this reduces pressure on natural systems, including forests, and prevents waste from entering landfills and oceans, we use energy-intensive processes to transform materials as they move through our circular system, which generates greenhouse gas (GHG) emissions, contributing to climate change.

Our greatest opportunity is to harness the benefits of operating a circular business, whilst adopting resource efficiency measures and renewable technologies to reduce the GHG emissions that contribute to climate change. We are committed to decarbonising our circular business by achieving our 1.5°C science-based target, to reduce Scope 1, 2 and 3 GHG emissions 46 per cent by 2030 compared to 2019, and to reach Net Zero GHG emissions by 2050.

Compliance statement

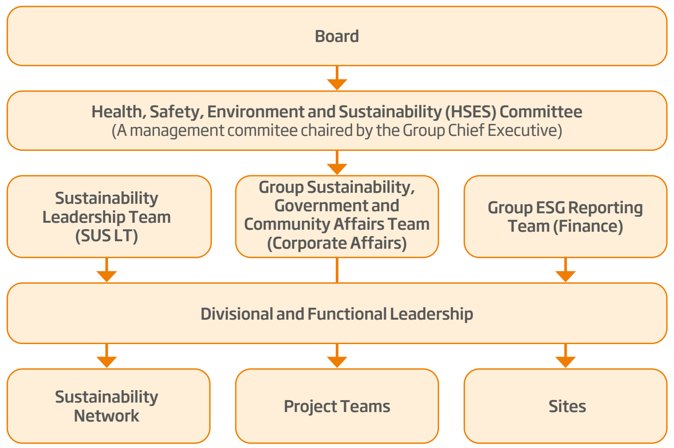
DS Smith Plc has complied with the requirements of Listing Rule 9.8.6R(8) by including climate-related financial disclosures consistent with the TCFD recommendations in this Annual Report. Scope 1, 2 and 3 greenhouse gas emission information can be found on page 33. DS Smith ESG Databook 2022, which can be downloaded from the DS Smith ESG Reporting Hub, contains the basis of preparation, including definitions and methodology notes.

Governance

Members of the Board and Audit Committee maintain oversight of climate-related risks and opportunities. The Board and Audit Committee receive regular updates on risk assessments, mitigation methods and progress, and are involved in significant strategic decisions, for example, the adoption of a science-based target. The Board and related committees, members of whom have relevant ESG and sustainability experience, receive frequent updates on goals and targets for addressing climate-related issues alongside wider ESG and sustainability performance, including the delivery of our Now and Next Sustainability Strategy.

Members of the Health, Safety, Environment and Sustainability (HSES) Committee, chaired by the Group Chief Executive, assess and manage climate-related risks and opportunities. This group met 12 times during 2021/22. Climate-related risks are monitored as part of our standard operating processes to ensure that appropriate mitigations are in place and are regularly reviewed by management. Management is supported by the Sustainability Leadership Team (SUS LT) when developing strategies and policies. These committees draw on specialist insight from Group Risk and Insurance, Group Strategy, Group Sustainability, Group Finance and external expertise. They report to executive management on an ongoing basis, providing updates on the delivery of plans. Performance on climate-related issues, such as energy and water, is reviewed at least monthly by management teams. Within-year and longer-term progress against our targets, challenges, trends and opportunities for addressing climate issues are discussed by senior management on a monthly basis and monitored by the HSES Committee quarterly and long-term progress is presented to the Board annually.

There is divisional and functional leadership responsibility and a Sustainability Network, supported by specialist networks and project teams which cascade ESG and sustainability, including climate-related matters, throughout the business.



Strategy

Climate-related risks and opportunities could impact the Group's business, strategy and financial planning over the short term (0-3 years), medium term (3-10 years) and long term (10+ years). The Board, Group Operating Committee and its management commitees consider climate-related issues when reviewing and setting strategy, developing policies and for financial planning.

In the short term, using fossil fuels to power our circular business generates GHG emissions, bringing exposure to policy and legal transition risks related to increasing the cost of emissions, e.g. carbon taxes. In a transition scenario, as renewable energy sources and new technologies become readily available at the scale needed to meet our energy demands, we have an opportunity to decrease our reliance on fossil fuels.

Our decarbonisation investments will fundamentally reduce our fossil fuels dependence, providing clean energy as initiatives are delivered. Implementing this plan will reduce our exposure to future fossil fuel price increases and regulatory or other costs designed to reduce GHG emissions. It will reduce the carbon footprint of our packaging solutions, responding to customer pressure to decrease their supply chain emissions and exploit consumer preference for sustainable packaging.

In a business-as-usual scenario, where society fails to transition to a low emissions economy, there could be greater risk of increased raw material costs or threat to supply (e.g. pulp, recyclate or starch), which could be linked either directly or indirectly to climate change. In the medium to long term, it is possible that without climate action, greater disruptive physical risks such as water stress could take hold, within our operations and supply chain. This invites opportunities to reduce reliance on key resources through resource efficiency and technological measures that decrease operating costs and increase supply chain resilience and our ability to operate under various conditions.

In summary, short-term climate-related risks include increasing spend on carbon taxes (policy and legal transition risk) and medium to long-term risks include increasing cost of raw materials or threat to supply (market transition and acute or chronic physical risk) and increased likelihood of water stress (physical risk). Short-term climate-related opportunities include growth in demand for sustainable packaging (products and services), increasing resource efficiency (resource efficiency) and use of emerging renewable technologies (energy source). The following sections describe the approach taken to climate scenario analysis and conclude with summary comments on the resiliency of our strategy.

Climate scenario analysis

Building on our climate scenario analysis conducted last year, in 2021/22, we have:

- Utilised scenario analysis as part of our strategic assessment to achieve Net Zero by 2050, modelling multiple trajectories to compare investment requirements and define our roadmap
- Extended our scenario analysis to include the new IEA (International Energy Agency) Pulp and Paper Net Zero Scenario (November 2021), updated our analysis with our latest data to better reflect the business we have today and enhanced our methodologies to increase the quality of the analysis
- Continued to use forecasts relating to climate issues to inform planning, from carbon market analysis and projections to exposure to water stress risk over a range of time horizons.

Methodology

We selected the reference scenarios recommended by the TCFD guidance that are most relevant to our business to evaluate the potential effect of various future conditions. The scenarios reflect a range of trajectories, based on different assumptions, that lead to worlds in which the increase in global temperature varies from 1.5°C to 6°C by 2100 compared to pre-industrial levels. In each scenario, we assumed that we have the same activities as today.

IEA Sustainable Development Scenario (SDS) 1.5°C Pulp & Paper: In this scenario, growth in production and energy consumption are decoupled to achieve decarbonisation to the extent required to be on track with the Sustainable Development Scenario by 2030.

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

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

IPCC RCP 8.5 6°C: In this scenario, a 'business as usual' state of no policy changes leads to growth in emissions, causing some of the physical effects of climate change to be felt with greater severity.

We combined quantitative and qualitative analysis, alongside knowledge of our business and operating environment, which enhances the scenario evaluations. Financial implications are calculated as illustrative estimates, given within the context set out by each scenario. Some of these evaluations changed compared to last year because of the application of the new Net Zero Emissions by 2050 scenario or adjustments to the parameters of our model to reflect our business more closely. Therefore, where illustrative estimates are incomparable to those previously reported, no comparison figure is given. The estimated impacts should be considered in the context of 2021/22 performance and the future implications will vary according to prevailing future costs and pricing. There are ways that we can increase the sophistication of our climate scenario analysis. For example, we have not considered the financial implications of secondary impacts, such as reputational damage that may occur under some of the scenarios. As new high-quality data becomes available (for example, long-term projections of future raw material supply under various conditions), we will continue to use climate scenario analysis to assess the effects climate change may have on our business and ensure we have appropriate mitigations in place to remain competitive in the future environment in which we will operate.

Quantifying our climate risks

Increasing spend on carbon taxes

Our European paper mills must purchase allowances to cover their emissions under the EU Emissions Trading System (EU ETS) and in the United Kingdom, the UK Emissions Trading System (UK ETS). In 2021/22, we paid c. £26 million (2020/21: £33 million) to these schemes. Under EU ETS, the free-issued allowances are reducing as the price of additional allowances is increasing, therefore increasing our operating costs. If, for example, by 2030 the cost increased to €110 per tonne of carbon (based on reputable analyst views), the estimated additional annual cost could be c. €122 million, depending on the future allocation of free allowances. It is possible that the scheme could be extended, or new carbon taxes could be introduced in other parts of the world. For example, the IEA ETP 2°C scenario describes the introduction of a North American carbon tax rising to $210 per tonne by 2050. Although this tax does not exist today, if this tax were applied to all of our projected future emissions in North America, this could result in a new cost of c. £15 million in 2030. Delivering our GHG reduction roadmap will reduce emissions and therefore costs associated with them. For example, this cost reduces to c. £12.8 million if identified projects within our roadmap were implemented at one of our North American sites, including switching from natural gas to biomethane. This would increase renewable energy consumption of that asset by c. one third, reducing exposure to the cost of carbon, although costs would be incurred to achieve this transition. We continue to factor the cost of carbon into our roadmap analysis and optimisation, alongside the availability of biofuels and future growth and strategy.

Increasing cost of raw materials or threat to supply

Raw materials (e.g. pulp, recyclate or starch) could become more expensive or difficult to acquire because of extreme weather events related to climate change. This could be due to chronic physical reasons (e.g. extreme variability in weather patterns leading to crop failure), regulatory change (e.g. caps on resource extraction) or market disincentives (e.g. licences for extraction). Aspects of climate change are likely to affect forest growth and productivity, impacting the virgin fibre market. Although our exposure to this market is limited as our packaging is primarily manufactured from recycled fibres (c. 80 per cent of the papers used by our Packaging division are from 100 per cent recycled content), potential future yield losses could drive up the price of virgin fibre and changing input prices may be passed on to us by suppliers and have a subsequent impact on papers for recycling. Using data from the Global Forest Products Model to assume, for example, that average virgin paper price increases by five per cent by 2030 owing to climate-related challenges, this could result in an additional cost which would likely have to be recovered through increased pricing to our end customers. Paper and fibre price volatility and security of supply are considered principal risks for the Group and are balanced over the long term by optimising the best fit between paper production, fibre sourcing and packaging demand.

Increasing likelihood of water stress

In the long term, competition for finite water resources could increase in the river basins from which we withdraw water. Refreshing our annual analysis using the WRI Aqueduct tool, we identified 26 sites (2020/21: 25 sites) at risk of future water stress, based on the latest datasets obtained from the WRI. In the IPCC RCP 8.5 6°C scenario, the worst-case scenario suggests that c. 31 per cent (2020/21: c. 36 per cent) of the Group's total water withdrawal is in regions that could be at high or extremely high risk of water stress by 2030. This has decreased compared to last year having removed our non-core Dutch paper mill from the analysis, following its disposal. In our most pessimistic scenario, were our highest value site identified as at risk of water stress to suffer business interruption due to water use limitations for 14 days, this could present a business interruption incident valued at c. £3.3 million in 2030. As a mitigation, we continue to maintain water stress mitigation plans at 100 per cent of sites identified as at current or future risk. This involves an annual check on business continuity planning, regular contact with relevant stakeholders (e.g. the water authority and local community) and monthly performance management review, which is reported to the Group Operating Committee (GOC).

Quantifying our climate opportunities

Growth in demand for sustainable packaging

As society transitions to a low emissions economy, we see an opportunity for circular packaging to play a powerful role in helping brands and consumers reduce their carbon footprint and replace plastic with recyclable fibre-based packaging. There is an opportunity to grow market share and value by demonstrating the benefits of widely recycled packaging and as part of our packaging value proposition that can help our customers to reduce cost, whilst driving circular economy principles into our customers' business models. In the IEA Net Zero Emissions by 2050 scenario, annual paper production is described as growing by 1.5 per cent annually over the decade to 2030, with greater need for packaging and paper as a result of population and economic growth, necessitating greater recycling. This could be estimated as a growth opportunity which, within the context of the reference scenario, could be valued at c. £25 million increase in EBITDA by 2030 compared to 2021. We are driving the replacement of plastic with widely recycled fibre-based alternatives, having set a Now and Next sustainability target to remove 1 billion pieces of problem plastics from supermarket shelves by 2025. We have replaced 313 million plastic units with our recyclable fibre-based alternatives to the end of 2021/22, helping our customers meet consumer demand for recyclable packaging. Our designers have already created over 1,000 designs for millions of products geared towards reducing the use of problem plastic and even small changes, such as replacing plastic sealing tape with self-locking flaps or plastic labels with print direct onto cardboard, can help capitalise on the growth in demand for sustainable packaging.

Increasing resource efficiency

There are multiple ways at various stages of the circular product lifecycle in which we can achieve greater efficiency of the resources we use. In our packaging, the efficient use of materials that are regenerative and recyclable and the avoidance of over-specification helps remove unnecessary waste and save natural resources. This not only results in a leaner finished product but also less impact overall, as transporting fewer fibres through the production process requires less water and energy use. In 2021/22, we optimised the fibre used in 26 per cent (2020/21: 23 per cent) of new packaging solutions for unique supply chains, progressing closer to our Now and Next sustainability target to optimise fibre use for individual supply chains in 100 per cent of our new packaging solutions by 2025. Minimising fibre consumption also decreases use of natural resources throughout the value chain. In 2021/22 we set a new Now and Next sustainability target to decrease water withdrawal by 1 per cent per year, every year, to 2030 compared to 2019 at our paper mills located in regions at high or extremely high risk of water stress by 2030. This was achieved for 2021/22, operating at 8.08m^3 per tonne of net saleable production (2020/21: 8.10 m^3/t nsp) compared to 8.48m^3/t nsp in the base year (2019/20). Our actions have lowered pressure on natural water systems through water reduction, reuse and recycle opportunities, which reduce operating costs. For example at Lucca Mill, in a circular water system withdrawn water is recirculated before it is returned to the natural environment.

Once the packaging is used and ready to be collected for recycling, we can achieve greater resource efficiency by encouraging markets to invest in improved recycling infrastructure, including increasing waste segregation to create raw material streams that are cleaner and require less processing. Access to high quality wastepaper for recycling means less processing and less volume of recyclate needed overall, which reduces water and energy consumption, generating cost savings for our papermaking operations. We continue to advocate for separate collection of recyclables to improve quality of material by reducing contamination, increasing recycling rates, lowering environmental impact and cost for local authorities as part of our engagement with policymakers to contribute to realising this opportunity, as well as engaging with our customers on integrated closed-loop solutions and appropriately specified performance packaging for individual supply chains.

Use of emerging renewable technologies

In order to avoid the most catastrophic consequences of climate change, the global energy system must radically transform, with the rapid deployment of low carbon fuel sources to displace fossil fuels. The recycled paper production process predominantly utilises natural gas as a fuel source. Therefore, delivering our commitment to Net Zero emissions by 2050 will require our operations to transition from fossil fuels to renewable fuels, such as biomass, biomethane and hydrogen. As energy systems and technologies evolve, there is an opportunity to be at the forefront of adoption of increased efficiency measures, alongside new technologies. As an example, in the IEA SDS 1.5°C scenario, energy use in the Pulp and Paper sector is assumed to decline by 0.6 per cent per year to be on track with the Sustainable Development Scenario (SDS) by 2030. This reduction in energy consumption in our operations would result in a lower cost, an opportunity estimated in our analysis that could be valued at c. £12 million in 2030 compared to 2021, although costs would be incurred in realising these benefits. In the IEA Net Zero Emissions scenario, a 0.5 per cent increase per year to 2030 is assumed as strong paper production growth necessitates greater recycling and a resulting increased energy cost of c. £10 million in 2030 compared to 2021. This emphasises the opportunity to grow without generating additional GHG emissions if growth in new production is powered by renewable fuels. Our carbon reduction roadmap sets out initiatives that allow our business to grow whilst realising the benefits of harnessing emerging renewable technologies. Energy performance is managed using our Group-wide ISO 50001:2018 energy management system, driven by our Now and Next target to maintain certification at 100 per cent of relevant sites. Our objective is to maintain continuous improvement in energy performance, cost and therefore greenhouse gas emissions.

Summary of our scenario analysis

The climate scenario analysis suggests that our strategies are resilient to climate-related risks and opportunities. There is low financial risk by 2030, predominantly due to increased costs which would need to be managed. We would not have to make fundamental changes to our business model. By committing to a 1.5°C science-based target for 2030, we are responding to climate-related risks and opportunities in accordance with the latest climate science. As we decarbonise alongside the entire industry, we see opportunities to be at the forefront of leading the transition to a circular economy, which, compared to the linear economy, is a better system for tackling climate change, pollution and biodiversity loss.

Risk management

We undertake regular materiality analysis to ensure our sustainability priorities remain aligned to those of our stakeholders. In our latest analysis, we consulted stakeholders on a range of climate issues, asking them about their perception of each issue as a risk or opportunity to our sustainability strategy. This assessment, combined with a range of other credible sources (such as CDP, CEPI and the TCFD recommendations), is used to grade these risks using the likelihood of the risk occurring and an estimate of the severity of resulting financial or strategic impact over various time horizons. Based on this risk grading, the highest graded risks are evaluated in greater depth, considering our operations, supply chain, stakeholder expectations and regulation. Transition risks are assessed by Group strategy and Group sustainability teams, working across functions to develop responses to the financial and strategic implications. Physical risks are assessed by each division, supported by the Group Risk and Insurance team, drawing on expertise from specialist organisations.

Whether to avoid, transfer, mitigate or accept a risk is influenced by a range of factors, such as site location, investment needed and projected volume demand. Our risk management processes require that our principal business risks, including climate risks, are graded on a scale from negligible to critical using specific impact criteria such as a financial value range. By way of example, a financial impact between 2.5 per cent and 10 per cent of operating income or net profit is graded of moderate strategic or financial risk.

Climate risks are evaluated using the Group's common risk language and are integrated into our principal risk assessments where such risks could significantly affect the business during our Corporate Plan time horizon. All divisions and Group functions produce formal principal risk assessment reports twice per year, and undertake frequent risk reviews, considering the grading, trends and controls. The most critical climate risks and opportunities are selected for climate scenario analysis, prioritising those for which high-quality data is available.

Metrics and targets

We use a range of metrics and targets to assess and manage climate-related risks and opportunities in line with our Now and Next Sustainability Strategy and risk management process. A range of targets in our Now and Next Sustainability Strategy relate to climate risks and opportunities, and the most relevant ones are presented below. We report progress to external audiences annually and review performance internally on a monthly basis. Scope 1, 2 and 3 greenhouse gas emission information can be found on page 33. DS Smith ESG Databook 2022 contains the basis of preparation, which includes methodology notes. Independent assurance is obtained for selected metrics relating to carbon, energy, waste, water and production, indicated in the table below with asterisks.

Climate-related remuneration

Our Now and Next Sustainability Strategy, including our commitment to reach Net Zero GHG emissions by 2050, helps us to differentiate as a circular economy leader. This drives ongoing profitability and cash flow, which are the current performance measures for our incentive plans. The underlying importance of ESG and sustainability, including our response to climate change, continues to be emphasised by the use of a variety of ESG considerations as an underpin to the annual bonus. In 2021/22, the three elements of the ESG underpin were met, including the commitment to carbon reduction in the business, based on science-based targets. For 2022/23, the Remuneration Committee will continue to take into account and report on, amongst other ESG factors, the development of initial plans to achieve the longer-term science-based targets for carbon reduction in the business. For more information, see page 102.

Summary of metrics and targets

The following table summarises the metrics and targets used to assess and manage relevant climate-related risks and opportunities.

Climate-related risk or opportunity – metrics and targets	Unit	2019/20	2020/21	2021/22	Trend
Risk: Increasing spend on carbon taxes					
Gross global Scope 1 emissions	tonnes CO_2e	2,181,890	2,047,265	2,023,278*	↓
Percentage covered under emissions-limiting regulations	%	81	80	79	↓
Target: Reduce Scope 1, 2 and 3 GHG emissions by 46% by 2030 compared to 2019 and reach Net Zero GHG emissions by 2050					
Risk: Increasing cost of raw material or threat to supply					
Percentage of fibre use optimised for individual supply chains	%	–	23	26	↑
Target: Optimise fibre use for individual supply chains in 100% of new packaging solutions by 2025					
Risk: Increasing likelihood of water stress					
Total water withdrawn	m^3	57,451,994	55,237,583	54,644,995*	↓
Total water consumed	m^3	12,908,260	14,150,530	13,604,030*	↓
Percentage of water withdrawn from areas at risk of water stress	%	36	36	31	↓
Percentage of sites with water stress mitigation plan in place	%	70	100	100	→
Target: Maintain water stress mitigation plans at 100% of our sites in current or future water stressed areas					
Opportunity: Growth in demand for sustainable packaging					
Number of pieces of problem plastics replaced	million units	–		313	since 1st May 2020
Target: Replace 1 billion pieces of problem plastics by 2025					
Opportunity: Use of renewable energy technologies					
Total energy consumption	MWh	15,707,667	15,446,255	15,324,120*	↓
Percentage of energy consumption from renewable sources	%	17	17	21	↑
Opportunity: Increasing resource efficiency					
Water withdrawal at mills in areas at risk of water stress	m^3/t nsp[1]	8.48	8.10	8.08	↓
Target: Decrease water withdrawal by 1% per year to 2030 compared to 2019 at our paper mills in current or future water stressed areas					

* Independent Assurance has been obtained for these metrics – see assurance statement on page 33.
Independent verification to a limited level of assurance for the 2019/20 base year was provided by Bureau Veritas.
1. tnsp – metric tonne net saleable production

EU Taxonomy

The EU Taxonomy is a classification system that identifies certain economic activities as 'environmentally sustainable'. It aims to meet the objectives of the European green deal by scaling up sustainable investment. It introduces mandatory disclosure obligations on certain companies, requiring disclosure of the proportion of EU Taxonomy-aligned activities. An economic activity qualifies as 'environmentally sustainable' if:

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

The EU Taxonomy Regulation requires disclosure of turnover derived from products or services associated with economic activities that qualify as environmentally sustainable and capital expenditure and operational expenditure related to assets or processes associated with economic activities that qualify as environmentally sustainable.

Although our industry is not presently identified within the scope of EU Taxonomy Regulation, we acknowledge the proposals made and have identified that some of our activities are taxonomy-eligible environmentally sustainable activities, predominantly the economic activities associated with our Recycling operations.

Based on our mapping of our activities to the EU Taxonomy-eligible business activities, we have identified turnover, capital expenditure and operating expenditure relating to EU taxonomy-eligible activities. In 2021/22, c. four per cent of turnover, c. two per cent of capital expenditure and c. one per cent of operating expenditure related to taxonomy-eligible activities.

As the delegated acts continue to be approved by the European Commission, we expect that more of our economic activities will be classified as environmentally sustainable. Given our position as a leading provider of sustainable packaging solutions, operating a circular business model focused on recycled cardboard and with 100 per cent of our papers either recycled or chain of custody certified, we expect to be well-positioned for the vast majority of our economic activities to be considered environmentally sustainable.

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

Non-financial information statement

The table below sets out where stakeholders can find information in our Strategic Report that relates to non-financial matters as required under the Non-Financial Reporting Directive requirements:

Reporting requirements	Some of the relevant policies	Where to read more in this report about our impact, including the principal risks relating to these matters	Page(s)
Environmental matters	• Group Sustainability policy[1]	• Our sustainability approach, strategy, focus and targets • Our sustainability performance • Our differentiators • Risk – sustainability	6 30 10 53
Employees	• Code of Conduct[2] • Speak Up![2] • Group Health and Safety policy[1] • Equal Opportunities and Anti-Discrimination policy[2] • Personal Data Protection policy[1] • Document Retention policy[1] • Confidential Information policy[1] • Conflicts of Interest policy[1]	• What we create for our people • Diversity and Inclusion • To realise the potential of our people – performance • Health, safety and wellbeing • Risk – organisation capability • Gender pay gap reporting • Our Purpose	24 28 24 26 54 29 5
Human rights	• Code of Conduct[2] • Anti-Slavery and Human Trafficking policy[2]	• Sustainable governance • Risk – governance	53 53
Social matters	• Code of Conduct[2] • Gifts and Hospitality policy[2]	• Contributing to our communities	33
Compliance	• Corporate Criminal Offence (Anti-Facilitation of Tax Evasion) policy[1] • Anti-Bribery and Corruption policy[2] • Competition Law Compliance policy[1] • Commercial Agents policy[1] • Conflicts of Interest policy[1]	• Risk – governance	53
Business model		• Our business model	14
Non-financial KPIs		• Employees: accident frequency rate • Sustainability: CO_2 equivalent emissions • Customers: on-time in-full deliveries	25 33 20

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

Our policies

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

Policy	Description
Code of Conduct	DS Smith Plc (DS Smith), its subsidiaries and affiliates (Group) are committed to the highest ethical standards in the way in which we engage with each other, our customers, employees, shareholders, suppliers, contractors and other stakeholders. Our Code of Conduct sets out what these commitments mean and the behaviours which are expected of all our employees, consultants and officers. This includes our expectations on health and safety, business practice, human rights, compliance, prevention of tax evasion, and employee relations among other key areas for the business. Alongside the Code of Conduct we have an Employee Charter drawn up in partnership with the European Works Council which builds on our Code of Conduct and reinforces our standing commitment to comply with applicable legislation and regulatory requirements. We also have other key Group policies outlined below, which serve to further expand upon the provisions in the Code of Conduct.
Community engagement and charitable donations policy	DS Smith has an ambitious, Group-wide community programme which supports our Group Sustainability Strategy 'Now and Next'. Now and Next includes engagement in community programmes at all of our sites (with 50 or more full time employees) each year. We believe that as a responsible and sustainable business, investing in the communities where we operate and can make a positive difference is the right approach. We have developed parts of this policy in line with both the B4SI Framework (global standard in measuring and managing a company's social impact) and DS Smith Anti-Bribery and Corruption policy. This policy outlines the importance of community engagement, the focus of our community programme, allocation of funds, and processes for community engagement and charitable donations.
Conflicts of Interest policy	Conflicts of interest, whether actual, potential or perceived, may impair our ability to act in accordance with our ethical standards and values. It is therefore important for all of us to be aware of, and adhere to, the policies and procedures that we have in place to manage such conflicts. This policy outlines the requirements and processes in respect of conflicts of interest and advises employees of their obligations. It also includes a self-assessment tool to assist in determining whether there may be a conflict.
Confidential Information policy	DS Smith keeps certain types of information confidential for important business reasons, including to comply with legal requirements (such as data protection and competition law), and to maintain a competitive edge. Confidential Information is information that is not generally known or publicly available and is only available to employees or workers as a result of their employment/engagement with DS Smith. It is information that may harm DS Smith if disclosed and, as such, it must be protected. This policy sets out how Confidential Information should be handled and outlines the procedures that safeguard it.
Anti-Bribery and Corruption policy	DS Smith has zero tolerance for any form of bribery or corruption and is committed to complying with all applicable anti-bribery and corruption laws. In addition to ensuring that our employees and contractors are compliant with the Group's Anti-Bribery and Corruption policy, we require that all third parties engaging with any DS Smith entity comply with these policies in order to ensure compliance with applicable anti-bribery and corruption laws and preserve our own and our customers' reputations.
Anti-Slavery and Human Trafficking policy	DS Smith does not tolerate any form of modern slavery both within the Group and within its supply chain. DS Smith respects fundamental human rights and is committed to the principles set out in the United Nations Universal Declaration of Human Rights and this is documented in our Code of Conduct, Employee Charter and Anti-Slavery and Human Trafficking policy. Our progress in the area of modern slavery is set out in our annual Modern Slavery statement. The ultimate responsibility for prevention of modern slavery rests with the Group's leadership with the Board of Directors having overall responsibility for ensuring this policy is implemented across the Group.
Commercial Agents policy	It is important to our ongoing success that DS Smith avoids damage to its reputation due to an act carried out by an agent in our name. The Commercial Agents policy outlines the rules that we expect to be followed across the Group when engaging and monitoring our relationships with agents. This policy also offers guidance to our agents on what is expected of them as an agent of DS Smith. Such guidance is supplemented by additional e-learning compliance training where appropriate. This ensures that agents are properly vetted and monitored.
Competition Law Compliance policy	DS Smith is committed to ensuring that its activities within the European Union (EU) and outside the EU are conducted in compliance with the principles of the EU competition rules as well as all applicable national rules that apply to the Group. This policy provides guidance on competition laws, information exchanges, SWAPS, trade associations and dawn raids. Additional e-learning training is available to support this policy.
Corporate Criminal Offence (Anti-Facilitation of Tax Evasion) policy	DS Smith's Corporate Criminal Offence (CCO) (Anti-Facilitation of Tax Evasion) policy must be communicated to all suppliers and customers and is part of due diligence when considering new acquisitions. Training on this policy takes place virtually and where possible face to face with relevant personnel across the Group encompassing all new acquisitions as well as all new joiners.
Document Retention policy	In the course of carrying out its various business activities, DS Smith collects information from individuals and external organisations and generates a wide range of data and information which is recorded and stored. DS Smith is therefore committed to ensuring that it continues to ensure the accuracy of any data stored and ensuring that data (especially personal data) is only retained for as long as is necessary.

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

Statement of approval

This Strategic Report, including pages 1 to 65, was approved by the Board of Directors on 20 June 2022 and is signed on its behalf by

Miles Roberts
Group Chief Executive

Board of Directors

Principal Board Committees key: (A) Audit Committee (N) Nomination Committee (R) Remuneration Committee ● Chair

Geoff Drabble
Chair

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

External appointments
- Geoff is non-executive chair of Ferguson plc and a non-executive director of Howden Joinery Group Plc

Geoff was appointed to the Board on 1 September 2020 as a Non-Executive Director and became the Chair of the Board and the Nomination Committee on 3 January 2021. Geoff served for 12 years as Chief Executive of Ashtead Group plc, the FTSE 100 industrial equipment rental company. He was previously an executive director of The Laird Group plc and held a number of senior management positions at Black & Decker.

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

Miles Roberts
Group Chief Executive

Key strengths
- Clear strategic mindset
- Strong leadership skills

External appointment
- None

Miles was appointed to the Board on 4 May 2010 as Group Chief Executive.

Following his engineering degree he became a chartered accountant and brings to the Board extensive financial and operational experience. He was previously Chief Executive of McBride plc, having originally joined as its Group Finance Director. He was Senior Independent Director of Poundland Group plc until September 2016 and non-executive director of Aggreko plc until August 2021.

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

Miles' strong leadership skills combined with his clear strategic mindset, rooted in the practicality of his engineering and accountancy training, means that his skills and experience, and ability to identify material risks and sustainable growth opportunities for the Group's business, contribute to the Board's clear strategic vision.

Adrian Marsh
Group Finance Director

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

External appointment
- Adrian is a non-executive director and audit committee chair at John Wood Group PLC

Adrian was appointed to the Board on 24 September 2013 as Group Finance Director.

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

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

Celia Baxter
Non-Executive Director

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

External appointment
- Celia is the Senior Independent Director and the remuneration committee chair at Senior plc

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

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

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

Alan Johnson
Non-Executive Director

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

External appointments
- Alan is a non-executive director of Imperial Brands plc and William Grant & Sons Holdings Limited
- He is President and Chair of the Board of the International Federation of Accountants and chairs the audit committee of the International Valuation Standards Council

Alan was appointed to the Board as a Non-Executive Director on 1 June 2022. Alan held a number of senior finance positions at Unilever during a 30-year career, including Chief Audit Executive and Chief Financial Officer of the Global Foods Division. He was previously Chief Financial Officer and then a non-executive director at food retailer Jerónimo Martins, SGPS, SA until April 2016.

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

Alina Kessel
Non-Executive Director

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

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

Alina was appointed to the Board on 1 May 2020 as a Non-Executive Director.

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

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

David Robbie
Senior Independent Director

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

External appointment
- David is a non-executive director of easyJet plc

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

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

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

Louise Smalley
Non-Executive Director

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

External appointment
- Louise is a non-executive director and remuneration committee chair of Informa PLC

Louise was appointed to the Board on 23 June 2014 as a Non-Executive Director.

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

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

Rupert Soames OBE
Non-Executive Director

Key strengths
- Wealth of international operational experience
- Extensive understanding of UK plc environment as a serving CEO

External appointment
- Rupert is Group Chief Executive Officer at Serco Group plc

Rupert was appointed to the Board on 1 March 2019 as a Non-Executive Director and became Senior Independent Director on 3 September 2019. He handed over his Senior Independent Director duties to David Robbie on 28 February 2022, following his decision to retire from the Board at the conclusion of the 2022 AGM.

He was previously Chief Executive at Aggreko plc and Chief Executive of Misys plc Banking and Securities Division. Until July 2016 Rupert was also Senior Independent Director of Electrocomponents plc and a member of its remuneration, nomination and audit committees.

Rupert's hands on experience of the UK plc environment as a serving CEO, balancing the management of risk and reward, combined with the wealth of his international operational experience means that his skills and experience contribute to the Board's international outlook, embedded in a clear-sighted view of operational realities in today's world.

Iain Simm
Group General Counsel and Company Secretary

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

External appointment
- None

Iain was appointed Group General Counsel and Company Secretary on 6 June 2016.

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

Chair's introduction to Governance

"I have been impressed with the Group's performance, despite the challenges of the Covid-19 pandemic and more recently the implications of the war in Ukraine and economic volatility, in continuing to deliver both financial results and on the Group's ambitious ESG agenda."

Geoff Drabble, Chair

Introduction

This section of the Annual Report focuses on corporate governance. Having a structured corporate governance framework, bringing the right information before the right people at the right time to make informed decisions, supports good decision making and the delivery of the Group's strategy.

The past 12 months have continued to present us all with challenges in all aspects of our lives and as a Board and as a Group we continue to remain watchful and nimble in our decision making. I have been impressed with the Group's performance, despite the challenges of the Covid-19 pandemic and more recently the implications of the war in Ukraine and economic volatility, in continuing to deliver both financial results and on the Group's ambitious ESG agenda.

UK Corporate Governance Code

Your Board understands that good corporate governance is an essential element in helping to build a successful business in a sustainable manner. There are five sections to the UK's Corporate Governance Code (Code) and the governance section of our Annual Report follows the same order as the Code.

Board leadership and Company Purpose

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

More information about how we engage with our stakeholders as part of our Board activities is set out on pages 73 and 74 and how we do so as a Group is summarised on pages 18 and 19.

Division of responsibilities

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

The approval of certain Group policies (including some of those listed in the non-financial information statement on pages 63 and 64) is one of the matters reserved to the Board and is one of the ways as a Board we have oversight of longer-term aspects of the Group's operations, including our leadership on sustainability matters and our progress in addressing climate-related issues.

Board composition, succession planning and evaluation

As at 1 May 2022 our eight member Board was made up of three women and five men. Alan Johnson joined the Board with effect from 1 June 2022 and Rupert Soames will retire from the Board after the conclusion of the Annual General Meeting on 6 September 2022.

For each Board appointment made we follow a similar process (as summarised on page 77) as the Board seeks to appoint an outstanding candidate, with a different range of experience, to maximise Board effectiveness. When we think about diversity we recognise that diversity can take many forms, including diversity of gender, social and ethnic backgrounds, and of cognitive and personal strengths, and that diversity at Board level and throughout the Company is a valuable strength. We also recognise that the mix of skills needed by Board members will change as the landscape in which the Group operates changes. Therefore, as we consider each new Board appointment, the role specification is not a direct replication of the role of a retiring Board member.

Information about the external evaluation of the Board and its Committees and how they have contributed to the overall effectiveness of the Group is set out on page 75.

Balancing stakeholders' interests

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

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

The Board's approval of the Group's commitment to a 1.5°C science-based target, validated by the Science Based Targets initiative was a significant strategic decision, which will impact all our stakeholders, including our suppliers, our customers and the wider community, as well as the environment. Delivering progress on our science-based targets will play a powerful role in helping brands and consumers reduce their own carbon footprint. Given that our greenhouse gas emissions are our customers' Scope 3 emissions, the commitment we have made to carbon reduction has a positive impact on reducing Scope 3 emissions for our customers, many of whom are already making progress towards their own science-based targets and expect the same of their packaging supplier.

Alongside our commitment to science-based targets, we have also committed to encourage our strategic suppliers to adopt science-based targets by 2027. This follows feedback from stakeholders who are seeking to work with like-minded businesses, committed to science-based targets and net zero, alongside a commitment to the circular economy.

The Group's commitment to a science-based target means we will work closely with partners, suppliers, customers and policymakers collectively to tackle climate change through the circular economy in line with our ambitious goals.

The Board takes a close interest in our progress in realising our strategic goal of leading the way in sustainability. Our progress to date is summarised on pages 30 to 33 of this report, with more details being available in our Sustainability Report.

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

Geoff Drabble
Chair

20 June 2022

We use boxes like this throughout the governance section of the Annual Report to highlight why we are telling you the information. We hope that this will help you both find what you are looking for in our report and understand the way we have structured our disclosures to be both compliant with regulation and, we hope, readable.

s172 We use this symbol throughout the governance section of the Annual Report to highlight examples referred to in the section 172 statement on page 13.

The regulatory requirement is to include in the Strategic Report a statement about the Directors' compliance with section 172 of the Companies Act 2006 concerning taking into account the interests of a variety of stakeholders. This is on page 13. Examples that illustrate aspects of that statement are set out in this part of the report, which also links to the topics covered in section 1 of the Code (board leadership and company purpose). Here we also explain how we have applied aspects of Code principles A to E and how we have put the related provisions of the Code into practice.

The governance section of the Annual Report opens by summarising what each Board member contributes to the governance of the Company and its long-term success. The Chair's introduction to governance puts DS Smith's approach to matters of corporate governance into our DS Smith context. This year, after the summary of division of responsibilities there follows a brief summary of our approach to each of the five sections of the Code.

Division of responsibilities

Division of responsibilities of the Board and its principal Committees

The Board

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

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

Chair

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

Group Chief Executive

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

Senior Independent Director

- Provides a sounding board to the Chair and appraises their performance
- Acts as intermediary for other Directors, if needed
- Available to respond to shareholder concerns if contact through the normal channels is inappropriate.

Non-Executive Directors

- Constructively challenge and help develop proposals on strategy
- Scrutinise the performance of management
- Monitor the reporting of performance.

Board and Board Committee meetings attendance

	Board	Nomination Committee	Audit Committee	Remuneration Committee
Total number of meetings in 2021/22	8	4	5	6
Executive Directors				
Miles Roberts	8/8	4/4	n/a	n/a
Adrian Marsh	8/8	n/a	n/a	n/a
Non-Executive Directors				
Geoff Drabble	8/8	4/4	n/a	6/6
Celia Baxter	8/8	4/4	5/5	6/6
Alina Kessel	8/8	4/4	5/5	6/6
David Robbie	8/8	4/4	5/5	6/6
Louise Smalley	8/8	4/4	5/5	6/6
Rupert Soames	7/8	4/4	5/5	5/6

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

Section 2 of the Code (division of responsibilities) sets out matters relating to independence of Directors and the structure of the Board and its Committees. We cover these items (including the application of aspects of Code principles F to I) in this part of the report and in the Nomination Committee Report, where we also have more information about the independence of Directors.

Board's principal Committees

Audit Committee

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

For more information see page 82

Nomination Committee

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

For more information see page 76

Remuneration Committee

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

For more information see page 88

Board standing sub-committees

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

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

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

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

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

Management committees

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

Group Health, Safety, Environment and Sustainability Committee

Meets monthly

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

Group Operating Committee

Meets monthly

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

Group Strategy Committee

Meets once every two months

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

Group Compliance Committee

Meets quarterly

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

Group M&A Committee

Meets once every two months

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

Corporate Governance in context

Corporate Governance in action

The 2018 UK Corporate Governance Code (Code) published by the Financial Reporting Council (FRC) and available at www.frc.org.uk asks companies to focus on the application of the principles of good governance in their specific context. In the introduction to the Code the FRC recognises that high-quality reporting on the provisions of the Code may include an explanation of how the spirit of the principles has been applied, which, in some cases, may be by a different route from that suggested in the Code's provisions.

The governance section of the Annual Report outlines how we have applied the Code's main principles. All relevant provisions of the Code have been complied with, other than provision 38, where our approach (summarised in the box below) differs from the Code's.

The FRC and investors agree that, as long as ample, transparent explanation is given, it may be appropriate for a company to choose to depart from a provision of the Code.

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

1 Board leadership and Company Purpose

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

From page 73

2 Division of responsibilities

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

From page 70

3 Composition, succession and evaluation

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

From page 75

4 Audit, risk and internal control

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

From page 79

5 Remuneration

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

As described on page 91 in the Remuneration Report, the pension contribution rates for Executive Directors are not, at the date of this report, fully aligned to that available to the workforce, although they will be so aligned by 31 December 2022. (The Group Chief Executive's pension contribution reduced by 10 per cent in 2020 and by a further 5 per cent on 1 August 2021 to 15 per cent of annual salary. The Group Finance Director's pension contribution was reduced by 5 per cent in 2020 and a further 5 per cent on 1 August 2021 to 10 per cent of annual salary.)

Our remuneration policy is aligned to our Purpose of 'Redefining Packaging for a Changing World'. Each year we look afresh at our reward principles and test that they continue to support our values as a Group.

From page 88

Board leadership and Company Purpose

Board leadership in action

As the 2021/22 financial year drew to a close the war in Ukraine dominated the headlines. The Board has been inspired by the numerous examples of humanitarian support offered by our colleagues in eastern Europe to refugees from Ukraine and has noted the heightened understanding of the importance of the Group's cyber awareness. The Board receives regular updates on matters such as the financial hedging of energy costs and the measures to enhance security of commodity supply put in place by our Procurement team.

s172 The Board was pleased that the Group was, after much work, able to make public its commitment to align its global operations to a 1.5°C scenario as set out in the Paris Climate Agreement and to achieve validation from the Science Based Targets initiative (SBTi), committing to reduce Scope 1, 2 and 3 greenhouse gas emissions 46 per cent by 2030 compared to 2019 and to reach net zero emissions by 2050. This (as further described on page 69) was a significant strategic decision, taking into account the interests stakeholders.

Health and safety is always a priority item on the Board's agenda. Setting the example from the top down is critically important and the Board was pleased to hear that the Group-wide lost time accident frequency rate has fallen again to a new low of 1.91.

The Code highlights the importance of effective engagement with shareholders and other stakeholders. The Group's key stakeholders and their differing perspectives are identified and taken into account, not only as part of the Board's annual strategy and corporate planning discussions, but also in our project assessments and in other Board conversations. The Board understands that the Group has a role as an employer and as a taxpayer as well as a member of the wider communities in which our sites are based and as a key link in the supply chains through which so many goods pass, and that these roles are broader than the more traditional single role of a corporate entity reporting on its financial results to its shareholders. The balancing of the differing perspectives of all our key stakeholders is a recurrent theme in our Board's conversations.

All discussions, assessments and conversations focus not only on delivering increased value for shareholders, but also assess the impacts of our decisions and strategies on the Group's wider stakeholders. (The concerns of, and our response to, our stakeholders are summarised on page 18 and 19.) The Board recognises the importance of regular, open and constructive dialogue with shareholders and other stakeholders and this has long been a key aspect of our culture and of our decision-making.

Engagement with our shareholders

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

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

Each year shareholders (and other interested bodies) issue materials concerning their expectations of companies. These are summarised for, and considered by, the Board, which also informs the comments that Board members make on the working drafts of the Annual Report that they review, prior to its final approval and publication. s172

Engagement with our workforce

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

EWC representatives meet regularly with our Group Chief Executive and Group HR Director to discuss a wide range of topics. While health and safety, Group performance and sustainable employment are always on the agenda for these discussions, this year topics have also included providing input into the updated Group Code of Conduct document, comparing the Group- wide engagement survey results to the pledges set out in our Employee Charter, and giving guidance on the industrial relations landscape across Europe. s172

Members of management continued to attend EWC meetings throughout the year, held virtually on a platform that enables live interpretation. Again this year an EWC representative joined a meeting of the Remuneration Committee to support and inform discussions about Sharesave and employee wellbeing programmes and to brief the Committee about some of the topics discussed at recent meetings of the EWC. Celia Baxter, the Chair of our Remuneration Committee, has also met with the EWC Executive twice in 2022, building further on the dialogue started in 2020. s172 s172

The regular schedule of reporting to the Board includes, in relation to our workforce, such matters as reviewing the outcomes from the topic-based, pulse employee engagement surveys that are one of the ways in which the Board assesses and monitors culture. The regular schedule of reporting to the Nomination Committee includes the review of employee talent, development and succession plans as well as insight into the progress made on diversity, equity and inclusion. All these activities ensure that the voice of our workforce is heard regularly in the boardroom and provides richer context for the Board's decision-making. The Board plans to review the insight from the recent Group-wide engagement survey and the action plans that have arisen from the listening groups held across the organisation. s172 s172

Engagement with our suppliers, customers and other stakeholders

The business relationships with our suppliers, customers and other stakeholders, such as regulators and non-governmental organisations, are matters which the Group Chief Executive covers in his regular reports to the Board. His report to the Board in December 2021 highlighted that, while COP26 focused heavily on carbon reduction, it also provided a number of platforms for the s172

Group to debate the importance of recycling/reusing of resources. As Group Chief Executive, Miles Roberts is responsible for the Group's overall ESG performance and its clear objectives at the centre of our business model. The Board recognises the crucial importance of delivering on our sustainability ambitions, helping

s172 reduce waste and protect natural resources as our designers realise the opportunities within the circular economy by applying our Circular Design Principles.

s172 The Board receives regular updates from the Group procurement function which has first-line responsibility for relationships with suppliers. In the past year the Board has discussed the supply of energy and raw materials (such as starch), inflation in the cost of such supplies and logistics shortages.

s172 The most recent update to the Board on sales, marketing and innovation highlighted the range of customers we serve, our focus on recovery of cost inflation and the importance of leveraging our circular ready proposition, as well as how much our customers have appreciated our responsive support through the past challenging 18 months.

Complementing the regular briefings from operational and functional management about Group-specific matters (such as reports from our Corporate Affairs Director on progress made during the year on both sustainability and our programme of wider engagement in the community and the report to each Board meeting on health and safety), the Board also has a programme of briefings from the Group's external advisers on a range of topics. This enables current and future plans to be set in the wider context of the broader environment. This covers not just topics that are currently visible, but emerging areas of interest and concern across a diverse range of fields.

Our engagement with the local communities of which our sites and employees are a part has been a developing area of focus in recent years. A key target in our Now and Next Sustainability Strategy is to engage in community programmes at all our sites that have more than 50 employees, which we have again achieved in 2021/22. These programmes are guided by our Purpose and focus on supporting the improvement and protection of the environment and inspiring and educating. In 2021/22, we achieved our Now and Next Sustainability Strategy target to fund 100 biodiversity projects in our local communities. These projects improve local environments for plants and animals, protecting natural habitats and enhancing species diversity in the areas in which we operate. Alongside these projects, 12 of our paper mills have launched longer-term biodiversity programmes.

s172 An illustrative example of improving local communities that the Board was briefed on in October was the involvement of over 300 employees based at more than 35 sites in 17 countries in World Cleanup Day in September 2021. Sadly the war in Ukraine has provided the opportunity for our colleagues in eastern Europe to rally round, offering humanitarian support to the Ukrainian people through many locally and regionally coordinated charitable initiatives, including organising food and other donations and taking refugees into their homes.

Board engagement through site visits

Board site visits are an important way in which Board members can engage with our employees, assess and monitor culture, and understand more about our customers and suppliers, but the ongoing impact of the Covid-19 pandemic in much of 2021/22 has limited the possibilities for in-person visits. The Board plans to go to Madrid for its October 2022 meetings to assess the integration of Europac and see first hand the strengths and culture of that business and the qualities our employees there bring to the overall Group. It is also hoped that during 2022/23 it will be possible for Non-Executive Directors to be able to visit sites as individuals. s172

At each Board meeting health and safety is reported on, including the total number of near misses and safety observations and the number per employee. These are seen as indicators of employee engagement in observing and reporting positive behaviour and identifying health and safety risks. The level of engagement is seen as a reflection of the culture and health and safety leadership at a site and in 2021/22 the number of safety observations per employee (the health and safety engagement index) was 11.5, the highest figure since the Group started tracking it in 2017.

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

More detail about how we realise the potential of our people by engaging with our wider workforce (a term that is wider than the term employees, who are those employed directly by the Group under contracts of service) wherever they are based (not just those based in the UK) is set out on pages 24 to 29 of the Strategic Report.

Statement about the Company's engagement with suppliers and customers

More detail about how we engage with our customers and the importance of sustainability throughout our supply chain is set out on pages 20 to 23 and 30 to 33 of the Strategic Report.

Throughout the uncertain times of Covid-19 the safety and wellbeing of our people has been our first priority, while recognising our responsibility to support our customers as they keep essential goods such as food and pharmaceuticals moving. All our decisions have been taken in that context.

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

Composition, succession and evaluation

Board evaluation in practice

Board evaluation is an iterative process. After each evaluation (whether internal or external and including evaluations of Committees and Directors) the Board sets itself objectives. The Board set itself a number of objectives for 2021 including looking at insights around global, societal and consumer trends (including those outside the immediate categories in which the Company operates) and ensuring appropriate frequency of Board discussions of briefings on topics such as relationships with customers, suppliers and the businesses' efforts and involvement in the many and diverse communities in which we operate. The Board found realising these objectives helped keep a wider lens on the Board's discussions.

In 2022 the Board and its Committees completed a formal external evaluation with Claire Chalmers Limited (which has no other involvement with the Group or with any of the Directors). The process started in October 2021 when an independent external evaluator was able to attend in-person meetings of the Board and its Committees, which gave the opportunity for richer insight and more valuable feedback than would have been possible earlier (or later) in the financial year when meetings were via video technologies.

The formal evaluation report was presented by the evaluator at the January Board meeting when Board members discussed the findings with the evaluator and how, for example, the evaluator had seen collective board training operate to best effect in other organisations. At the March and April Board meetings the Directors considered what further changes to suggest to the rolling schedules of periodic agenda items that are maintained as a framework for the Board and each of its main Committees, to ensure that those documents continue to be aligned with the focus areas of the Corporate Plan. At that time David Robbie, as Senior Independent Director, met with all the Directors individually, to appraise the Chair's performance and subsequently discussed this with him. The Directors also considered and adopted Board objectives for 2022, taking forward from the external evaluation a focus on a structured approach to succession planning with improved oversight of talent and development programmes. After the pandemic's disruption of physical site visits and the limited opportunities for virtual site visits, the Board is particularly keen to set itself an objective of arranging additional physical or virtual visits to sites in 2022 and 2023, choosing locations by reference to the strategic priorities of the business.

As with every high performing board, the Directors will continue to watch for areas of improvement, not just when Board evaluation is a formal agenda item at a Board meeting.

This section and the Nomination Committee Report that follows explain how we have applied aspects of Code principles J to L in section 3 (composition, succession and evaluation) and how we have put the provisions of that section of the Code into practice.

Succession and composition

More details about succession planning are set out in the Nomination Committee Report, later in this Report and details about the current composition of the Board are set out in the biographies of the Directors on pages 66 and 67. Alan Johnson joined the Board on 1 June 2022, but all the other Directors held office throughout the year under review. Rupert Soames informed the Company that he planned to retire from the Board at the conclusion of its Annual General Meeting on 6 September 2022 and he handed over his Senior Independent Director duties to David Robbie on 28 February 2022.

In this report we sometimes report on 'employees' and sometimes on 'workforce'. This is because sometimes the regulatory requirements specifically ask us to report on matters relating to 'employees' (those who are employed directly by the Group under contracts of service). When we use the term 'workforce' we are including all those who work for the Group, including those sub-contracted to work for the Group.

Nomination Committee Report

"As a Committee we continue to focus on senior executive succession planning, as well as Board composition, as we progress towards a greater range of diversity of experiences across the Group's senior leadership team and welcome Alan Johnson to the Board."

Geoff Drabble,
Chair of Nomination Committee

Dear shareholders

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

Our key responsibilities

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

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

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

Board changes

Rupert Soames handed over his Senior Independent Director duties to David Robbie on 28 February 2022 and is retiring from the Board at the conclusion of the Annual General Meeting on 6 September 2022.

Alan Johnson joined the Board with effect from 1 June 2022.

Our priorities over the year were:

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

Membership and operation of the Committee

Member	Since
Geoff Drabble (Chair)	2020
Celia Baxter	2019
Alina Kessel	2020
Miles Roberts	2010
David Robbie	2019
Louise Smalley	2014
Rupert Soames	2019

Alan Johnson joined the Board and its Committees on 1 June 2022.

During the year, the Committee held four formal meetings and there were updates between formal meetings and a number of ad hoc briefings. Details of individual Directors' attendance can be found on page 70. The Group General Counsel and Company Secretary acts as Secretary to the Committee.

Succession planning and recruitment

The process for the appointment of Alan Johnson as a new Non-Executive Director began with inviting a number of recruitment firms to participate in a selection process in order to identify the appropriate consultants to support our search. Inzito were selected in that process.

A role specification was agreed and provided to Inzito, who then put forward a shortlist of candidates for review by the Committee. The shortlisted candidates were interviewed by a number of the Executive and Non-Executive Directors and the Committee made a recommendation to the Board. When making decisions on new appointments, Board members consider the skills, experience and knowledge already represented on the Board and the benefits of diversity, in all its forms, including of gender, ethnicity and life experience. A similar process will be followed for the recruitment of future Non-Executive Directors to the Board.

Apart from assisting with recruitment, Inzito has no other connection to the Company. Inzito has no connection with any individual Directors.

The Committee keeps under regular review succession planning at the Executive Director level and supports succession planning at senior management levels. The Committee's annual rolling schedule of periodic agenda items includes a deep dive into senior talent management and succession planning, informed by a presentation given by the Group HR Director.

Induction, training and development programmes

Upon appointment to the Board, Directors undertake an induction programme, receiving a broad range of information about the Group tailored to their previous experience. This includes information on the operational and sustainability performance and business of the Group and details of Group strategy, corporate governance and Board procedures.

Assisted by the Group Company Secretary, I have responsibility for Directors' induction programmes, and also for the Board's training and professional development. Directors have been given training and presentations during the course of the year to keep their knowledge current and enhance their experience. This has included topics such as cyber security and developments in corporate governance (in particular on stakeholders' expectations on remuneration reporting and on Task-Force on Climate-related Financial Disclosures reporting).

Directors will continue to receive regular training updates from appropriate internal and external specialists on governance issues, financial and reporting standards, digital development, cyber security and sustainability. In addition, Directors are fully aware of their own responsibility for identifying and satisfying their own specific training requirements.

Time commitments

Under the Code the reasons for the Board permitting its members to enter into significant new external appointments should be explained in the Annual Report.

Louise Smalley took on the role of non-executive director at Informa PLC shortly after she had retired from her full-time executive role at Whitbread PLC and so the Board was confident that the new appointment would not adversely impact the time she committed to her DS Smith role. As part of the process of appointing Alan Johnson to the Board, the Board noted the value that the variety of his current roles will bring to the Group.

The experience gained in external roles held by our Board members broadens and deepens the knowledge and experience of the Directors, which in turn benefits the Company.

Diversity

DS Smith acknowledges the importance of diversity of thought, skills and experience in the effective functioning of the Board and the wider organisation. This diversity may arise from any number of sources, including differences in age, gender, ethnicity, disability, sexual orientation, cultural background and religious belief. Our Directors have experience of a wide range of industries and backgrounds, as well as of complex organisations with a global reach.

The Board diversity and inclusion policy is a policy which acknowledges the importance of diversity and includes an explicit requirement to take into account diversity when considering appointments to the Board. The Board recognises that some challenges in achieving diversity arise from social contexts with impacts not limited to the DS Smith Group, but the Board remains committed to ensuring that all have an equal chance of developing their careers within our business. At its meeting in September 2021 the Committee discussed with the Group HR Director and the Group Head of Talent that the initial actions to improve the diversity mix in the Group have focused on gender, but that as networks are built and the local priorities are better understood, this will extend to other under-represented groups. Regular updates on the progress will be given to the Committee. Currently the Group's leadership populations are internationally diverse but the Group is aware that more needs to be done to improve the gender and ethnic mix and address the ageing demographic in the leadership population. (See pages 27 to 29 for more about our programmes to develop diverse leadership talent, from whom might be drawn a future generation of non-executive directors, and to improve the gender balance of those in senior management and their direct reports.)

As at 1 May 2022 our eight member Board was made up of three women and five men. With 37.5 per cent of the Board being women, we exceeded the Hampton-Alexander Review's target of one-third of Board members being women, but we note the recommendations of the FTSE Women Leaders Review, including that boards should have a minimum of 40 per cent women by the end of 2025. With the appointment of Alan Johnson on 1 June 2022 the Board now meets the Parker Review recommendation that each FTSE 100 board should have at least one director from an ethnic minority background.

Our most recently published UK gender pay gap report is available on our website. We know that we have a relative lack of women in senior management positions and year by year the percentage of women in the roles that are defined as senior management roles will fluctuate (see page 29 for details), but the trend in recent years has been towards a better gender balance.

Independence and re-election of Directors

Biographical details of each Director, including their other directorships, their skills and experience, can be found on pages 66 and 67.

The Nomination Committee makes an assessment each year of the criteria set out in the Code concerning independence and the Committee also reviews the time commitment of Non-Executive Directors to assess whether each has sufficient time to discharge their duties. The Committee confirms that all the Non-Executive Directors are independent and each has sufficient time to discharge their duties. The Committee also considered Geoff Drabble to be independent on his appointment to the Board.

The Nomination Committee this year considered the then current term of appointment to the Board of Rupert Soames, Celia Baxter, David Robbie and Louise Smalley. Rupert informed the Board that he planned to retire from the Board at the conclusion of the Annual General Meeting on 6 September 2022 and therefore the expiry date of his then current term of appointment was extended to the conclusion of the Annual General Meeting on 6 September 2022. All other current Directors are standing for re-election or, in the case of Alan Johnson, election, at that AGM.

Board members reviewed the commitment and contribution to the Board and its Committees of Celia, David and Louise, as well as the balance of their skills, knowledge and experience with those of the other Directors and it was agreed that Celia's and David's term should be renewed for a further three years and Louise's should be renewed for a further year. (Directors do not participate in any debate or decision about their own re-appointment.) The expiry date of the current term of each of the Non-Executive Directors is set out on page 106.

Information about this year's external evaluation of the Board and its Committees can be found on page 75.

Looking forward

As well as the regular cycle of matters that the Committee schedules for consideration each year, we are planning over the next 12 months to:

- Oversee the increase in capabilities and bench strength of our core employee base in order to properly support our growth in areas such as innovation and digital enablement
- Encourage the spotlight on talent rising up through the organisation, enabled by the focus on training and development for all
- Improve the Nomination Committee's understanding of the challenges and benefits of improving our reporting on diversity.

Geoff Drabble
Chair of the Nomination Committee

20 June 2022

Audit, risk and internal control

Risk management and internal control

Along with overall responsibility for establishing and maintaining the Group's systems of risk management and internal control (including financial, operational and compliance controls), the Board also retains ultimate accountability for the effectiveness of the systems and processes implemented. The Board confirms it has conducted an annual review of the overall effectiveness of the Group's system of internal controls and risk management procedures implemented during the year and up to the date of approval of this Annual Report, as well as a robust assessment of the Group's emerging and principal risks, summarised on pages 47 and 48 and pages 52 to 55.

The systems and processes implemented are designed to identify, manage and, where appropriate, avoid or eliminate significant risks that might affect delivery of the Group's business objectives; and to provide reasonable, but not absolute, assurance against material misstatement or loss. There is an established and ongoing process for identifying, evaluating and managing the significant risks and uncertainties faced by the Group. This includes a process of self-certification by senior divisional management, confirming that their divisions have complied with Group policies and procedures and reporting any significant control weaknesses identified during the past year. In addition, it includes reviewing the results of the work of the Group's Internal Audit function and Group Governance team and the adherence to the risk identification and management processes identified above. These procedures have continued to be in place throughout the year and up to the date of approval of this Annual Report.

The Board also has procedures in place to ensure that its powers to authorise and manage conflicts are operated effectively. These procedures were followed throughout the year and up to the date of approval of this Annual Report.

Risk management

Our risk management framework and processes remained robust during the year despite the ongoing and fluctuating impacts of the Covid-19 pandemic and the volatility of the external economic environment. Management and employees have continued to manage the day-to-day risks that the Group faces and have been able to adapt and respond to changing situations. Our risk reviews, embedded within our strategic planning processes, support effective management of the Group's principal risks and uncertainties and inform the regular updates on specific risk areas that are brought for discussion and review at the Audit Committee.

The Board discusses regularly the Group's cyber security programme, as well as benefitting from presentations from external cyber advisers. Cyber security is also discussed by senior executive management at the Group Operating Committee meetings, along with other aspects of IT infrastructure and security controls.

The Audit Committee has kept up to date with risk developments throughout the year with in-depth discussion of the Group's principal risks and mitigation efforts and has noted the way in which our divisions and Group functions have continued to demonstrate resilience and revise risk mitigation remedies in their plans where appropriate. Our businesses have also been updating/enhancing their business continuity plans in light of the Covid-19 pandemic and other business challenges, in line with the Group's business continuity planning policy.

The Group Compliance Committee has continued to meet regularly and to expand its oversight of the business. Recent topics have included reviews of the Corporate Criminal Offence risk assessment, updates from Group functions and/or divisions on key compliance risk areas such as GDPR, developments in the IT security programme and proposed changes to financial control procedures, as well as more detailed risk reviews undertaken by selected Group functions. The Board remains encouraged by the work undertaken across the Group with investment being made in financial, operational and reputational risk management to ensure effort is well directed and with the right level of intensity, enabling the Group to remain in a strong position to respond rapidly to those risks that do emerge.

Further details on the Group's risk management and mitigation approach for each principal risk, including its emerging risks reporting, are set out in the risk management section on pages 47 to 55, which also includes the Group's viability statement on page 49. Our Task Force on Climate-related Financial Disclosures are set out on pages 56 to 60. Emerging risks are reported on as part of the risk management reviews. Integrating them into the reporting processes supports the Board in maintaining a clear overview, taking account of the experiences gained from Covid-19, the increasing disclosure requirements in relation to ESG risks and the effect of macroeconomic uncertainty.

Internal control

The Board determines the objectives and broad policies of the Group and has a set schedule of matters which are required to be brought to it for decision. Overall management of the Group's risk appetite, its tolerance of risk and discussion of key aspects of execution of the Group's strategy remain the responsibility of the Board. The Board has delegated to the Audit Committee the responsibility for establishing a system of internal controls appropriate to the business environments in which the Group operates. Key elements of this system include:

- A clearly defined divisional organisation structure for monitoring the conduct and operations of individual business units
- Clear delegation of authority throughout the Group, starting with the matters reserved for the Board
- A formal process for ensuring that key risks affecting operations across the Group are identified and assessed on a regular basis, together with the controls in place to mitigate those risks. Risk consideration is embedded in decision-making processes at all levels and the most significant risks are periodically reviewed by the Board. The risk process is reviewed by the Audit Committee
- Control policies and procedures in functions including finance, tax, IT, HR, procurement and legal, are reviewed and updated as appropriate and supplemented by mandatory training
- Assurance processes over the internal financial control environment such as annual controls self-assessment and ongoing divisional control review programmes
- The preparation and review of comprehensive annual divisional and Group budgets; and an annual review and approval by the Board of the three-year Corporate Plan
- The monthly reporting of actual results using the Group consolidation system and their review against budget, forecasts and the previous year, with explanations obtained for all significant variances
- The Operating Framework which outlines key control procedures and policies to apply throughout the Group. This includes clearly defined policies and escalating authorisation levels for capital expenditure and investment, with larger capital projects, acquisitions and disposals requiring Board approval. This framework is kept under periodic review
- Regular formal meetings between the Group Chief Executive, the Group Finance Director and divisional management to discuss strategic, operational and financial issues
- Communicating key corporate values through our Code of Conduct and associated policies to all employees to ensure relevant staff are properly equipped to exercise management oversight and control.

The Group Governance team is a centrally-led function, as opposed to being regionally and divisionally based, that maintains and develops the internal control framework, provides support and training to the business in complying with that framework and provides management with assurance about compliance with the framework through a site and risk-based work programme. An important part of this function's role is to support the business in development of remediation plans and corrective actions for control weaknesses identified through the governance and compliance work programme, or through Group Internal Audit's activities. The Governance team has commenced a readiness assessment in relation to the currently expected direction of the UK Government's proposals for reform of audit and corporate reporting and has implemented a number of 'no regrets' actions identified in the first phase of that assessment to develop further the controls framework in preparation for the implementation of those proposals.

The framework of internal control has continued to operate throughout the Covid-19 pandemic.

Internal Audit

The Internal Audit function moved in-house with effect from 1 May 2021 after previously being outsourced to KPMG. An Internal Audit charter was drawn up and approved by the Audit Committee, to set out the purpose, scope and authority of the function, and a team was established to deliver the Internal Audit plan.

The Internal Audit function's remit is to undertake regular reviews of the operations of Group sites, service centres, functions, projects and processes in accordance with a previously agreed plan, including an assessment of implemented systems of internal control. The Internal Auditor then makes recommendations on potential control process improvements and conducts supplementary reviews to ensure that management implements the recommendations made. During the year, Internal Audit's activities were supported and complemented by management's Group Governance team.

The Internal Audit plan is designed each year to align to key risks faced by the Group, as well as provide rotational assurance. The annual Internal Audit plan, and any revisions required to respond to emerging risks or areas of concern, are approved by the Audit Committee. The Internal Audit plan considers the scope and effectiveness of the management assurance programme undertaken by the Group Governance team in determining rotational coverage of financial controls audit activities, as well as providing assurance over the management assurance programme itself.

The Internal Audit team needed to adapt to fluctuating Covid-19 protocols, with a large proportion of the audit plan delivered remotely. As new ways of working become more embedded, and as some countries open up as the Covid-19 pandemic abates, the Internal Audit team has taken the best of remote and hybrid working to widen reach and efficiency, as well as taking advantage of opportunities to reintroduce in-person or hybrid approaches where in-depth, in-person discussion is safe and worthwhile.

Findings from the Internal Audit and Group Governance teams are reported to Group and divisional business management as well as to the Audit Committee to give a holistic assurance picture.

Annual risk reporting cycle

May – Jul

Group Compliance Committee reviews a selection of Group function and/or divisional risks including 'deep dive' risk discussion

Internal Audit reviews their programme and key control risks

Audit Committee reviews Group risks, viability and risk management effectiveness including go forward actions to implement

Group Risk provides feedback and guidance to divisions and Group functions on risk assessments in preparation for the Corporate Plan process

Aug – Oct

Divisions and Group functions update risk assessments and integrate into their corporate plans

Group Compliance Committee reviews a selection of Group function and/or divisional risks including, in 2021, data protection and information security

Group Strategy Committee undertakes an assessment of the Group's principal and emerging risks

Internal Audit considers response to emerging risks

Audit Committee reviews the progress of risk management in relation to the Corporate Plan, and reviews and approves completed Internal Audit reports and reviews status of programme – this included in 2021 an in-depth discussion of IT system controls of our principal risks

Nov – Jan

Internal Audit updates review of Internal Audit programme and key control risks

Audit Committee further updates and approves completed Internal Audit reports and ongoing Internal Audit work

Group Risk provides feedback to divisions and Group functions on risk assessments

Board reviews principal risks and uncertainties, risk appetite and tolerance, and business viability as part of Corporate Plan discussions

Group Compliance Committee reviews a selection of Group function and/or divisional risks

Feb – Apr

Group functions, divisions and regions produce year-end review of principal and key business risks and reconsider effectiveness of risk management actions implemented

Group Strategy Committee undertakes an assessment of the Group's principal and emerging risks

Internal Audit undertakes the year-end assessment of Internal Audit needs and presents a plan for the year ahead

Group Compliance Committee reviews a selection of Group function and/or divisional risks including in 2022 the Corporate Criminal Offence risk assessment, GDPR, IT security and procurement

Audit Committee reviews Group and divisional risk reports, annual Internal Audit needs assessment, including audit plans and recommendations

This section explains how we have applied aspects of Code principles M, N and O in section 4 (audit, risk and internal control) of the Code and how we have put the provisions of that section into practice, firstly through matters that come before the full Board and secondly through the detailed work of the Audit Committee which is reported on in the Audit Committee Report that follows.

Audit Committee Report

"As members of the Audit Committee, we continue to challenge ourselves to ensure our scrutiny and oversight of the Group's risk management and control environment keeps pace with the dynamic nature of change, both within the Group and in the external economic and regulatory environments."

David Robbie,
Chair of Audit Committee

Dear shareholders

I am pleased to present the Audit Committee Report, which provides an overview of the Audit Committee's role supporting the Board in its oversight of the control framework across the Group. Details of the Board's procedures and processes in relation to that oversight of risk management and internal control are set out on pages 79 to 81.

Our principal objectives as an Audit Committee are:

- To monitor the integrity of the Group's reporting process and adherence to the Group's accounting policies and procedures
- To ensure that risks are carefully identified and assessed; and that sound systems of risk management and internal control are implemented.

Our role as a Committee is pivotal in ensuring the robustness of the Group's risk management activities and internal control environment, thereby ensuring the integrity of the financial reporting process. During the year under review, the Group's procedures and systems to identify, mitigate and manage risks adapted to allow the internal control and financial reporting processes to continue uninterrupted, despite the continuing restrictions presented by Covid-19.

Deloitte has now completed their final audit as the Group's external Auditor and I thank them for their continued rigour and robust challenge throughout the year and during their tenure. I look forward to engaging with our new external Auditor, Ernst & Young LLP, whose first task will, subject to the approval at the annual general meeting (AGM) of their appointment, be reviewing the financial results for the six months to 31 October 2022.

As a Committee we continue to monitor the level of adjusting items and I am pleased to note that their level is low. The Committee always takes a close interest in the regular review of the Group's gearing levels and the security of its balance sheet, particularly taking into account the risks in the trading environment.

Looking forward

As well as the regular cycle of matters that the Committee schedules for consideration each year, we are planning over the next 12 months to:

- Expand scrutiny, both by the Committee and Internal Audit, over sustainability, climate and broader ESG reporting
- Monitor the transition to the new external Auditor, Ernst & Young LLP
- Continue to monitor emerging risks for the Group
- Continue to monitor legislative and regulatory changes that may impact the work of the Committee, particularly the development of the requirements from the UK Government's restoring trust in audit and corporate governance initiative, both in terms of UK SOx and more widely.

As Chair of the Audit Committee I make myself available at the Company's AGM to answer any shareholder questions on the Committee's remit.

David Robbie
Chair of Audit Committee

20 June 2022

Audit Committee meetings' key topics

2021

June 2021

- Review of the 2020/21 Annual Report and announcement, including a review to ensure the report was fair, balanced and understandable
- Going concern and viability statement
- Impairment assessment review
- Effectiveness of internal control framework update
- Review of adjusting items
- Review of risk appetite and tolerance statement, risk heat maps and assurance matrix
- Internal Audit report
- External Auditor report
- Review of external Auditor effectiveness paper and recommendation to the Board to re-appoint Deloitte for 2021/22
- Review of external audit tender paper and recommendation of appointment of Ernst & Young LLP with effect from 2022/23

October 2021

- Review of adjusting items
- Impairment assessment review
- 2021/22 external Auditor plan for the half year
- Review of letter to management from external Auditor on 2020/21 audit
- Internal Audit report
- Ethics and compliance report review
- Consideration of UK SOx likely developments
- Discussion on governance of sustainability
- Risk update

December 2021

- Update on half year forecast results
- Going concern
- Review of announcement of half year results
- External Auditor half year report, including confirmation of independence and objectivity
- Internal Audit report
- Non-audit fees review
- Review of Governance report, including discussion of initial 'no regrets' actions to prepare for UK SOx

2022

April 2022

- Update on full year forecast results and trading outlook and emerging year-end accounting issues and matters of judgement
- Interim going concern assessment and consideration of significant accounting policies and judgements
- Annual impairment review
- Effectiveness of internal controls review
- Ethics and compliance report review
- Update on external Auditor plan and fees
- Review of emerging risks and risk update
- Review and approval of Internal Audit plan for 2022/23 including confirmation of non-financial areas to be targeted
- Update on UK SOx preparation activities

June 2022

- Review of the 2021/22 Annual Report and announcement, including a review to ensure the report was fair, balanced and understandable
- Going concern and viability statement
- Impairment assessment review
- Effectiveness of internal control framework update
- Review of adjusting items
- Review of risk appetite and tolerance statement
- Internal Audit report
- External Auditor report
- Review of external Auditor effectiveness paper
- Review of Internal Audit effectiveness
- Audit transition

Other matters particularly focused on by the Audit Committee in its discussions with management include:

- Oversight of external audit tender and transition processes
- Risk management, internal control and compliance enhancements
- Quality of earnings
- Financial commitments and liabilities
- Pensions
- Taxation matters, including review of strategy and risks
- Internal Audit and in-house governance, compliance and corporate governance activities updates
- Climate and sustainability risks and disclosures

Membership and operation of the Committee

Member	Since
David Robbie (Chair)	2019
Celia Baxter	2019
Alina Kessel	2020
Louise Smalley	2014
Rupert Soames	2019

Alan Johnson joined the Board and its Committees on 1 June 2022.

The Audit Committee met on five occasions during the year, with meetings scheduled to align with the Group's external financial reporting obligations. Details of the attendance of individual Directors can be found on page 70. As and when required, the Audit Committee members were joined by the Group Chief Executive, the Group Finance Director, the Group Financial Controller, the Group Risk Officer and representatives from the external Auditor, Internal Audit and Governance teams for parts of these meetings, by invitation. The external Auditor was not present at meetings where their performance and/or remuneration was discussed. The Audit Committee also met privately with the external Auditor as appropriate.

The Group General Counsel and Company Secretary acts as Secretary to the Committee.

The Board is satisfied that the Chair of the Committee and other members of the Audit Committee have both current and relevant financial experience (as set out on pages 66 and 67) and that the Audit Committee, as a whole, has competence relevant to the sector (namely manufacturing) in which the Company operates.

In addition to the scheduled Committee meetings, the Chair of the Audit Committee held separate individual meetings during the year with the Group Finance Director and his team, the Group Risk Officer, representatives from Internal Audit and the external Auditor.

The Audit Committee received sufficient, reliable and timely information from management to enable it to fulfil its responsibilities.

Risk management, internal control and Internal Audit

In fulfilling the Committee's oversight of the risk management and control environment, a number of key activities are undertaken during the year, including regular meetings with senior management.

The Audit Committee considered the Group's risk management activities during the year (with specific discussions of such topics as sustainability, cyber security, packaging capacity, security of paper/fibre supply, disruptive market forces, changes in shopping habits and emerging risks). The Audit Committee continued its regular review of risk reporting to ensure that the balance between risk and opportunity was in keeping with the Group's risk appetite and tolerance. The Audit Committee is satisfied that the Group's executive compensation arrangements do not prejudice robust controls and good stewardship.

A key element of the Committee's oversight role is to challenge management and test the validity of any critical assumptions and matters of significant judgement. Areas debated include cyber risks and the response to increased exposures during the pandemic, as well as probing IT controls in relation to key applications more specifically. The Committee has continued to focus on the pandemic and the treatment of systemic risk, enhancing the work in relation to identifying and assessing emerging risks, and the level of engagement at all levels of the Group within the risk management process. The Board received an update from the IT security team during the year and is satisfied that the approach to cyber security risks is robust.

ESG has had an ever increasing focus on the Committee's and the Board's agenda, both as the Group's strategy evolves to lead the way in the circular economy and as external stakeholders' changing expectations have accelerated. The Committee has challenged management on their governance of key ESG data, considered disclosure under the Task Force on Climate-related Financial Disclosures (TCFD) and Streamlined Energy and Carbon Reporting (SECR) requirements and reviewed the climate-related risk management activities.

The Committee approved the Group's annual Internal Audit plan, which was primarily risk-based, focusing on the assurance of core processes and projects, as well as overseeing internal management compliance activities. During the year, the Committee received regular reports summarising findings from the Internal Audit reviews performed, action plans to address any areas highlighted for improvement and additional activity review summaries from internal compliance teams. The Committee reviewed the effectiveness and performance of the Internal Audit function, focusing on the content and delivery of the regularly received reviews, action plans and activity summaries, and noting the assurance provided in relation to the internal control framework. This annual review enabled the Committee to remain satisfied that the performance of the function was effective and that its quality, experience and expertise is appropriate for the business.

Fraud risk

The Group takes steps to protect itself from the consequences of fraud, be that misappropriation of assets, financial misstatement, or bribery and corruption. The Group's internal financial control framework provides the first line of defence against misappropriation and misstatement. This is complemented with Group-wide training and the confidential 'Speak Up!' reporting structure together with a comprehensive fraud response policy and guidance. Training and the confidential 'Speak Up!' reporting programme also support the policy framework that protects against bribery and corruption. All instances of alleged and actual fraud are investigated fully and lessons learnt incorporated, as appropriate, into the frameworks and training. The Internal Audit function takes the lead on these investigations and the Audit Committee is informed fully on these activities. The Committee is satisfied that the Group's overall framework to mitigate the risk of fraud is appropriate and proportionate.

Confidential reporting

Twice a year the Committee receives separate reports on matters raised through 'Speak Up!', the Group's confidential reporting channel, and any related investigations. The Code specifies that reports arising from such confidential reporting channels should either be reviewed by the Board or an explanation given. All Board members attend that part of the Audit Committee meeting when 'Speak Up!' and any related investigations are reported on. This means that representatives from both Internal Audit and the external Auditor (who attend the Audit Committee meetings but not Board meetings) can contribute their perspectives, which is a valuable part of the review process. Internal Audit are also able to provide specialist support where such assurance is considered necessary.

Financial reporting

The Code requires the Board to confirm that the Annual Report presents a fair, balanced and understandable assessment of the Group's performance, business model and strategy. This is an important area of focus for the Committee. At the request of the Board, the Committee undertook procedures to advise the Board on this. Committee members gave input at various stages during the planning and drafting process, as well as taking the opportunity to review the Annual Report as a whole and discuss, prior to the June Audit Committee meeting, any areas requiring additional clarity or better balance in the messaging.

Significant matters considered in relation to the financial statements

Issue	Review and conclusion
Classifications and presentation of adjusting items	The Committee considered the application of the Group's accounting policies, principles and disclosures in the financial statements that relate to critical accounting estimates and judgements, and challenged the underlying assumptions applied in areas including provisions (such as litigation and restructuring) and adjusting items. Continued scrutiny over the appropriateness and application of the adjusting items policy was applied during the year. Such items include acquisition costs, integration costs, impairments and gains or losses on business disposals, which are classified as adjusting items because of their nature, incidence or size. The Directors have considered the ongoing regulator focus on Alternative Performance Measures but believe that identification and separate classification of these items assists in enhancing the understanding of the trading and financial results of the Group. The Audit Committee has reviewed the appropriateness of the income and costs both included in and excluded from adjusting items by challenging and seeking explanations from management. The Committee reviewed reports on the items provided by management and the external Auditor. This item is a recurring agenda item in all Audit Committee meetings. The Audit Committee is satisfied that the resulting presentation and disclosure of all accounting policies and principles is appropriate.
Taxation	Taxation remains a key area of focus for the Committee, due to the continued level of fiscal authority activity, ongoing tax enquiries and disputes, and the Group's M&A activity. The Group is exposed to differing tax regimes and risks which affect both the carrying values of tax balances (including deferred tax) and the resultant income statement charges. The Audit Committee reviewed the tax charge for the half year and the full year, including the underlying tax charge, the appropriateness of and movement in tax provisions recognised and the risks associated with them. The Audit Committee is satisfied that the amounts recognised and the disclosure provided are appropriate.

ESG reporting

The ESG reporting environment has been an area of significant regulatory development recently, and this is set to continue and the pace of change increase in the short to medium term. Guidance on reporting (particularly in the environmental area) has been issued in the past by a number of bodies. Recent events, in particular at COP26 with the announcement of the creation of the ISSB (International Sustainability Standards Board) which consolidated the VRF (Value Reporting Foundation) and the CDSB (Climate Disclosure Standards Board) under the umbrella of the IFRS Foundation, to develop a single set of sustainability standards, will create further focus on this area.

The Group continues to strengthen its ESG-related disclosures, reporting under the requirements of the TCFD (Task Force on Climate-related Financial Disclosures) on pages 56 to 60 and in alignment with the GHG (Greenhouse Gas) protocol on page 33. Our internal ESG reporting function has been integrated within the Group finance and governance functions. The Audit Committee has received briefings during the year covering the evolving reporting, disclosures and standard setting body changes, recognising the increasing link between ESG-related measures and the presentation of financial information and associated business commitments.

Our key responsibilities

As a Committee we have delegated authority from the Board to focus on the following key responsibilities:

- Ensuring the integrity of financial reporting and associated external announcements
- Reviewing and challenging the application of the accounting policies and principles reflected in the Group's financial statements
- Assessing the basis on which the viability statement and going concern statement are being made and challenging the assumptions underlying them
- Managing the appointment, independence, effectiveness and remuneration of the Group's external Auditor, including the policy on the supply of non-audit services
- Initiating and conducting the audit tender process for the external audit
- Monitoring the adequacy and effectiveness of the internal control environment
- Challenging the plans and effectiveness of the Internal Audit function, which is independent from the Group's external Auditor
- Overseeing the Group's risk management processes and performance
- Reviewing the effectiveness of established fraud prevention arrangements and reports made through the confidential 'Speak Up!' policy process
- Assessing the Group's compliance with the 2018 UK Corporate Governance Code (Code)
- Providing advice to the Board on whether the Annual Report and financial statements, when taken as a whole, are fair, balanced and understandable and provide all the necessary information for shareholders to assess the Group's position, performance, business model and strategy.

During the year under review and following the conclusion of the former provider's engagement (Bureau Veritas), the Group undertook a tender process for the provision of independent assurance services, including assurance over the environmental indicators presented in the Annual Report. The outcome of the tender was the appointment of Deloitte LLP as the independent assurance provider providing assurance for the financial year 2021/22. The Audit Committee is satisfied that the appointment meets the requirements for maintaining the independence of the financial audit provider.

Other activities of the Committee

Preparation for 'UK SOx'

On 18 March 2021, the Department for Business, Energy and Industrial Strategy (BEIS) released its consultation paper 'Restoring trust in audit and corporate governance' outlining its proposals for strengthening the UK's framework for major companies and the way that they are audited.

The reforms in the BEIS consultation paper address the findings of the previous Kingman, CMA and Brydon reports and include proposed new measures in relation to directors, auditors, shareholders and the audit regulator. On 31 May 2022, the UK Government published its response to the consultation, setting out its plans for action which will be implemented through a variety of mechanisms, including audit development and work by the professional bodies, primary and secondary legislation, and changes by the regulator. The response set out how and to what extent the proposals in the consultation would be carried forward. The measures include proposals for strengthening the UK's approach to internal controls over financial reporting, including more disclosure and attestation requirements, so called 'UK SOx'. The May 2022 response envisages a strengthening of the Code in this area as opposed to legislation.

The Group has a well-established internal financial controls framework and has begun addressing these provisional guidelines through a set of 'no regret' actions, as a further evolution of this framework. It has also engaged external advisers to support the development of a roadmap that will enable the Group to be prepared to meet the final requirements. The Committee is satisfied that, following the May 2022 response, management's proposal to continue its 'no regret' approach is appropriate.

The ongoing developments in this area will continue to be reviewed by the Audit Committee.

Financial Reporting Council (FRC) correspondence

As part of their thematic review of IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, the FRC reviewed the Group's 2021 Annual Report. No questions or queries arose from this review, although some disclosure improvements were recommended which the Group has responded to in the current year's financial statements.

Committee's continued development

In order to help the Committee continue to meet its responsibilities, Committee meetings include regular corporate governance updates and briefings from external advisers or from members of senior management.

The Committee's effectiveness was reviewed as part of the wider Board's external evaluation and review of effectiveness, as described on page 75.

External Auditor

Effectiveness

In addition to the external Auditor confirming their independence and objectivity, the Audit Committee also evaluates and monitors their effectiveness through a review of the qualifications, expertise and resources of the engagement team.

This is conducted through direct assessment and recurring activities. As part of the current assessment of effectiveness, the Audit Committee has taken into consideration the guidance issued by the FRC. Based on evidence from management, the external Auditor and, as appropriate, external sources together with its own experience, the Audit Committee assessed the mindset and culture, skills, character and knowledge, quality control and judgement of the Auditor. The assessment considered the degree of challenge to management, the issues identified and the quality of explanations. The Audit Committee recognises that the quality of an audit is paramount. The Committee is satisfied with the effectiveness of the Auditor and that the current year audit was one of high quality.

Separate from the meetings of the Audit Committee, the Chair of the Committee meets regularly with the external Auditor's lead engagement partner, as do other individual members of the Committee.

Independence and objectivity

In order to ensure the independence and objectivity of the external Auditor, the Audit Committee maintains and regularly reviews the Auditor Independence policy which covers non-audit services which may be provided by the external Auditor, and permitted fees.

The Group has a policy on the supply of non-audit services by the external Auditor, which was most recently updated in April 2020. The policy prohibits certain categories of work in accordance with guidance such as the FRC Ethical Standard. It specifies that the Group should not employ the external Auditor to provide non-audit services where either the nature of the work or the extent of such services might impair their independence or objectivity. The external Auditor is permitted to undertake some non-audit services under the Group's policy, providing it has the skill, competence, integrity and appropriate independence safeguards in place to carry out the work in the best interests of the Group, for example, permissible reporting accountant work associated with significant acquisitions. All proposed permitted non-audit services are subject to the prior approval of the Audit Committee.

Non-audit services and fees are reported to the Audit Committee twice each year. During 2021/22, total non-audit fees paid to the external Auditor of £0.5 million were 10 per cent of the annual Group audit fee (2020/21: £0.4 million: 9 per cent): see note 3 to the consolidated financial statements. In addition, £7.7 million was paid to other accounting firms for non-audit work, including £0.4 million for specific work projects allocated by the Internal Audit team.

The EU Audit Regulation (Retained Legislation) and the FRC's revised Ethical Standard mean that, with effect from the Group's 2020/21 year, a cap on the ratio of non-audit fees to audit fees paid to the external Auditor of 70 per cent applies, which places a further constraint on the non-audit services permitted.

Annually, the Audit Committee receives written confirmation from the external Auditor of the following:

- Whether they have identified any relationships that might have a bearing on their independence
- Whether they consider themselves independent within the meaning of the UK regulatory and professional requirements
- The continued suitability of their quality control processes and ethical standards.

The external Auditor also confirms that no non-audit services prohibited by the FRC's Revised Ethical Standard were provided to the Group or parent Company.

On the basis of the Committee's own review, approval requirements in the non-audit services policy, and the external Auditor's confirmations, the Audit Committee is satisfied with the external Auditor's effectiveness and independence.

External Audit fee, appointment, tender and transition process

External audit fee negotiations are approved by the Audit Committee each year. There are no contractual restrictions on the Group in regard to the current external Auditor's appointment.

Deloitte LLP were first appointed as external Auditor to the Group in 2006. Nicola Mitchell became the lead audit partner for the 2018/19 year-end.

Pursuant to the terms of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Process and Audit Committee Responsibilities) Order 2014 (Competition & Markets Authority Order), which is now in force, the Audit Committee is solely responsible for negotiating and agreeing the external Auditor's fee, the scope of the statutory audit and initiating and supervising any competitive tender process for the external audit. When a tender is undertaken, the Committee is responsible for making recommendations to the Board as to the external Auditor's appointment. The Committee's policy is that the role of external Auditor will be put out to tender at least every ten years in line with the applicable rules. At its June 2021 meeting the Committee recommended to the Board that Ernst & Young LLP (EY) be appointed external Auditor with effect from the 2022/23 audit. The Group has commenced engagement and planning actions through its audit transition project team and EY audit leads, with an initial focus on maintaining independence in advance of the appointment date.

The Committee has been overseeing this proposed external Auditor transition process. To assist in this oversight, the Committee has been provided with reports by EY on their transition process, validated EY's independence, and ensured shadowing and meeting attendance has taken place when appropriate.

The Audit Committee confirms that the Company has complied with the provisions of the Competition & Markets Authority Order with regards to external audit tendering and audit responsibilities throughout its financial year ended 30 April 2022.

Remuneration Committee Report

"The Group's strong financial performance is underpinned by its continuing progress on ESG and this is reflected in the structure of our incentives."

Celia Baxter, Chair of Remuneration Committee

Dear shareholders

Introduction

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 30 April 2022, which sets out our implementation of the remuneration policy that was approved by shareholders at the annual general meeting (AGM) in September 2020.

As usual, my letter on pages 88 to 90, the summary on pages 91 and 92 and the Annual Report on Remuneration on pages 98 to 111 will also be presented for approval by an advisory vote at our AGM in September 2022.

Our purpose as a Remuneration Committee is to develop a reward package that supports our vision and strategy as a Group and to ensure the rewards are performance-based and encourage long-term shareholder value creation. Our Purpose as a Group is 'Redefining Packaging for a Changing World'. Examples of how we put our purpose-led approach into practice as a Group are set out on pages 8 to 11 of this year's Annual Report.

Our achievements and variable pay outcome

Our Purpose informs the Group's approach to strategy, which in turn has led, not only to the financial and non-financial results highlighted on the inside front cover, but also to even further improved scores among the environmental, social and governance (ESG) ratings published by MSCI (AA) and EcoVadis (Platinum) as well as those issued by Sustainalytics, the Dow Jones Sustainability Index (DJSI) and CDP.

You can read about the achievements of our business during 2021/22 in more detail in the Strategic Report starting on page 1. Highlights for the 2021/22 financial year include:

- Adjusted operating profit of £616 million
- 6 per cent reduction in accident frequency rate
- Commitment to a 1.5°C science-based target
- Achievement of 'A List' for CDP Water Security

In respect of the variable pay elements linked to the 2021/22 financial year, the financial targets for the performance share plan (PSP) award made in 2019 were set in 2019 in the context of the expectation of a stable economy and were not adjusted to reflect the negative impact of the pandemic on the 2019/20, 2020/21 and 2021/22 results. Unfortunately, that PSP award made in 2019, which had performance conditions based on the three year average earnings per share (EPS) and return on average capital employed (ROACE) performance and the three year cumulative relative total shareholder return (TSR) performance between 2019/20 and 2021/22 , did not meet the threshold targets for the two financial measures and fell below median for the relative TSR measure.

The Group's performance against the bonus measures of adjusted earnings before tax and amortisation (EBTA) and free cash flow represents uplifts of 37 per cent and 14 per cent respectively year-on-year. The formulaic outcome of the bonus was 100 per cent of the maximum bonus opportunity. The details of the 2021/22 annual bonus performance are set out on pages 100 and 101. In considering whether to apply discretion to override the annual bonus formulaic outcome, an ESG underpin is used. The Committee took into account three ESG factors: commitment to using longer-term science-based targets for carbon reduction in the business; maintenance of high health and safety standards; and continued work with our communities. The Committee reviewed the evidence of performance against these factors (see summary on page 101) and concluded this was satisfactory and that no discretion needed to be applied. The Committee has therefore decided that the Executive Directors will receive 100 per cent of the maximum annual bonus opportunity.

When deciding the level of these variable pay elements, the Committee also considered the experience of a wide range of the Group's key stakeholders during the 2021/22 financial year.

In the 2021/22 financial year all regions in which the Group operates continued to be affected by the Covid-19 pandemic, but all our sites continued to remain operational as essential suppliers to critical supply chains. We continued to deliver to our customers and to develop new and improved ways of meeting their needs. For example, we have further developed, ePack, our new web-based business, and we have opened our first virtual innovation hub in Lisbon, supporting our customers with a virtual/digital customer innovation collaboration option. Most importantly for our customers, and for their customers, the impact of the steps we took during 2020/21 mean that production has been maintained in 2021/22, enabling volume growth and supporting our agile responsiveness to changes in customers' needs. The proportion of orders that are delivered on time, in full has been 94 per cent across our businesses, despite the circumstances of the past 12 months.

Group-wide we have kept a strong focus on employee health and wellbeing. The Group's connection with the local communities where our sites are based has continued to strengthen, supported by increased engagement in community programmes.

Our commitment to carbon reduction has continued, with validation by the Science Based Targets initiative of our target to reduce Scope 1, 2 and 3 emissions 46 per cent by 2030, when compared to 2019 levels. This builds on our prior commitment to reach net zero greenhouse gas emissions by 2050, as a member of the UN's Race to Zero initiative. More information about the targets we have set as part of our Now and Next Sustainability Strategy are set out on page 7 and pages 30 to 33 and in our latest Sustainability Report. Each of these targets helps differentiate DS Smith not only as a leader in sustainable fibre-based packaging, but also as a circular economy leader. All these factors drive the Group's ongoing profitability and cash flow, impacting the performance measures of our incentive plans. The underlying importance of these factors continues to be emphasised by the use of a variety of these ESG considerations as an underpin to the annual bonus.

In respect of the 2021/22 financial year, an interim dividend has been paid and a final dividend has been recommended, subject to the approval of shareholders at the forthcoming AGM.

Set in the context of the wider experience of our key stakeholders, the Committee concluded that the total variable pay outcome (both the annual bonus and PSP) in respect of 2021/22 appropriately reflected the Company's performance in the period and was commensurate with the broader stakeholder experience in the period. It was therefore not felt necessary to apply any discretion to amend the outcome. The Committee also concluded that the remuneration policy has operated as intended, both in terms of appropriately incentivising corporate performance and in respect of quantum.

Our year under review

The key discussions and decisions taken since 1 May 2021 were:

- Considering the impact of Covid-19 on the business when deciding on the appropriate approach for bonus and PSP: for determining vesting levels and the grant size and selecting performance measures and targets. Making sure that such decisions take into account the evolving economic context, including inflationary pressures, that impacts the wider workforce and the expectations of other stakeholders, such as our investors, suppliers and customers. Ensuring at the same time that an appropriate balance is achieved with the business need for meaningful incentivisation for management and recognition for leading through the protracted challenges of the ongoing turbulent times
- Reviewing the salaries of the Group Chief Executive and Group Finance Director and the next layer of management
- Reviewing further the timeline for alignment of the Executive Directors' pension contributions with that available to the workforce in the UK and agreeing that they would be aligned by 31 December 2022
- Setting the targets for the annual bonus and PSP awards made in 2021/22 and the performance measures and weighting for the 2022/23 awards. The Committee considered whether to include specific ESG measures in the bonus and PSP awards, instead of the current ESG underpin in the bonus. Sustainability is one of the key values of DS Smith and our progress and our leading position in promoting the circular economy have been achieved without the need to directly incentivise ESG. Accordingly, the Committee decided to maintain the current ESG underpin to the annual bonus, but will continue to review this matter.

Our conversation with our workforce

The diagram on page 93 sets out the approach the Group is taking to collate ideas and hear any concerns from the workforce around reward. One of the consequences of the continuing restrictions on travel due to Covid-19 has been a further delay to our planned expansion of this programme of engagement at site level. While there are many things that can be done through the medium of electronic meetings, focus sessions at site level are most valuable and insightful when held in person.

A European Works Council (EWC) representative joined a Committee meeting this year to support and inform discussions about Sharesave and employee wellbeing programmes and to brief the Committee about some of the topics discussed at recent meetings of the EWC.

In addition, I once again attended meetings of the EWC Executive to engage and consult with them on executive remuneration and wider employee remuneration issues. We continued in our meetings in March and May 2022 the ongoing discussion on Sharesave, covering the take-up of the 2022 grant, and received feedback on the communications programme prior to launch and on how to encourage greater take-up of Sharesave across the Group. Further topics discussed were the effectiveness and coverage of employee wellbeing programmes (in general and in light of the Covid-19 pandemic) and in support of DS Smith's sustainability objectives, the current provision of sustainable benefits. Representatives were also keen to share their views on other aspects of the remuneration of the wider workforce, including the provision of healthcare and pension provision and education and they suggested the Group raise the profile and broaden the scope of the current health and wellbeing benefits. These meetings are a regular feature of the annual timetable as both I and the EWC Executive value the opportunity they provide to understand more about matters relating to the Executive

Directors' remuneration and its alignment with that of the wider workforce.

Looking forward

As well as the regular annual cycle of matters that the Committee schedules for consideration, we are planning over the next 12 months to:

- Undertake the triennial review of our remuneration policy and consult our shareholders on any material changes proposed
- Regularly review any changes to remuneration practices to ensure that employees continue to be appropriately rewarded in line with the performance of the business
- Consider further steps to consult employees more widely on remuneration issues, as this becomes more achievable post Covid.

Due to the current geopolitical situation, target setting for incentive plans continues to be challenging. In addition the Committee continues to monitor the fluctuations in share price, both since the 2021 PSP grant and in relation to the proposed 2022 PSP grant. The Committee recognises that it may need to exercise discretion on any vesting of the respective plans in forthcoming years.

The Committee has been impressed with the progress in relation to sustainability matters that DS Smith continues to make. This has been driven by the Group's values, not by having ESG targets in either the annual bonus or the long-term incentive plans (although an ESG underpin is used to determine the final outcome of the annual bonus). The Committee will continue to monitor further developments in this area and will take those into account in considering whether a different approach to using ESG in remuneration might be appropriate in the future.

Our conversation with our shareholders

Shareholder views, whether directly or indirectly expressed, together with relevant guidance and emerging trends, are carefully considered when reviewing reward design and outcomes. At the AGM in September 2022, shareholders will be asked to vote on the Remuneration Report. I hope that the Committee will have your support.

As Committee Chair, I continue to be available to engage with shareholders, as they so wish, on remuneration matters.

Celia Baxter
Chair of Remuneration Committee

20 June 2022

Remuneration at a glance

Single total figure of remuneration for 2021/22 (£'000s) (Audited)

	Total single remuneration figure £'000		Increase (decrease)
	2021/22	2020/21	
Miles Roberts	**2,580**	2,525	2%
Adrian Marsh	**1,347**	1,319	2%

Vesting as a % of maximum	2021/22 annual bonus	2019/20 PSP vesting in 2022/23
Miles Roberts	100%	0%
Adrian Marsh	100%	0%

For more information on how this is calculated see page 98.

Salary

Salary increases with effect from 1 August 2022 are set out below and on page 99.

Pension

The contribution rates for incumbent Executive Directors have been reduced. Miles Roberts receives an annual pension allowance which was reduced from 30% of base salary to 20% with effect from 1 August 2020 and further reduced to 15% with effect from 1 August 2021. Adrian Marsh receives an annual pension allowance which was reduced from 20% of base salary to 15% with effect from 1 August 2020 and further reduced to 10% with effect from 1 August 2021. The pension allowance of both Miles Roberts and Adrian Marsh will be reduced further so that their pension benefit will be aligned with that available to the workforce in the UK (being the country where they are based for employment purposes) with effect from 31 December 2022.

2022/23 application

The table below sets out a summary of how the remuneration policy for 2020-23 will apply during 2022/23.

Remuneration element	Application of the remuneration policy

Base salary	• Salaries will be increased by 4% (in line with the average increase of 4% for the UK workforce as a whole) as follows:
	  • Group Chief Executive £846,600; and
	  • Group Finance Director £532,000.

Annual bonus	• No changes to maximum award levels of:
	  • Group Chief Executive 200%; and
	  • Group Finance Director 150%.
	• Bonus paid half in cash and half in deferred shares, under the deferred share bonus plan (DSBP), with the shares vesting after three years.
	• The performance measures for 2022/23 remain as adjusted EBTA and free cash flow with equal weighting. (Details of the ESG underpin are set out on page 102.)

Performance share plan (PSP)	• No change to maximum award level for Group Chief Executive of 225% and for Group Finance Director of 200%. • The performance measures for 2022/23 will remain as adjusted EPS, adjusted ROACE and relative TSR with equal weighting. • Any shares that vest under this award must be retained for a further two years before they can be sold and they are also subject to a post-employment holding condition.
Pension	• Contribution or cash alternative rate for Group Chief Executive is 15% and for Group Finance Director is 10%, until 31 December 2022, when it will be aligned with that available to the UK workforce.
Shareholding guidelines	• Shareholding target remains at 225% of salary for the Group Chief Executive and at 200% of salary for the Group Finance Director. • Actual holding (valued at 30 April 2022 share price) was 912% and 243% respectively. Any shares that vest under the PSP awards granted in 2020/21 or subsequent years will be held in a nominee arrangement for the appropriate period, because they are also subject to a post-employment holding condition (in addition to the two-year post-vesting holding condition).

Illustration of the application in 2022/23 of the remuneration policy

The balance between fixed and variable 'at risk' elements of remuneration changes with performance. Our remuneration policy results in a significant proportion of remuneration received by Executive Directors being dependent on performance. The total remuneration of the Executive Directors for maximum, target and minimum performance in 2022/23 is presented in the charts below. (The basis of the calculation of the share price appreciation is that the share price embedded in the calculation for the PSP awards in the maximum bar chart is assumed to increase by 50% across the performance period.) These figures are indicative as future share prices and future dividends are not known at present and, within fixed pay, pension contributions have been prorated pre and post 31 December 2022 using the existing executive pension contribution and the current UK workforce pension contribution rates respectively.

Miles Roberts / **Adrian Marsh**

Maximum (fixed remuneration plus maximum annual bonus opportunity plus 100% vesting of performance shares) and share price appreciation of 50%: £'000s

Miles Roberts:

- Fixed pay: 18%
- Bonus: 31%
- PSP: 51%

Adrian Marsh:

- Fixed pay: 20%
- Bonus: 27%
- PSP: 53%

Maximum (fixed remuneration plus maximum annual bonus opportunity plus 100% vesting of performance shares) £'000s

Miles Roberts:

- Fixed pay: 22%
- Bonus: 37%
- PSP: 41%

Adrian Marsh:

- Fixed pay: 25%
- Bonus: 33%
- PSP: 42%

Target (fixed remuneration plus half of maximum annual bonus opportunity plus 25% vesting at threshold of performance shares) £'000s

Miles Roberts:

- Fixed pay: 43%
- Bonus: 37%
- PSP: 20%

Adrian Marsh:

- Fixed pay: 48%
- Bonus: 32%
- PSP: 20%

Minimum (fixed remuneration only, i.e. latest known salary, benefits and pension) £'000s

Miles Roberts:

- Fixed pay: 100%

Adrian Marsh:

- Fixed pay: 100%

Key attributes to consider in reviewing remuneration matters

Under the 2018 Corporate Governance Code (the Code) the Remuneration Committee is asked to describe with examples how it has considered six specific factors.

In 2021 the Committee reviewed the reward principles (set out on page 93) These principles are periodically reviewed by management and considered by the Remuneration Committee. The Committee noted that these principles are **clear** and **expressed simply**. Under our reward principles incentive levels are to be **proportionate** and designed in a way **to minimise any behavioural risks**. All the criteria for each element of an individual's remuneration are explained, so that each individual has a clear and **predictable** line of sight as to what actions will impact their remuneration outcomes, so that all remuneration is appropriately earned for genuine business performance aligned to Company **strategy**.

The decisions made in relation to remuneration matters are taken in alignment with these over-arching reward principles that apply to all executive management.

Later in 2022/23 the Committee will begin its review of the remuneration policy to be put before the 2023 AGM and will, as it did in its review of the current remuneration policy, take the importance of all six factors into account in that review.

The remuneration sections of this report explain how we have applied aspects of principles P, Q and R in section 5 (remuneration) of the Code and how we have put the provisions of that section into practice, as well as how we have complied with the Companies Act 2006 and other regulatory requirements in relation to remuneration matters. After the introductory letter from the Chair of the Remuneration Committee, we summarise the remuneration of the Executive Directors in our 'at a glance' section. More detailed sections follow about how the implementation of the remuneration policy has operated in practice in 2021/22, the year under review, and how the remuneration policy will operate in 2022/23. Finally there are some other required disclosures.

DS Smith reward principles

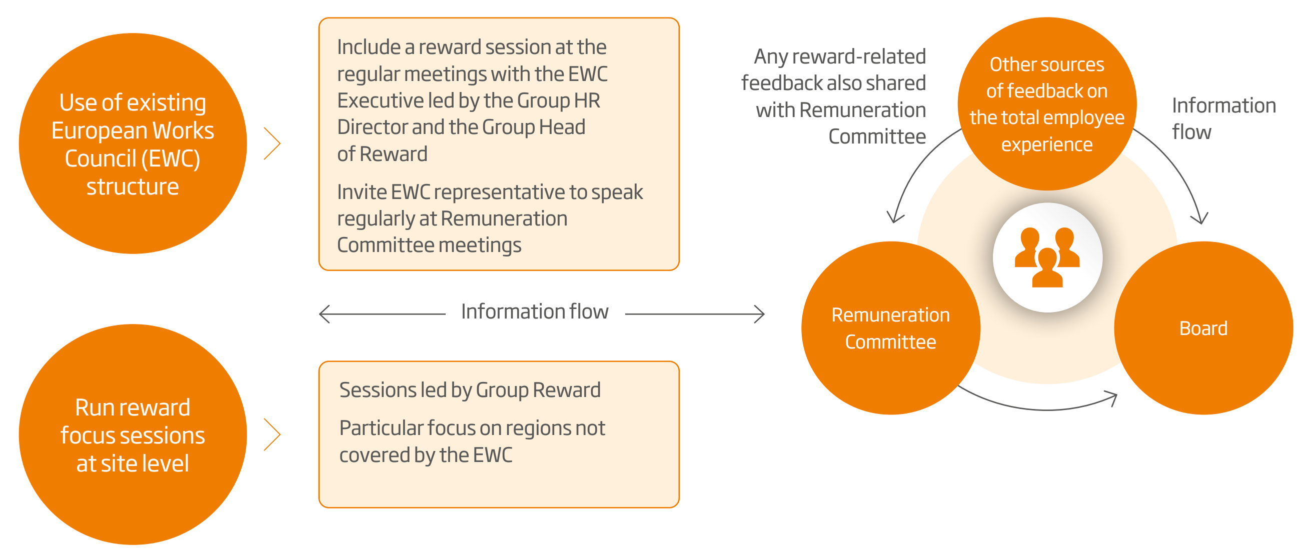
As part of good practice for any reputable company we apply the following baseline principles when setting reward across the organisation:

- Meets legal and regulatory requirements
- Simple and clear to understand
- Affordable and sustainable
- Is competitive in the market on a total reward basis to enable DS Smith to attract and retain the right level of talent.

However, to differentiate our employee value proposition and ensure that our approach to reward aligns to our culture, we have developed the following DS Smith reward principles:

- We support a culture of meritocracy where our people are encouraged to reach their potential and are clear on what they need to do to succeed. For salaried employees, reward should be differentiated using our Group salary and incentive ranges for entry, established and high performers. Where pay is determined through collective bargaining and there is less scope to differentiate by individual, the highest performers should be rewarded through development, promotion and other recognition opportunities.
- We strive to have consistent policies and practices at a local level and transparency in our benefits offering and policies.
- Incentives are designed to reward collective rather than individual effort, to support our one DS Smith culture. For senior managers, this is Group financial performance but for middle managers and frontline employees, performance measures can be the key value drivers that the individuals are able to influence directly such as cost, quality and service.
- All employees should have the opportunity to share in the success of the Group.
- Share ownership is fundamental at senior levels and desirable across the Group.
- The Group respects the need for employees to make their own choices around what they value, although there are certain reward components linked to health and wellbeing where the Group may decide it is appropriate to set a minimum Group standard.
- Our pension offering should be competitive with the local market where this is a benefit valued by employees.
- When determining rewards, demonstration of an individual's behaviours in line with the Group's values (be caring, be challenging, be trusted, be responsive and be tenacious) are considered alongside the results achieved.
- In managed exits people should be treated fairly, in line with the Group's values and with dignity, but failure should not be rewarded.
- Safeguards are applied to ensure that incentive levels are proportionate, appropriately earned for genuine business performance aligned to Company strategy and designed in a way to minimise any behavioural risks.

Employee voice in the boardroom



Remuneration policy

(approved in 2020)

Set out below are the key elements of our Directors' remuneration policy applicable from 8 September 2020 when the policy was approved by our shareholders. The full policy can be found in the Annual Report 2020 on our website at https://www.dssmith.com/investors/annual-reports/archive. Since the policy was approved at the 2020 AGM, the Committee has in 2022 undertaken a further review of the timeline for alignment of the Executive Directors' pension contributions with that available to the workforce in the UK (being the country where they are based for employment purposes) and agreed that the maximum pension contribution for the Executive Directors will be aligned with that available to the workforce in the UK by 31 December 2022.

Element, purpose and link to strategy	Operation and performance metrics	Maximum opportunity
Basic salary To help recruit and retain key senior executives. To provide a competitive salary relative to comparable companies, in terms of size and complexity.	Normally reviewed by the Committee annually and fixed for the 12 months commencing 1 August. The Committee takes into account: • role, competence and performance; • average change in broader workforce salary; and • total organisational salary budgets. When external benchmarking is used, the comparator groups are chosen having regard to: • size: market capitalisation, turnover, profits and the number of employees; • diversity and complexity of the business; • geographical spread of the business; and • domicile of the Executive Director.	Salaries will normally be increased in line with increases for the workforce in general, unless there has been an increase in the scope, responsibility or complexity of the role, when increases may be higher. Phased higher increases may also be awarded to new Executive Directors who were hired at a discount to the market level to bring salary to the desired mid-market positioning, subject to individual performance. The aim is to position salaries around the mid-market level, although higher salaries may be paid, if necessary, in cases of external recruitment or retention.
Annual bonus To incentivise executives to achieve or exceed specific, predetermined objectives during a one-year period. To reward ongoing delivery and contribution to strategic initiatives. Deferred proportion of bonus, awarded in shares, provides a retention element and additional alignment of interests with shareholders.	Targets are set annually. The performance measures, targets and weightings may vary from year to year in order to align with the Company's strategy and goals during the year to which the bonus relates. Performance measures can include some or all of the following: financial measures, strategic measures and ESG measures. Bonus payouts are determined by the Committee after the year end, based on performance against predetermined objectives, at least the majority of which will be financial. Up to half of the bonus is paid in cash and the balance is deferred into shares. The deferred bonus shares vest after three years. Dividend equivalents arising over the period between the grant date and the vesting date are paid in cash or shares in respect of the shares which vest. The annual bonus plans are not contractual and bonuses under the plans are not eligible for inclusion in the calculation of the participating executives' pension plan arrangements. Malus and clawback provisions apply to the annual bonus plan and the deferred bonus shares so that individuals are liable to repay/forfeit some or all of their bonus if there is a material misstatement of results, error in calculation, gross misconduct, payments based on erroneous or misleading data, significant reputational damage or corporate failure. The Committee will act reasonably in the application of malus and clawback.	Maximum bonus potential of 200% of base salary, with target bonus being one half of the maximum. Bonus starts to be earned at the threshold level (below which 0% is payable). Current maximum potential for each Executive Director is set out in the Annual Report on Remuneration.

Element, purpose and link to strategy	Operation and performance metrics	Maximum opportunity
Performance share plan (PSP) To incentivise Executive Directors and other senior executives to achieve returns for shareholders over a longer time frame. To help retain executives and align their interests with shareholders through building a shareholding in the Company.	Awards of nil-cost options are made annually with vesting dependent on the achievement of performance conditions over the three subsequent years. Awards will vest, subject to performance, on the third anniversary of grant and will be subject to an additional two-year holding period post-vesting, during which time awarded shares may not be sold (other than for tax purposes). The Committee reviews the quantum of awards annually to ensure that they are in line with market levels and appropriate, given the performance of the individual and the Company. Performance measures can include some or all of the following: financial measures, strategic measures, ESG measures and relative TSR. Dividend equivalents arising over the period between the grant date and the vesting date are paid in cash or shares in respect of the shares which vest. Malus and clawback provisions apply to the PSP so that individuals are liable to repay/forfeit some or all of their shares if there is a material misstatement of results, error in calculation, gross misconduct, vesting based on erroneous or misleading data, significant reputational damage or corporate failure. The Committee will act reasonably in the application of malus and clawback.	The maximum annual award under the PSP that may be granted to an individual in any financial year is 225% of salary in normal circumstances and 400% of salary in exceptional circumstances, which is limited to buy-out awards under recruitment. Actual award levels to Executive Directors are set out in the Annual Report on Remuneration. 25% of the relevant part of the award will vest for achieving threshold performance (which for a relative TSR performance measure would be median performance), increasing to full vesting for the achievement of maximum performance.
Share ownership guidelines To further align the interests of executives with those of shareholders.	**During employment** Executive Directors are expected to build and maintain a shareholding in the Company's shares as a multiple of their base salary within five years of appointment as an Executive Director (Group Chief Executive 225%, Group Finance Director 175%[1]). 1. Since the policy was approved at the 2020 AGM the Committee has in 2021 decided to increase the expected shareholding requirement of the Group Finance Director from 175% to 200%. To achieve this, Executive Directors are expected to retain at least 50% of shares (net of tax) which vest under the Company's share plans until the share ownership guidelines are met. Nil cost options which have vested but that the Executive Director has yet to exercise and unvested nil cost options awarded under the DSBP (if they are only subject to a time-based condition) are considered to count towards the shareholding on a notional post-tax basis. Non-Executive Directors are expected to build and maintain a shareholding that is equivalent to 50% of their annual fee from the Company within two years of their date of appointment. **Post-employment** In respect of share plan awards granted from 2020 onwards, Executive Directors will be required to retain, for two years after leaving the Company, a holding of shares at a level equal to the lower of the shareholding requirement they were subject to during employment and their actual shareholding on departure (excluding shares purchased with own funds and any shares from share plan awards made before 2020).	Not applicable

Element, purpose and link to strategy	Operation and performance metrics	Maximum opportunity
All employee share plan Encourages long-term shareholding in the Company.	Executive Directors have the opportunity to participate in the UK or international sharesave plans on the same terms as other eligible employees (which is currently an opportunity to save up to £250, or local currency equivalent, per month). There are no performance conditions applicable to awards.	Up to £500 per month (or local currency equivalent).
Pension To remain competitive in the marketplace and provide income in retirement.	Executive Directors can elect to: • participate in the Group's registered defined contribution plan (DC Plan); or • receive a salary supplement; or • a combination of the above.	Maximum: 20% (for Group Chief Executive) and 15% (for Group Finance Director) of base salary from 1 August 2020 (combined cash supplement and DC Plan contribution). On 1 August 2021 the maximum pension contribution was reduced to 15% (for Group Chief Executive) and 10% (for Group Finance Director) of base salary. A further review of the level of pension contribution will take place in 2022[1]. 1. Since the policy was approved at the 2020 AGM, the Committee has in 2022 undertaken a further review of the timeline for alignment of the Executive Directors' pension contributions with that available to the workforce in the UK (being the country where they are based for employment purposes) and agreed that the maximum pension contribution for the Executive Directors will be aligned with that available to the workforce in the UK by 31 December 2022. Future appointments to the Board or any Board member changing roles would be given a pension benefit aligned with that available to the workforce in the country where they are based for employment purposes.
Benefits To help retain employees and remain competitive in the marketplace.	Directors, along with other UK senior executives, receive a car allowance or company car equivalent, income protection insurance, four times life cover, family medical insurance and subsidised gym membership. Additional benefits (including a relocation allowance) may be provided from time to time, where they are in line with market practice. Any reasonable business related expenses may be reimbursed (including tax thereon, if deemed to be a taxable benefit).	Benefit levels may be increased in line with market levels to ensure they remain competitive and valued by the recipient. However, as the cost of the provision of benefits can vary without any change in the level of provisions, no maximum is predetermined.
Non-Executive Directors and Chair Attract and retain high performing individuals.	Reviewed annually by the Board (after recommendation by the Committee in respect of the Chair). Fee increases, if applicable, are normally effective from 1 August. The Board and, where appropriate, the Committee, considers pay data at comparable companies of similar scale. The Senior Independent Director and the Chairs of the Audit and Remuneration Committees receive additional fees. No eligibility for participation in bonuses, retirement plans or share plans but limited benefits may be delivered in relation to the permanency of their duties as a Director (e.g. hospitality, provision of a mobile phone, tablet/laptop and travel-related expenses). Tax may be reimbursed if these benefits are deemed to be a taxable benefit. If there is a temporary yet material increase in the time commitments for Non-Executive Directors, the Board may pay extra fees on a pro-rata basis to recognise the additional workload.	No prescribed maximum annual increase. Details of current fees are set out in the annual report on remuneration. Aggregate annual fees limited to £1,000,000 by Articles of Association.

Discretions and judgements

The Committee will operate the annual bonus plan and long-term plans according to the rules of each respective plan, their respective ancillary documents and the UK Financial Conduct Authority's Listing Rules, which, consistent with market practice, include discretion in a number of respects in relation to the operation of each plan. Discretions include:

- Who participates in the plan
- Determining the timing of grants of awards and/or payments
- Determining the quantum of an award and/or payment
- Determining the extent of vesting
- How to deal with a change of control or restructuring of the Group
- Whether an Executive Director or a senior manager is a good/bad leaver for incentive plan purposes and whether the proportion of awards that vest do so at the time of leaving or at the normal vesting date(s)
- How and whether an award may be adjusted in certain circumstances (e.g. for a rights issue, a corporate restructuring or for special dividends)
- What the weighting, measures and targets should be for the annual bonus plan and PSP awards from year to year
- The Committee also retains the ability, within the policy, if events occur that cause it to determine that the conditions set in relation to an annual bonus plan or a granted PSP award are unable to fulfil their original intended purpose, to adjust targets and/or set different measures or weightings for the applicable annual bonus plan and PSP awards.

The Committee can use its judgement to make adjustments to published outturns for significant events or changes in the Company's asset base that were not envisaged when the targets were originally set or for changes to accounting standards, to ensure that the performance conditions achieve their original purpose.

The Committee also has the discretion to reduce or apply other restrictions to an award if, after taking into account all circumstances known to the Committee, it determines that the amount which a participant would otherwise receive pursuant to an incentive award in accordance with its terms would result in the participant receiving an amount which the Committee considers cannot be justified or which the Committee considers to be an unfair or undeserved benefit to the participant.

The Committee has the discretion to override formulaic outcomes to the bonus and the PSP or DSBP in order to ensure that outcomes reflect true underlying business performance or to reduce awards if the business has suffered an exceptional negative event in order to ensure that outcomes reflect overall corporate performance.

The Committee can use its discretion to waive the post-employment shareholding requirement in the event of ill health or death.

Any historic share awards (other than those granted in 2020) that were granted before 8 September 2020 (when the revised policy came into force) and still remain outstanding will remain eligible to vest or be exercised or sold based on their original award terms and the remuneration policy that was in force when those awards were granted.

In summary: key objectives of our remuneration policy

The purpose of our remuneration policy is to deliver a remuneration package that:

- Attracts and retains high calibre Executive Directors and senior managers in a challenging and competitive business environment
- Reduces complexity, delivering an appropriate balance between fixed and variable pay for each Executive Director and the senior management team
- Encourages long-term performance by setting challenging targets linked to sustainable growth
- Is strongly aligned to the achievement of the Group's objectives and to the delivery of sustainable value to shareholders and other key stakeholders
- Seeks to avoid creating excessive risks in the achievement of performance targets
- Is consistent with the Group's Purpose and values
- Is commensurate with pay conditions across the Group
- Is aligned to the DS Smith reward principles (as set out on page 93)
- Takes into account overall corporate performance as well as business performance.

All our decisions as a Remuneration Committee are taken in this context.

Annual report on remuneration

The tables below show how we have applied the remuneration policy during 2021/22. They disclose all the elements of remuneration earned by the Directors during the year. Full details of the policy that was voted on in 2020 are included in the 2020 Annual Report and is available on our website.

Deloitte LLP has audited, as required by the applicable regulations, those tables labelled as audited.

Single total figure of remuneration for each Director (audited)

Executive Directors		Salary £'000	Benefits[1] £'000	Pensions[2] £'000	Total fixed remuneration	Annual bonus[3] £'000	Long-term incentives £'000	Total variable remuneration	Total single remuneration figure
Miles Roberts	2020/21	786	21	177	984	1,541	0	1,541	2,525
Group Chief Executive	**2021/22**	**809**	**22**	**131**	**962**	**1,618**	**0**	**1,618**	**2,580**
Adrian Marsh	2020/21	494	19	80	593	726	0	726	1,319
Group Finance Director	**2021/22**	**508**	**19**	**57**	**584**	**763**	**0**	**763**	**1,347**

1. Taxable benefits in 2020/21 and 2021/22 principally include a car allowance of £20,000 for Miles Roberts and £17,500 for Adrian Marsh. Both Directors also receive income protection, life and health cover.
2. In lieu of membership of the defined contribution scheme Miles Roberts receives an annual pension allowance which was reduced from 30% with effect from 1 August 2020 to 20% of base salary and was further reduced to 15% with effect from 1 August 2021 and Adrian Marsh receives an annual pension allowance which was reduced from 20% with effect from 1 August 2020 to 15% of base salary and was further reduced to 10% with effect from 1 August 2021. The annual pension allowances are not pensionable and are not considered to be salary for the purpose of calculating any bonus payment or long-term incentive. More details about the further planned reductions in pension benefits to be aligned with that of the workforce in the UK by 31 December 2022 are set out on page 96.
3. The annual bonus, when paid, is paid 50% in cash and 50% in deferred shares as described in the policy table on page 94.

	Fees £'000 **2021/22**	Fees £'000 2020/21	**Total[4] 2021/22 £'000**	Total[4] 2020/21 £'000
Non-Executive Directors				
Geoff Drabble[1]	**330**	128	**330**	128
Celia Baxter	**77**	76	**77**	76
Alina Kessel	**62**	61	**62**	61
David Robbie[2]	**78**	76	**78**	76
Louise Smalley	**62**	61	**62**	61
Rupert Soames[3]	**70**	71	**70**	71
Total	**679**	473	**679**	473

1. Geoff Drabble joined the Board with effect from 1 September 2020 and became Chair with effect from 3 January 2021, when his fee increased to £330,000 per annum (fixed for three years).
2. David Robbie became Senior Independent Director with effect from 28 February 2022.
3. Rupert Soames stepped down from the role of Senior Independent Director with effect from 28 February 2022.
4. Non-Executive Directors received no taxable benefits, annual bonus, long-term incentives or pension payments during 2020/21 or 2021/22.

Alan Johnson joined the Board on 1 June 2022.

Fixed pay

Basic salary (audited)

Salaries for Executive Directors (audited)

	Salaries effective from 1 August 2020 (£)	1 January 2021 (£)	1 August 2021 (£)	1 August 2022 (£)	**Earned in 2021/22 (£)**
Miles Roberts	782,300	794,000	814,000	846,600	**809,000**
Adrian Marsh	491,600	499,000	511,500	532,000	**508,375**

When reviewing salaries the Committee takes account of a number of factors, with particular focus on the general level of salary increases awarded to employees throughout the Group. Where relevant, the Committee also considers external market data on salary and total remuneration. When initially considering the Executive Directors' salary increase for 2022, the Committee also looked at the data for the peer group of FTSE 51-150 companies (excluding Financial Services companies). It chose that comparator group as one that (in line with the remuneration policy) reflected a similar size and complexity of business and of geographical spread as well as the domicile of the Executive Directors. The Committee applies judgement when considering such data.

The usual review of executive remuneration was held in June 2022 and it was agreed that a pay increase of 4% (in line with the average increase for the UK workforce as a whole) would be implemented on 1 August 2022.

Fees for Non-Executive Directors and the Chair (audited)

In addition to a base fee of £62,000, the Chair of the Audit Committee and the Chair of the Remuneration Committee each receive a fee of £15,000 per annum and the Senior Independent Director receives a fee of £10,000 per annum. The fee for the Chair with effect from 3 January 2021 was set taking into account market rates for comparable positions and is fixed for three years. It was agreed that an increase of 4% (in line with the average increase for the UK workforce as a whole) would be implemented in respect of the base fee for Non-Executive Directors with effect from 1 August 2022.

	Base fee effective from 1 August 2020 (£)	1 August 2021 (£)	1 August 2022 (£)	**Earned in 2021/22 (£)**
Geoff Drabble[1]	–	330,000	330,000	**330,000**
Celia Baxter	60,500	62,000	64,500	**76,625**
Alina Kessel	60,500	62,000	64,500	**61,625**
David Robbie[2]	60,500	62,000	64,500	**78,330**
Louise Smalley	60,500	62,000	64,500	**61,625**
Rupert Soames[3]	60,500	62,000	64,500	**69,920**

1. Geoff Drabble joined the Board with effect from 1 September 2020 and became Chair with effect from 3 January 2021. His fee as a Non-Executive Director was £60,500 per annum. His total fee as Non-Executive Chair is £330,000 per annum, which will not be reviewed for three years from his appointment.
2. David Robbie became Senior Independent Director with effect from 28 February 2022.
3. Rupert Soames stepped down from the role of Senior Independent Director with effect from 28 February 2022.

Alan Johnson joined the Board on 1 June 2022.

Variable pay

The Committee believes it is important that a significant portion of the Executive Directors' package is performance-related and that the performance conditions support the delivery of the Group's strategy and its long-term sustainable success. The remuneration policy encourages long-term performance by setting challenging targets linked to sustainable growth for the variable pay, which consists of the annual bonus and the longer-term PSP. The Remuneration Committee has discretion to adjust retrospectively the targets, for example after a substantial restructuring, and would normally discuss this with its larger shareholders. Alternatively adjustments to published outturns may be appropriate for significant events or changes in the asset base that were not envisaged when the targets were originally set, to ensure that the performance conditions achieve their original purpose. Full disclosure of this would be given in the Remuneration Report. The Remuneration Committee has the discretion to override formulaic outcomes in order to ensure that outcomes reflect true underlying business performance. When considering that discretion in relation to the annual bonus for 2021/22 the Committee took, and in relation to the annual bonus for 2022/23 the Committee will take, into account various ESG matters (as described on pages 101 and 102).

Performance measures

An explanation of the performance measures for the annual bonus (assessed on a constant currency basis) and PSP (assessed on an actual currency basis without adjustments for exchange rate movements) is set out below. The strategic rationale for the choice of these performance measures is to focus on the key financial measures both over the longer performance period for the PSP of three years and the shorter performance period for the annual bonus of one year.

Adjusted earnings per share (EPS) applicable to the PSP

Adjusted EPS is disclosed in the Annual Report and is the portion of the Group's adjusted after tax profit allocated to each outstanding share. Adjusted EPS is an indicator of the underlying performance of the Group.

Adjusted return on average capital employed (ROACE) applicable to the PSP

ROACE is disclosed in the Annual Report. It is defined as earnings before interest, tax, amortisation and adjusting items as a percentage of average capital employed, including goodwill. This is a measure of the efficiency and profitability of the assets and investments.

Total shareholder return (TSR) applicable to the PSP

TSR is the increase (or decrease) in the value of a notional investment in a share in the Company and each of the companies in the Industrial Goods and Services Supersector within the FTSE 350 Index over the three-year PSP performance period, taking account of share price movement and the value of dividends (which are deemed to be re-invested) over that period. This is a measure that takes into account the experience of shareholders over the applicable period.

Adjusted earnings before tax and amortisation (EBTA) applicable to annual bonus

EBTA is adjusted earnings before taxation, amortisation and income from associates. This measure gives a snapshot of the performance of the Group in the short term of a single financial year.

Free cash flow applicable to annual bonus

Free cash flow is the net movement on debt before cash outflow for adjusting items, dividends paid, acquisition and disposal of subsidiary businesses (including borrowings acquired), and proceeds from issue of share capital, adjusted for the effects of changes in factoring balances. This measure focuses on liquidity, a key area in an uncertain economic environment.

Annual bonus

Bonus in 2021/22

The Executive Directors' targets for the 2021/22 bonus were based on the financial targets set out in the tables on the next page, with annual bonus payments determined by reference to performance over the financial year ended 30 April 2022. Achievement is calculated on a straight-line basis between threshold and target and between target and maximum. Adjusted EBTA and free cash flow have equal weighting as annual bonus performance measures.

Targets and outcomes (audited)

Financial measure	Threshold 0% of maximum	Target 50% of maximum	Maximum	Achieved
Adjusted EBTA	£504m	£524m	£544m	£585m
Free cash flow	£202m	£217m	£232m	£558m

ESG underpin

ESG underpin element	Assessment of performance in 2021/22
Commitment to using longer-term science-based targets for carbon reduction in the business	Announced our commitment to reach net zero emissions by 2050 and to science-based targets which require at least a 40% reduction of CO_2 emissions per tonne of product by 2030, compared with 2019 levels. Since 30 April 2022, our target to reduce Scope 1, 2 and 3 emissions 46 per cent by 2030, when compared to 2019 levels, has been validated by the Science Based Targets initiative. For more information see page 31.
Maintenance of high health and safety standards	Group-wide lost time accident performance is 5% better than 2020/21. Group-wide H&S engagement index has increased in each of the last five years, further evolving our safety culture and contributing to the reduction in the total number of accidents by 27% year-over-year. For more information see pages 25 to 27.
Continued work with our communities	The Group has completed the planned community programme activity in all 161 targeted sites.

Outcomes (audited)

	Miles Roberts	Adrian Marsh
Adjusted EBTA (as a proportion of the maximum opportunity)	50/50	50/50
Free cash flow (as a proportion of the maximum opportunity)	50/50	50/50
Total (as a proportion of the maximum opportunity)	100/100	100/100
Maximum bonus opportunity as a % of salary	200%	150%
Value of bonus paid in cash	£809,000	£381,281
Value of bonus deferred into shares	£809,000	£381,281
Overall award level	£1,618,000	£762,562

Performance is assessed on a constant currency basis and therefore the actual published results are restated for bonus purposes using budgeted exchange rates.

Bonus awards are measured against the achievement of the Group's objectives. Maximum bonus opportunity for 2021/22 for Miles Roberts was 200% of salary and for Adrian Marsh was 150% and was between 50% and 110% for the other most senior executives.

When deciding the level of variable pay, including the annual bonus, the Committee considered the experience of the Group's stakeholders during the 2021/22 financial year (as summarised on pages 88 and 89). The Committee concluded that the outcome of the annual bonus in respect of 2021/22 appropriately reflected the Company's performance in 2021/22 and was commensurate with the broader stakeholder experience in that period; and that appropriate progress and actions have continued to be made to realise our ESG agenda. It was therefore not felt necessary to apply any discretion to amend the outcome of the overall award level.

Implementation for 2022/23

The annual bonus for 2022/23 will remain in line with the remuneration policy and with a maximum opportunity of 200% of salary for the Group Chief Executive and 150% for the Group Finance Director.

For 2022/23 it will be based on EBTA and free cash flow, each with equal weighting. In the event of an unbudgeted acquisition or disposal in the year, the Committee will assess how the financial performance of the acquired or disposed of company should be treated.

In the opinion of the Committee, the annual bonus targets for 2022/23 are commercially sensitive and accordingly are not disclosed prospectively. These will be disclosed next year in the Directors' remuneration report, so that achievement against those targets will be visible, in retrospect.

When considering the application of discretion to override the formulaic outcome for the 2022/23 annual bonus, the Committee will take into account the following factors:

- The development of initial plans to achieve the longer-term science-based targets for carbon reduction in the business
- The continuing maintenance of high health and safety standards
- The continued work with our communities.

The Committee will report on its assessment of the Group's performance in those areas in the Annual Report 2023 (following a similar format to its assessment for 2022 on page 101).

Having an ESG underpin in this way acknowledges the importance of ESG which is integral to the DS Smith strategy, and in particular our strategic goal to lead the way in sustainability.

Performance Share Plan (PSP)

Overview of the Performance Share Plan

The PSP operates as a long-term incentive plan for senior managers in the Group, with awards vesting after three years, and held for a further two years by the Executive Directors.

The awards have three performance measures: adjusted EPS, adjusted ROACE and relative TSR. These have equal weighting.

The Committee's policy is that no adjustments for exchange rate movements are made to EPS and ROACE over the three-year performance period as these are of a long-term nature and fluctuations are more likely to average out over the period.

The relative TSR vesting scale is median to upper quartile performance, with no vesting below median performance. 25% of the award vests for achieving threshold performance, increasing on a straight-line basis to full vesting for maximum performance.

The TSR comparator group for the 2019/20, 2020/21 and 2021/22 awards is the FTSE 350 Industrial Goods and Services Supersector.

2019/20 awards vesting in 2022/23 based on performance in the three-year period to 2021/22

Unfortunately, the performance share plan (PSP) award made in 2019, which had performance conditions based on the three year average earnings per share (EPS) and return on average capital employed (ROACE) performance and the three year cumulative relative total shareholder return (TSR) performance between 2019/20 and 2021/22, did not meet the threshold targets for the two financial measures and fell below median for the relative TSR measure. The financial targets were set in 2019 in the context of the expectation of a stable economy and were not adjusted to reflect the negative impact of the pandemic on the 2019/20, 2020/21 and 2021/22 results.

EPS, ROACE and TSR performance targets for 2019/20 awards based on performance in the three-year period to 2021-22 (audited)

	Weighting	Threshold (25% vests)	Maximum (100% vests)	Outcome
Three-year average adjusted EPS	One third	37.4p	42.0p	29.3p
Three-year average adjusted ROACE	One third	12.4%	13.6%	9.8%
Relative TSR[1]	One third	Median	Upper quartile	Below median

1. Measured against the FTSE 350 Industrial Goods and Services Supersector.

25% of the PSP award vests for achieving threshold performance, increasing on a straight-line basis to full vesting for maximum performance.

Deferred share bonus plan (DSBP) awards vesting in 2022

The DSBP award vesting in 2022 relates to the deferral into shares of half of the bonus paid in June 2019 in relation to the financial year 2018/19. The number of shares vesting in 2022 under the DSBP award granted on 15 July 2019 is 157,055 for Miles Roberts and 74,015 for Adrian Marsh. Details of those awards and the single total figure of remuneration that included them were set out in the remuneration report for 2019/20. Dividend equivalents for the DSBP award also accrued during the three-year vesting period. Those dividend equivalents will be paid in shares (11,889 for Miles Roberts and 5,602 for Adrian Marsh) shortly after the award vests on 15 July 2022, the third anniversary of grant of the award.

PSP and DSBP awards granted in 2021 vesting in 2024/25 and DSBP awards in 2021 (audited)

The PSP awards made in 2021 in respect of 2021/22 were in line with the current remuneration policy and, as reported in last year's remuneration report, were:

- 225% of salary for the Group Chief Executive and 200% of salary for the Group Finance Director
- Any shares that vest under the PSP awards granted in 2021/22 must be retained for a further two years before they can be sold (a total of five years from original grant) and they are also subject to a post-employment holding condition, meaning that any shares that vest will be held in a nominee arrangement for the appropriate period. For any PSP awards which vest following departure that have been granted good leaver treatment, the Committee will reduce the two year post-vesting holding period so that it does not extend beyond the second anniversary of departure, provided that the three year vesting period has been completed
- The PSP awards were granted as nil-cost options and are subject to three performance measures: adjusted EPS, adjusted ROACE and relative TSR, with equal weighting on each element.

The DSBP awards made in 2021 relate to the deferral into shares of half of the bonus paid in July 2021 in relation to the bonus award included in the single total figure of remuneration for 2020/21. They were granted as nil-cost options and are not subject to performance conditions, but are subject to continued employment.

Executive Director	Award	Number of options granted under award on 8 July 2021	Face value of award at time of grant (£)
Miles Roberts	PSP	411,635	1,786,496
	DSBP	177,529	770,476
Adrian Marsh	PSP	229,953	997,996
	DSBP	83,672	363,136

The awards were made on 8 July 2021. The face value in the above table is calculated using 434.0p which was the average price of a DS Smith share for the three trading days preceding the grant of the award and the price used in the calculation of the number of options awarded. 25% of the PSP award vests for achieving threshold performance, increasing on a straight-line basis to full vesting for maximum performance. The applicable performance period for these PSP awards ends on 30 April 2024.

The targets for the 2021/22 PSP award are set out below:

% vesting as a proportion	Adjusted EPS One third[1]	Adjusted ROACE One third[1]	Relative TSR One third[2]
100%	40.0p	13.1%	Upper quartile
Between 25% and 100%	35.2-40.0p	11.2-13.1%	Between median and upper quartile
25%	35.2p	11.2%	Median

Awards vest on a straight-line basis between threshold and maximum performance. The performance measurement period for the adjusted EPS and adjusted ROACE targets is the 2023/24 financial year and for the relative TSR target is the three years to 30 April 2024.

1. The 2020/21 baseline results are 24.2p for adjusted EPS and 8.2% for adjusted ROACE.
2. The comparator group for measurement of relative TSR is the FTSE 350 Industrial Goods and Services Supersector, as it was in 2019/20 and 2020/21.

PSP awards to be granted in 2022 vesting in 2025/26

The PSP awards to be made in 2022 in respect of 2022/23 will remain in line with the remuneration policy, with grants being made of up to 225% of salary for the Group Chief Executive and 200% of salary for the Group Finance Director. As a matter of best practice, before finalising the PSP award levels, the Committee considered the movements in the share price since the 2021 PSP grant and will monitor performance against the targets to consider whether discretion should be applied to the formulaic outturn when determining the vesting outturn.

The performance measures and their weighting for the award will remain the same as in 2021/22. The targets for the 2022/23 PSP award will be:

% vesting as a proportion	Adjusted EPS One third	Adjusted ROACE One third	Relative TSR One third[1]
100%	42p	13.8%	Upper quartile
Between 25% and 100%	36-42p	12 – 13.8%	Between median and upper quartile
25%	36p	12%	Median

Awards vest on a straight-line basis between threshold and maximum performance. The performance measurement period for the adjusted EPS and adjusted ROACE targets is the 2024/25 financial year and for the relative TSR target is the three years to 30 April 2025.

1. The comparator group for measurement of relative TSR will be the FTSE 350 Industrial Goods and Services Supersector, as it was in 2021/22, 2020/21 and 2019/20.

The Committee's aim, as always, has been to set robust targets with a strong degree of stretch. In setting the target ranges the Committee took into account a number of factors which included our medium term growth targets. Our desire continues to be to set targets which balance stretch with the ability to at least achieve the threshold level so that awards remain motivating and meaningful to the c.150 plan participants. The Committee will, as a matter of good practice, take a step back when determining the vesting outturn in three years' time to consider whether any discretion should be applied to the formulaic outturn.

DSBP awards in 2022

As set out on page 94, half of the value of the bonus to be paid in 2022 in respect of the performance over the financial year ended 30 April 2022, will be deferred into shares, which will not vest until 2025.

Outstanding PSP and DSBP share awards during 2021/22 and as at 30 April 2022 (audited)

The table below sets out details of Executive Directors' outstanding share awards, both under the PSP and the DSBP, during the year under review. Unvested awards will vest in future years subject to performance and/or continued service. Vested awards will expire if not exercised before the relevant expiry date.

	Award date	Awards held at 30 April 2021	Granted	Dividend equivalents	Exercised/ vested	Lapsed/ forfeited	Grant price for award (p)[1]	Market price on date of exercise (p)	**Awards held at 30 April 2022**	Vesting date (if any performance conditions applicable are met)	Expiry date
Miles Roberts											
PSP	1 Jul 16	256,822	–	–	256,822	–	379.80	457.30	**0**	1 Jul 19	1 Jul 26
PSP	18 Jul 17	139,690	–	–	139,690	–	484.70	457.30	**0**	18 Jul 20	18 Jul 27
PSP	22 Jun 18	341,748	–	–	–	341,748	523.47	–	**0**	22 Jun 21	22 Jun 28
PSP	15 Jul 19	481,039	–	–	–	–	357.00	–	**481,039**	15 Jul 22	15 Jul 29
PSP	14 Jul 20	647,123	–	–	–	–	272.00	–	**647,123**	14 Jul 23	14 Jul 30
PSP	8 Jul 21	–	411,635	–	–	–	434.00	–	**411,635**	8 Jul 24	8 Jul 31
DSBP	1 Jul 16	156,676	–	–	156,676	–	379.80	457.30	**0**	1 Jul 19	1 Jul 26
DSBP	18 Jul 17	79,368	–	–	79,368	–	484.70	457.30	**0**	18 Jul 20	18 Jul 27
DSBP	22 Jun 18	132,849	–	10,588	143,437	–	523.47	457.30	**0**	22 Jun 21	22 Jun 28
DSBP	15 Jul 19	157,055	–	–	–	–	357.00	–	**157,055**	15 Jul 22	15 Jul 29
DSBP	8 Jul 21	–	177,529	–	–	–	434.00	–	**177,529**	8 Jul 24	8 Jul 31
									1,874,381		
Adrian Marsh											
PSP	22 Jun 18	167,015	–	–	–	167,015	523.47	–	**0**	22 Jun 21	22 Jun 28
PSP	15 Jul 19	235,098	–	–	–	–	357.00	–	**235,098**	15 Jul 22	15 Jul 29
PSP	14 Jul 20	316,286	–	–	–	–	272.00	–	**316,286**	14 Jul 23	14 Jul 30
PSP	8 July 21	–	229,953	–	–	–	434.00	–	**229,953**	8 Jul 24	8 Jul 31
DSBP	22 Jun 18	62,603	–	4,989	67,592	–	523.47	444.50	**0**	22 Jun 21	22 Jun 28
DSBP	15 Jul 19	74,015	–	–	–	–	357.00	–	**74,015**	15 Jul 22	15 Jul 29
DSBP	8 Jul 21	–	83,672	–	–	–	434.00	–	**83,672**	8 Jul 24	8 Jul 31
					–				**939,024**		

1. The figure in this column is the average price of a DS Smith share for the three trading days preceding the award and is the price used in the calculation of the number of options originally awarded. The number of options originally awarded in 2016 and 2017 was subsequently adjusted for the rights issue in 2018 as described in the Annual Report for 2019.

The target ranges for the 2019/20 PSP awards are set out on page 102. The target ranges for the 2021/22 awards are set out on page 103. The relative TSR target for the 2020/21 award is the same as it was for the 2019/20 award. For the 2020/21 awards the target ranges for EPS and ROACE are set out in the audited table below.

PSP plan	EPS range	ROACE range
2020/21	34.2p-36.5p	11.0%-12.5%

It is currently intended that any ordinary shares required to fulfil entitlements under the DSBP will be provided by Computershare Trustees (Jersey) Limited in its capacity as trustee of the employee benefit trust (the Trust), which buys shares to do so. The Trust may also be used to fulfil certain entitlements under the PSP and the employee sharesave plans or those may be fulfilled by newly-issued shares.

Sharesave – employee share plans (audited)

Our sharesave (SAYE) plans align our employees' interests with those of our long-term shareholders. Our commitment is to deliver an opportunity for our employees to be engaged with the strategic direction of DS Smith and to share in its financial success. Executive Directors are eligible to participate in the SAYE on the same terms as all other UK-based employees of the Company and participating subsidiaries of the Group. Options are granted under the SAYE, which, in the UK, is an HMRC tax-advantaged plan. Participants contract to save up to the equivalent of £250 per month over a period of three years (two years in the US). The current maximum permitted monthly saving of the equivalent of £250 is set by the Company. Under the applicable plan rules (and the remuneration policy) the monthly maximum could be increased in the future to up to the equivalent of £500 per month. The option price is discounted by up to 20% (15% in the US) of the average closing mid-market price of the Company's shares on the three dealing days prior to invitation (20-day average to the day before grant in France and the higher of the mid-market average price on the day before invitation and the mid-market average on the day before grant in the US). In common with most plans of this type, there are no performance conditions applicable to options granted under the SAYE.

Name of Director	Options held at 30 April 2021	Options granted during the year	Options exercised during the year	Options lapsed during the year	Market price on date of exercise (p)	**Options held at 30 April 2022**	Exercise price (p)	Date from which exercisable	Expiry date
Miles Roberts	2,769	–	–	–	–	**2,769**	325.00	1 Apr 24	30 Sep 24
Adrian Marsh	2,769	–	–	–	–	**2,769**	325.00	1 Apr 24	30 Sep 24

Share ownership guidelines

Executive Directors are required to build a significant shareholding in the Company within five years from the date of their appointment. Executive Directors' shareholdings (including those of their connected persons) are summarised in the following audited table.

Name of Director	Total shareholding as at 30 April 2021	**Total shareholding as at 30 April 2022**	Unvested only subject to continued employment[1]	Vested awards (not exercised)	Shareholding required (% salary)	Shareholding at 30 April 2022 (% salary)[2]	Requirement met
Executive Directors							
Miles Roberts	1,989,927	**2,063,831**	179,300	0	225%	912%	Yes
Adrian Marsh	577,889	**291,021**	84,502	0	200%	243%	Yes

1. Includes the awards of deferred bonus shares granted in 2019 and 2021. A reduction to the gross award levels of 48.25% has been applied for the expected level of tax and social security deductions that will ultimately be due on these shares.
2. Based on the salary as at 30 April 2022 and a share price of 330.9p (being the closing price on 29 April 2022, the last trading day of the financial year) multiplied by the current year shareholding and interests in shares which count towards the shareholding requirement.

The PSP awards granted in 2020 and 2021 are unvested and remain subject to performance conditions so are not included in the above table as they do not count towards the shareholding requirement. Nil-cost options which have vested but have yet to be exercised are considered to count towards the shareholding requirement, other than any such shares that correspond to the estimated tax and national insurance contributions. Miles Roberts and Adrian Marsh as at 30 April 2022 did not hold any such vested but unexercised awards.

Failure to meet the minimum shareholding requirement is taken into account when determining eligibility for share-based incentive awards for Executive Directors. There have been no changes to the shareholdings set out above between the financial year-end and the date of this report.

Non-Executive Directors are required to build up a holding of 50% of their fees in shares within two years of their date of appointment. Non-Executive Directors' shareholdings (including those of their connected persons) are summarised in the following audited table:

Name of Director	Total shareholding as at 30 April 2021	**Total shareholding as at 30 April 2022**	Shareholding required (% fee)	Shareholding at 30 April 2022 (% fee)[1]	Requirement met
Non-Executive Directors					
Geoff Drabble[2]	60,000	**60,000**	50%	60%	Yes[2]
Celia Baxter	10,993	**10,993**	50%	47%	No
Alina Kessel	7,000	**12,000**	50%	64%	Yes
David Robbie	20,000	**20,000**	50%	86%	Yes
Louise Smalley	18,600	**18,600**	50%	99%	Yes
Rupert Soames	28,800	**28,800**	50%	110%	Yes

1. Based on the fee as at 30 April 2022 and a share price of 330.9p (being the closing price on 29 April 2022, the last trading day of the financial year) multiplied by the current year shareholding and interests in shares which count towards the shareholding requirement.
2. Geoff Drabble joined the Board with effect from 1 September 2020 and became Chair with effect from 3 January 2021. He has not yet been on the Board for two years.

Alan Johnson joined the Board on 1 June 2022.

External appointments

The Board supports Executive Directors taking up appointments outside the Company to broaden their knowledge and experience. Each Executive Director is permitted to accept one non-executive appointment (or in exceptional circumstances two appointments) from which they may retain any fee. Any external appointment must not conflict with a Director's duties and commitments to DS Smith.

Miles Roberts was a non-executive director of Aggreko plc until August 2021 and retained fees of £37,225 for the year ended 30 April 2022 (£61,000 for the year ended 30 April 2021). Adrian Marsh is a non-executive director of John Wood Group PLC and retained fees of £67,450 for the year ended 30 April 2022 (£61,975 for the year ended 30 April 2021).

Directors' contracts and notice periods

		Date of contract/date of initial appointment to the Board	Expiry date of current term for Non-Executive Directors
Geoff Drabble	Chair	1 September 2020	31 August 2023
Miles Roberts	Group Chief Executive	4 May 2010	not applicable
Adrian Marsh	Group Finance Director	24 September 2013	not applicable
Celia Baxter	Chair of Remuneration Committee	9 October 2019	8 October 2025
Alan Johnson		1 June 2022	30 May 2025
Alina Kessel		1 May 2020	30 April 2023
David Robbie	Chair of Audit Committee and Senior Independent Director	11 April 2019	10 April 2025
Louise Smalley		23 June 2014	22 June 2023
Rupert Soames		1 March 2019	6 September 2022

Miles Roberts and Adrian Marsh each have a notice period of 12 months exercisable by either the Company or the individual. Non-Executive Directors have letters of appointment for an initial term of three years whereupon they are normally renewed. The current terms of the Non-Executive Directors are set out in the table above. The notice period is one month exercisable by either the Company or the Non-Executive Director. Non-Executive Directors are not eligible for payments on termination. In line with the UK Corporate Governance Code, all Directors (including Non-Executive Directors) are subject to annual re-election by shareholders at the AGM. Their letters of appointment detail the time commitment expected of each Non-Executive Director. Both these and the Executive Directors' service contracts are available for inspection at the registered office during normal business hours and at each AGM.

Payments to past Directors or for loss of office (audited)

No payments were made to past Executive Directors during the year ended 30 April 2022 (2020/21: Nil). No payments were made in respect of loss of office during the year ended 30 April 2022 (2020/21: Nil).

Relative importance of spend on pay

The table below shows the expenditure and percentage change in overall spend on employee remuneration and dividends.

	2021/22 £m	2020/21 £m	Percentage change
Overall expenditure on employee pay[1]	**1,381**	1,363	1.3%
Dividend paid during the year	**166**	0	n/a

1. Total remuneration reflects overall employee costs and includes some exchange rate fluctuation. See consolidated financial statements note 6 for further information.

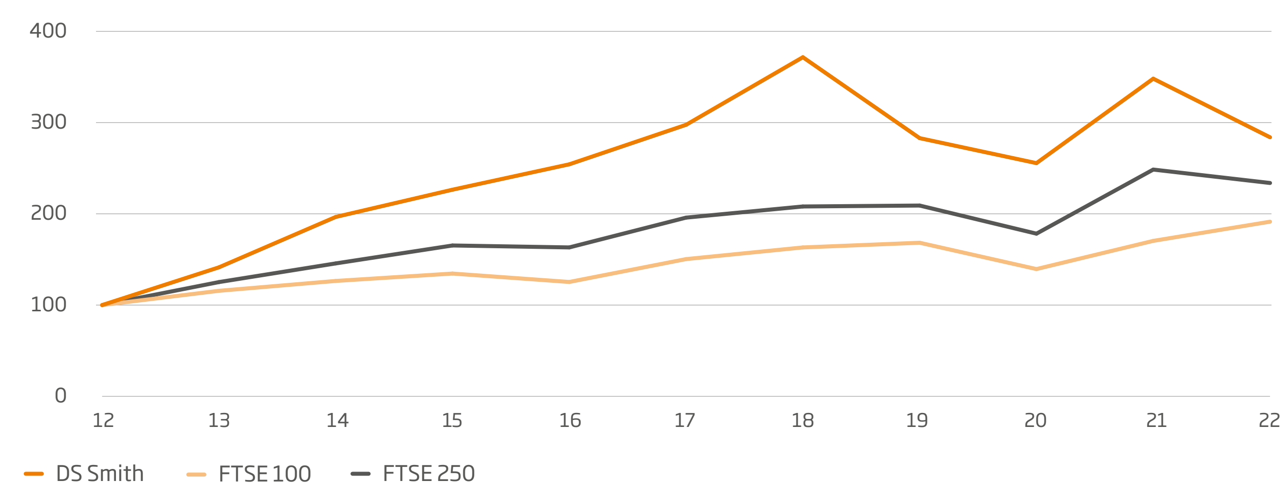
Remuneration of the Group Chief Executive

The table below shows the total remuneration figure for the Group Chief Executive for each of the last ten financial years. The total remuneration figure includes the annual bonus and long-term incentive awards which vested, based on performance in those years. The annual bonus and long-term incentive awards percentages show the payout for each year as a percentage of the maximum available for the financial year.

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	**2021/22**
Total remuneration (£'000)	6,057	3,696	5,527	4,447	4,861	4,220	3,065	1,422	2,525	**2,580**
Annual bonus payout	82%	85%	88%	79%	45%	88%	74%	0%	98%	**100%**
Long-term incentive vesting	100%	98%	92%	94%	100%	93%	52%	35%	0%	**0%**

Total shareholder return

+184%



Review of past performance – total shareholder return graph

The graph above illustrates the Company's TSR performance since 1 May 2012 (the period required by the applicable regulations), relative to the FTSE 100 Index as well as the FTSE 250 Index. In December 2017 the Company joined the FTSE 100 Index from the FTSE 250 Index. Therefore, both indices are considered appropriate comparator indices for the Company. As at 30 April 2022 DS Smith ranked 91 by market capitalisation. This graph looks at the value, over the ten years to 30 April 2022, of an initial investment of £100 in DS Smith shares compared with that of £100 invested in both the FTSE 100 and FTSE 250 Index. The other points plotted are the values at intervening financial year ends.

Group Chief Executive pay ratio disclosures (audited)

		25th percentile	Median	75th percentile
	Method	Total pay ratio	Total pay ratio	Total pay ratio
2018/19	B	100:1	91:1	72:1
2019/20	B	52:1	44:1	35:1
2020/21	B	90:1	71:1	60:1
2021/22	**B**	**81:1**	**60:1**	**56:1**

The table above sets out how the single total figure of remuneration (STFR) for the Group Chief Executive compares to the STFR of the UK employees at the 25th percentile, median and 75th percentile. All STFRs for the 2021/22 financial year have been based on full-time equivalent values and annualised where necessary. The table below sets out the split between total remuneration (fixed and variable pay and benefits) and the salary component of that total for UK employees used in the above total pay ratio calculations. DS Smith has chosen to use methodology B (as defined in the applicable regulations) to calculate the figures in the tables above and below.

Remuneration used to calculate the Group Chief Executive pay ratio disclosures

	25th percentile pay ratio		Median pay ratio		75th percentile pay ratio	
	Total remuneration (£)	Base salary (£)	Total remuneration (£)	Base salary (£)	Total remuneration (£)	Base salary (£)
2018/19	30,744	26,608	33,804	32,051	42,277	31,622
2019/20	27,244	26,647	32,342	31,479	40,349	36,202
2020/21	28,042	25,729	35,384	33,566	42,142	39,756
2021/22	**31,877**	**28,282**	**42,645**	**37,647**	**46,215**	**42,210**

As DS Smith uses methodology B, the 2021 UK gender pay gap data has been used to identify the relevant comparator employee falling at the relevant percentile and to calculate the annual total remuneration relating to 2021/22 for the three identified employees on the same basis as the Group Chief Executive's annual total remuneration for the same period in the single figure table. In 2021/22, there were multiple bonus plans in place across the UK which are not payable in some cases in advance of the Directors' remuneration report being approved by the Board. It was therefore not practical to collate the bonus amounts relating to performance during 2021/22 for every UK employee in advance of the report being approved. We are confident that the three employee STFR figures (which include applicable bonus) used in the pay ratio reporting are as representative of the respective percentiles as would have been the case if the 2021/22 STFR had been calculated for all UK employees. (The data reference date was 18 May 2022.)

The decrease in the ratio since last year is the result of the combination of a number of factors, including the reduction in the Group Chief Executive's pension contribution. As a result of the large proportion of variable pay in the Group Chief Executive's total reward, the ratio can be subject to a high degree of volatility from one year to the next.

We will continue to report on trends in these figures, which are expected to fluctuate as variable pay outcomes fluctuate for the Group Chief Executive. The Company does believe that the median pay ratio for 2021/22 is consistent with the pay, reward and progression policies for UK employees taken as a whole.

Annual percentage change in remuneration of Executive and Non-Executive Directors and employees

The table below shows the percentage change in three aspects of remuneration (salary or fee, benefits and bonus) for the Group Chief Executive, the Group Finance Director and the Non-Executive Directors who were Directors at 30 April 2022 compared to full-time equivalent employees of the Company. (The format of the table is prescribed by regulation. Benefits and bonus are not applicable to Non-Executive Directors. The increase in fees for certain Non-Executive Directors relates to their change of role in the applicable period, as noted below.) The column headed '% change 2021/22' sets out the change from financial year 2020/21 to financial year 2021/22. The normal date for any implementation of a pay review is 1 August, not the start of the financial year. However, as explained on page 95 of the 2021 Annual Report, for Directors (unlike employees in the wider Group) there was not a pay or fee increase in August 2020, but there was a pay increase with effect from 1 January 2021 for Executive Directors and Company employees. (Other explanatory notes concerning the figures for the prior year were set out in the 2021 Annual Report.)

	Salary/Fee	**Benefits**	**Bonus**	Salary/Fee	Benefits	Bonus
	% change 2021/22	**% change 2021/22**	**% change 2021/22**	% change 2020/21	% change 2020/21	% change 2020/21
Miles Roberts	**2.9**	**2.8**[4]	**5.0**	1.1	(1.2)	n/a
Adrian Marsh	**2.9**	**1.2**[4]	**5.1**	1.1	(2.3)	n/a
Geoff Drabble[1]	**0**	**n/a**	**n/a**	n/a	n/a	n/a
Celia Baxter [2]	**1.5**	**n/a**	**n/a**	0	n/a	n/a
Alina Kessel[1]	**1.9**	**n/a**	**n/a**	n/a	n/a	n/a
David Robbie[3]	**3.7**	**n/a**	**n/a**	8.1	n/a	n/a
Rupert Soames[3]	**(0.8)**	**n/a**	**n/a**	5.9	n/a	n/a
Louise Smalley	**1.9**	**n/a**	**n/a**	0.6	n/a	n/a
Company employees	**4.1**	**11.2**[4]	**8.3**	2.0	1.3	n/a

1. Geoff Drabble joined the Board on 1 September 2020 and became Chair with effect from 3 January 2021, and Alina Kessel joined the Board on 1 May 2020 so in 2020/21 they had no prior year to compare 2020/21 with.
2. Celia Baxter joined the Board on 9 October 2019 (part way through 2019/20), so to provide a meaningful comparison her fees received for 2019/20 have been annualised.
3. Rupert Soames stepped down from his role as Senior Independent Director and David Robbie became Senior Independent Director on 28 February 2022 (part way through 2021/22), hence the change in their fees due to the change in their respective roles, part way through 2021/22.
4. Changes in health cover premiums and restarting gym membership accounted for the change in taxable benefits .

Alan Johnson joined the Board on 1 June 2022.

Voting on the remuneration policy at the 2020 AGM and on the remuneration report at the 2021 AGM

At the AGM held in 2021, votes cast by proxy and at the meeting in respect of the Directors' remuneration report were 911,292,156 (87.33%) voting in favour and 132,264,013 voting against (12.67%) with 3,616,456 votes withheld, being votes that are not recognised as a vote in law.

At the AGM held in 2020, votes cast by proxy and at the meeting in respect of the remuneration policy were 916,656,836 (93.13%) voting in favour and 67,569,543 voting against (6.87%) with 24,228,039 votes withheld, being votes that are not recognised as a vote in law.

Remuneration Committee governance

The Board is ultimately accountable for executive remuneration and delegates this responsibility to the Remuneration Committee. The Committee's principal function is to support the Group's strategy by ensuring that its delivery is underpinned by the Company's overall remuneration policy, as described earlier in this report. It also determines the specific remuneration package, including service contracts and pension arrangements, for each Executive Director and our most senior executives, as well as the fees paid to the Chair. The Remuneration Committee's Terms of Reference can be found at www.dssmith.com/investors/corporate-governance/committees/

Key responsibilities of the Remuneration Committee

- Designing the remuneration policy
- Implementing the remuneration policy
- Ensuring the competitiveness of reward, within an appropriate governance framework
- Designing the incentive plans
- Setting incentive targets and determining award levels
- Overseeing all share awards across the Group.

Each of these responsibilities impacts the other. The Committee is very conscious of the importance of the wider context in which it operates in discharging these responsibilities.

Members	Since
Celia Baxter (Chair since October 2019)	2019
Geoff Drabble	2020
Alina Kessel	2020
David Robbie	2019
Louise Smalley	2014
Rupert Soames	2019

Alan Johnson joined the Board and its Committees on 1 June 2022.

Details of individual Directors' attendance can be found on page 70. The Group General Counsel and Company Secretary acts as Secretary to the Committee.

All members of the Committee are independent Non-Executive Directors. This is fundamental to ensuring Executive Directors' and senior executives' remuneration is set by people who are independent and have no personal financial interest, other than as shareholders, in the matters discussed. There are no potential conflicts of interest arising from cross-directorships and there is no day-to-day involvement in running the business. The Committee consults with the Group Chief Executive, who may attend meetings of the Committee, although he is not involved in deciding his own remuneration. The Committee is assisted by the Group Head of Reward, the Deputy Company Secretary, the Group General Counsel and Company Secretary and the Group Human Resources Director. No-one is allowed to participate in any matter directly concerning the details of their own remuneration or conditions of service.

As described earlier in the report, the Company has discussed with the EWC Executive matters relating to Executive Directors' remuneration. When considering matters relating to the remuneration of the Executive Directors, the Committee takes into account the overall approach to reward for, and the pay and employment conditions of, other employees in the Group.

To differentiate our employee value proposition and reinforce our strong DS Smith culture, the Group has developed the DS Smith reward principles (set out on page 93) which are endorsed by the Committee and were last reviewed by the Committee in 2021. Current policies and future decision making are matched against these to drive continuous improvement in this area.

Topics considered as part of regular annual decision-making cycle of Remuneration Committee

- How the business has performed against financial targets and ESG expectations
- Forecasts for the year to come
- Feedback from both the employee survey and pulse surveys on how employees feel about the quality of the Group's leadership. This includes whether the leadership team continues to demonstrate living our values, how we measure employee performance and whether employees believe we have the right approach to reward
- Review of guidance from the government and investor bodies
- Holistic view of market practices
- Assessing whether our remuneration framework is appropriately aligned with our culture and continues to motivate our leaders to achieve the Group's strategic objectives and does not inadvertently motivate inappropriate behaviour giving rise to ESG or other risks
- Consideration of remuneration and related policies across the Group
- Discussion of the relevant aspects of this year's Board effectiveness review.

In January 2021, following a thorough tender process, Korn Ferry were appointed as the Committee's advisers. During the financial year of 2021/22 the Committee was advised by Korn Ferry in relation to various aspects of the remuneration of Executive Directors for which they were paid £28,811, partly on a fixed fee basis and partly on a time and materials basis. Korn Ferry in the financial year 2021/22 has also provided executive search and talent assessment services to the Group. The teams providing this advice are separate from the Remuneration Committee advisers and there was no conflict of interest. The Committee is satisfied that the advice it receives from its advisers is objective and independent. Korn Ferry is a member of the Remuneration Consultants Group and adheres to the Code of Conduct for Remuneration Consultants (which can be found at www.remunerationconsultantsgroup.com).

This report has been prepared in accordance with applicable legislation and regulatory requirements, including those of the Large and Medium-Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (Regulations). The Regulations require the Auditor to report to shareholders on the audited information within this report and to state whether, in their opinion, the relevant sections have been prepared in accordance with the Companies Act 2006. The Auditor's opinion is set out in the Independent Auditor's report and we have clearly marked the audited sections of this annual report on remuneration.

On behalf of the Board

Celia Baxter
Chair of the Remuneration Committee

20 June 2022

Additional information

Acquisitions and disposals

Acquisitions and disposals in the year ended 30 April 2022 are described in note 30 to the consolidated financial statements.

Events after the reporting date

There are no subsequent events after the reporting date which require disclosure.

Share capital

Details of the issued share capital and the rights and restrictions attached to the shares, together with details of movements in the Company's issued share capital during the year, are shown in note 24 to the consolidated financial statements. Pursuant to the Company's employee share option schemes 2,694,364 ordinary shares of 10 pence each were issued during the year. Between 1 May and 20 June 2022 inclusive, 325,431 shares were issued pursuant to the Company's employee share option schemes. The Company has not utilised its authority to make market purchases of 137,344,296 shares granted to it at the 2021 annual general meeting (AGM) but, in line with market practice, will be seeking to renew such authority at this year's AGM.

The trustee of the employee benefit trust, which is used to purchase shares on behalf of the Company as described in note 24 to the consolidated financial statements, has the power to vote or not vote, at its absolute discretion, in respect of any shares in the Company held unallocated in that trust. However, in accordance with good practice, the trustee adopts a policy of not voting in respect of such shares. The trustee has a dividend waiver in place in respect of shares which are the beneficial property of the trust.

Dividends

An interim dividend for 2021/22 of 4.8 pence per ordinary share was paid on 3 May 2022 and the Directors recommend a final dividend of 10.2 pence per ordinary share, which together with the interim dividend, increases the total dividend for the year to 15.0 pence per ordinary share (2020/21: 12.1 pence). Subject to approval of shareholders at the AGM to be held on 6 September 2022, the final dividend will be paid on 1 November 2022 to shareholders on the register at the close of business on 7 October 2022.

Political donations

No political donations were made during the year ended 30 April 2022 (2020/21: nil). DS Smith has a policy of not making donations to political organisations or independent election candidates or incurring political expenditure, as defined in the Political Parties, Elections and Referendums Act 2000, anywhere in the world.

Directors' and officers' liability insurance

The Company has purchased and maintains appropriate insurance cover in respect of Directors' and officers' liabilities. The Company has also entered into qualifying third-party indemnity arrangements for the benefit of all its Directors and qualifying third-party indemnity arrangements have been entered into by a subsidiary of the Company for the benefit of certain directors of companies within the Group, all in a form and scope which comply with the requirements of the Companies Act 2006 (the Act). These indemnities were in force throughout the year and up to the date of this Annual Report.

Additional employee disclosures

In our Strategic Report on pages 24 to 29 we set out some of the ways in which we realise the potential of our people, including how we engage with our workforce. As part of creating a modern, diverse and inclusive culture all companies within the Group strive to operate fairly at all times and this includes not permitting discrimination against any employee, applicant for employment or contingent worker on the basis of race, religion or belief, colour, gender, disability, national origin, age, military service, veteran status, sexual orientation, gender reassignment, marital status or any other characteristic protected by local law. This also includes giving full and fair consideration to suitable applications for employment from disabled persons, making reasonable adjustments in the hiring process to ensure fairness and equity in the selection process. For existing employees who develop a disability we will make all reasonable adjustments to support their continued employment, in their same job or, if this is not practicable, making every effort to find suitable alternative employment and to provide relevant training and career development opportunity.

Through the Group's engagement survey, via our European Works Council which brings together employee representatives from the different European countries where we operate, as well as through site and team meetings and briefing newsletters, the Group provides employees with various opportunities to obtain information on matters of concern to them, to improve their awareness of the financial and economic factors that affect the performance of the Group and to provide their feedback.

Substantial shareholdings

Information provided to the Company pursuant to the Financial Conduct Authority's Disclosure Guidance and Transparency Rules (DTRs) is published on a Regulatory Information Service and on the Company's website. The following information has been received, in accordance with DTR 5, from holders of notifiable interests in the Company's issued share capital.

	As at 30 April 2022	As at 20 June 2022	Nature of holding
Aviva plc and its subsidiaries	6.79%	6.79%	Direct & indirect
BlackRock, Inc.	5.18%	Below 5%	Indirect
abrdn plc	Below 5%	Below 5%	Indirect
Ameriprise Financial, Inc. and its group	4.981%	4.981%	Direct & indirect
Black Creek Investment Management Inc.	4.034428%	4.034428%	Direct & indirect
Norges Bank	3.862390%	3.862390%	Direct
Sarasin & Partners LLP	3.01%	3.01%	Indirect
Merpas (UK) Limited	2.985%	2.985%	Direct & indirect

Auditor

Each of the persons who is a Director at the date of the approval of this Annual Report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's Auditor is unaware; and
- the Director has taken all the steps he/she ought to have taken as a Director in order to make him/herself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

A resolution to appoint Ernst & Young LLP as Auditor will be proposed at the forthcoming AGM.

Other disclosures

Certain information is included in our Strategic Report (pages 1 to 65) or financial statements that would otherwise be required to be disclosed in this section of the report. This is as follows:

Subject matter	Page
Likely future developments in the business	8 to 11
Research and development	14 and 15
Use of financial instruments	45
Greenhouse gas emissions	33

As is customary, our principal financing facilities incorporate market standard change of control clauses.

A complete list of the Group's subsidiaries is set out in note 33 to the consolidated financial statements to comply with s409 of the Act. Companies within the Group have branches in Norway, Poland and Slovakia.

The information that fulfils the requirements of the corporate governance statement for the purposes of DTR 7 can be found on pages 66 to 87, and that governance report also forms part of the Directors' report.

The Strategic Report on pages 1 to 65 and the governance report and Directors' Remuneration Report on pages 66 to 113 together represent the management report for the purpose of compliance with DTR 4.1.8R.

The Directors' report was approved by the Board of Directors on 20 June 2022 and is signed on its behalf by:

Iain Simm
Group General Counsel and Company Secretary

20 June 2022

Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare such financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in conformity with the requirements of the Companies Act 2006 and UK-adopted international accounting standards. The Group financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB). The Directors have also chosen to prepare the parent Company financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether Financial Reporting Standard 101 Reduced Disclosure Framework has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on 20 June 2022 and is signed on its behalf by:

Miles Roberts Group Chief Executive	**Adrian Marsh** Group Finance Director
20 June 2022	20 June 2022

Independent Auditor's report to the members of DS Smith Plc

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of DS Smith Plc (the 'parent Company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent Company's affairs as at 30 April 2022 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- the parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise :

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent Company balance sheets;
- the consolidated and parent Company statements of changes in equity;
- the consolidated cash flow statement;
- the related notes 1 to 34 to the consolidated financial statements; and
- the related notes 1 to 17 to the parent Company financial statements.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law, international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs as adopted by the United Kingdom and IFRSs as issued by the International Accounting Standards Board (IASB). The financial reporting framework that has been applied in the preparation of the parent Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 *Reduced Disclosure Framework* (United Kingdom Generally Accepted Accounting Practice).

2. 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 group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the group and parent Company for the year are disclosed in note 3 to the financial statements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's report to the members of DS Smith Plc (continued)

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Classification and presentation of adjusting items; and • Valuation of uncertain tax position provisions These key audit matters have a similar level of risk to the prior year and were presented as key audit matters in our 2021 audit report.
Materiality	The materiality that we used for the group financial statements was £23m (2021: £20m) which was determined on the basis of c. 6% of statutory profit before tax (2021: 0.33% of revenue). As a listed entity we typically seek to apply a profit based measure as the primary basis for materiality. The revision to our approach to determining materiality from the prior year is due to the more stable performance across the group's operations in FY22 following a year of volatility in profit in the year to 30 April 2021 from the impact of the Covid-19 pandemic on the group's operations and consumer demand in the markets in which the group operates.
Scoping	Our full scope audits and specified audit procedures resulted in coverage of 86% (2021: 83%) of the group's profit before tax before adjusting items and 73% (2021: 73%) of the group's revenue.
Significant changes in our approach	In determining our materiality we have reverted to using a profit-based benchmark, our preferred approach for determining materiality for listed entities, following the volatility in this measure in 2021 financial year due to the impact of Covid-19. Our key audit matters remain consistent with those identified in the prior year.

4. Conclusions relating to going concern

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

Our evaluation of the directors' assessment of the group's and parent Company's ability to continue to adopt the going concern basis of accounting included:

- assessing the group's financing facilities including the nature of facilities, repayment terms, covenants and available undrawn committed facilities;
- considering the reasonableness of the projections and the appropriateness of the sensitivities performed by management;
- evaluating the key assumptions used in the forecasts;
- recalculating the amount of headroom in the forecasts (liquidity and covenants);
- assessing the linkage to the group's business model and identified principal risks;
- performing additional sensitivity scenario analysis;
- assessing the historical accuracy of forecasts prepared by management;
- assessing the mathematical accuracy of the model itself; and
- assessing the disclosures relating to going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent Company'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.

In relation to the reporting on how the group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Classification and presentation of adjusting items	
Key audit matter description	The classification and presentation of costs and income within adjusting items in the income statement is a key determinant in assessing the quality of the group's earnings and also presents the opportunity for management bias in the presentation of results. Management judgement is required in determining the accounting policy for identifying if an item is adjusting based on the size, nature and incidence of the item. Additionally, this is an area that attracts greater scrutiny from the financial reporting regulator. For the year ended 30 April 2022, the group recognised net adjusting items before taxation in continuing operations of £37m (2021: £56m). Such items include business disposals, restructuring, acquisition and integration costs, and impairments. Refer to note 4 for details of adjusting items in the year and note 1(x) for management's policy for identifying adjusting items and note 1(aa) where adjusting items are identified as a critical accounting judgement. The classification and presentation of adjusting items is also considered to be a significant matter for the Audit Committee (page 85).

Independent Auditor's report to the members of DS Smith Plc (continued)

How the scope of our audit responded to the key audit matter	As a response to the identified key audit matter, we performed the following audit procedures: • We obtained an understanding of relevant controls in respect of the classification and presentation of adjusting items; • We considered and challenged the appropriateness and classification of the items which are included within adjusting items by testing a sample and agreeing them back to relevant supporting documentation; • We tested and considered items within underlying results which may be adjusting by nature but not separately identified; • We assessed the appropriateness of the adjusting items recorded in accordance with management's policy and the latest guidance from the FRC including the latest thematic review on this topic; and • We assessed the related disclosure in the group financial statements for consistency with the prior period and current market best practice.
Key observations	We are satisfied that the amounts classified as adjusting items are in accordance with the group's accounting policy and the related disclosure of these items in the financial statements is appropriate.

5.2. Valuation of uncertain tax position provisions

Key audit matter description	The value of the tax provisions against a number of uncertain tax positions requires judgement in relation to the likely outcome of negotiations with various tax authorities. Areas of particular focus included transfer pricing provisioning and other uncertain tax positions in the UK and overseas. The total tax risk provision (including interest thereon) held by the Group is £117.8m (2021: £115.6m). Refer to note 1(w) for management's process for estimating and recording tax provisions and note 1(z) for further detail in respect of the range of possible outcomes with regards to those uncertain tax positions. Taxation is also identified in note 1(z) as a key source of estimation uncertainty and to be a significant matter for the Audit Committee.
How the scope of our audit responded to the key audit matter	As a response to the identified key audit matter, we performed the following audit procedures: • We obtained an understanding of relevant controls in respect of the provisioning for uncertain tax positions; • We involved our tax specialists, including those in local jurisdictions as required, to challenge the estimates and judgements made by management when calculating the income tax payable in each territory and the associated provisions held in relation to tax exposures. This included consideration of tax exposures relating to transfer pricing and consideration of specific provisions made in relation to UK and overseas tax risks; • Specifically, we have reviewed and assessed the correspondence with the taxation authorities in significant locations and the supporting evidence or opinions received from external counsel or other advisors where management has utilised such opinions to estimate the likely outcome of technical tax treatments in order to assess the reasonableness of the provisions made and • We assessed the mathematical accuracy and appropriateness of the underlying source data used to calculate UK and overseas taxation provisions.
Key observations	We are satisfied that the estimates and judgements made by management used in the recording and valuation of the uncertain tax provisions are reasonable.

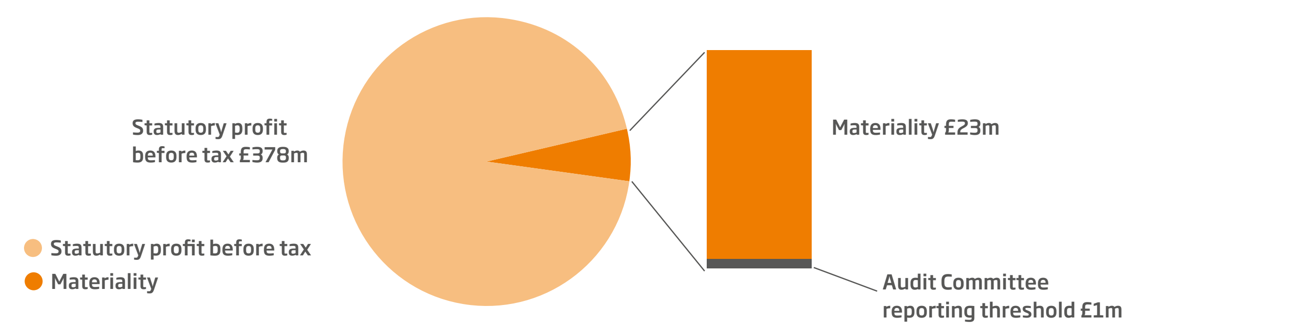
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent Company financial statements
Materiality	£23m (2021: £20m)	£11.5m (2021: £10m)
Basis for determining materiality	We have used statutory profit before tax as the primary benchmark in determining materiality and the materiality equates to 6.0% of statutory profit before tax. In the prior year, we used revenue as the benchmark in determining materiality and this equates to 0.33% of revenue and approximately 7% of statutory profit before tax.	Parent Company materiality equates to less than 1% (2021: less than 1%) of net assets, and is capped at 50% (2021: 50%) of group materiality.
Rationale for the benchmark applied	In determining our materiality we have reverted to using a profit-based benchmark, our preferred approach for determining materiality for listed entities following the volatility in this measure in 2021 financial year due to the impact of Covid-19. Profit before tax is a key metric for users of the financial statements and is consistent with the group's internal and external reporting.	Net assets is typically considered an appropriate benchmark for materiality as the parent Company is the holding Company, but given the quantum of net assets on the parent Company balance sheet, we have limited materiality to 50% of group materiality.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent Company financial statements
Performance materiality	70% (2021: 65%) of group materiality	70% (2021: 65%) of parent Company materiality
Basis and rationale for determining performance materiality	On the basis of our risk assessment, our assessment of the group's control environment, the number and quantum of misstatement identified and management's willingness to correct misstatements that may be identified, we set performance materiality for the group and parent Company as 70% (2021: 65%) of group materiality. The increase on the prior year audit reflects the group's recovery against the impact of the pandemic and its underlying performance this year. Accordingly, we set performance materiality for the group at £16.1m (2021: £13.0m) and parent Company at £8.0m (2021: £6.5m).	

Independent Auditor's report to the members of DS Smith Plc (continued)

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £1m (2021: £1m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level.

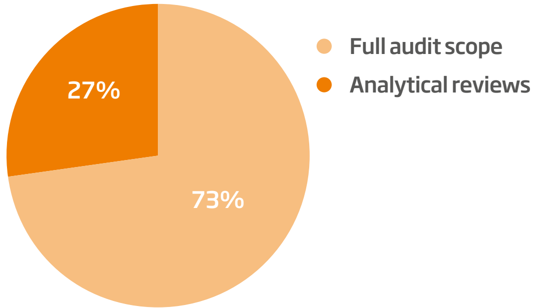
The group operates in four geographic segments, three in Europe (Northern Europe, Eastern Europe and Southern Europe) and another in North America.

Based on that assessment, we focused our group audit scope primarily on the audit work at seventeen components (2021: sixteen) located across the United Kingdom, Spain, Portugal, France, Germany, North America, Italy, Hungary, Poland, Denmark, Netherlands and Sweden. These seventeen components represent the principal business units within the group's key reportable segments and accordingly provide an appropriate basis for undertaking audit work to address the risks of material misstatement. Component materiality was capped at £8.0m (2021: £6.5m). In total, these components accounted for 73% (2021: 73%) of revenue and 86% (2021: 83%) of profit before tax and adjusting items.

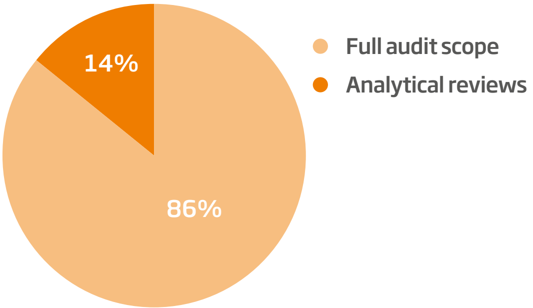
The group audit team takes an active part in the conduct of the audits at these components. For each component, we included the component audit teams in our team briefings held over video conference call facilities to discuss the group risk assessment and audit instructions, to confirm their understanding of the business, and to discuss their local risk assessment. Throughout the audit, we maintained regular contact in order to support, challenge and direct their audit approach. We also attended local audit close meetings with local management, performed reviews of their working papers of significant and material components, and reviewed their reporting to us of the findings from their work.

At the head office level, we also tested the consolidation process and carried out analytical procedures to verify our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit.

Revenue



Profit before tax and adjusting items



7.2. Our consideration of the control environment

Our approach to controls testing across the group reflects the geographical spread of the group, its decentralised nature and the complex systems landscape. We do not take a centralised approach to controls testing and controls reliance across the group. A number of component audit teams took a controls reliance approach in respect of some business process cycles (e.g. revenue) whilst other components do not. The ability to take controls reliance is impacted by the effectiveness of IT controls in place. We involved IT specialists in performing tests related to IT controls.

No significant deficiencies have been noted in respect of the controls testing performed across the group.

7.3 Our consideration of climate-related risks

As highlighted in management's TCFD report on pages 56 to 60 and the principal risks on pages 47 to 55 the group is exposed to the impacts of climate change on its business and operations. In considering the scope of our audit procedures we have obtained management's assessment on the impact of climate change on their financial statements and built this into our risk assessment through consideration of the risks in climate change. The key areas in the group financial statement considered for FY22 were the statements used in the goodwill impairment review and in the directors' assessment of the adoption of the going concern basis and long-term viability alongside consideration across all financial statement account balances. The group continues to develop its assessment of the potential impacts of climate change and identified the extensive climate related strategic goals, climate commitments, scenario evaluation, risk management processes and the link through the group's governance processes all of which are articulated in the Annual Report.

We performed our own qualitative risk assessment of the potential impact of climate change on the group's account balances and classes of transaction and did not identify any reasonably possible risks of material misstatement. We also involved climate change and sustainability specialists for assessment of the Task Force on Climate-Related Financial Disclosures reporting and considering whether it is materially consistent with the financial statements and our knowledge obtained in the audit.

8. 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 directors are responsible for the other information contained within the Annual Report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of Directors

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

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

10. 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.

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

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Independent Auditor's report to the members of DS Smith Plc (continued)

11.1 Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, which this year also included a fraud brainstorming session held with key members of management, together with further enquiries of internal audit, and the audit committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team including significant component audit teams and relevant internal specialists, including tax, valuations, pensions, financial instruments and IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud related to the classification and presentation of adjusting items. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, pensions legislation and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included the regulatory solvency requirements and environmental regulations.

11.2 Audit response to risks identified

As a result of performing the above, we identified classification and presentation of adjusting items as a key audit matter. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee and in-house legal counsel concerning actual and potential litigation and claims. Where relevant we also met directly with external advisers and legal counsel;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC;
- understanding safeguards management have in place, such as whistleblower hotlines, and making enquiries of internal audit as to the nature of matters reported; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and the parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on pages 50 and 51;
- the directors' explanation as to its assessment of the group's prospects, the period this assessment covers and why the period is appropriate set out on page 49;
- the directors' statement on fair, balanced and understandable set out on page 114;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 79;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 79 to 81; and
- the section describing the work of the audit committee set out on page 82 to 87.

14. Matters on which we are required to report by exception

14.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Independent Auditor's report to the members of DS Smith Plc (continued)

15. Other matters which we are required to address

15.1. Auditor tenure

Following the recommendation of the audit committee, we were appointed by the shareholders on 13 October 2006 to audit the financial statements for the year ended 30 April 2007 and subsequent financial periods. Following a competitive tender process, we were reappointed as auditor for the year ended 30 April 2014 and subsequent financial years. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 16 years, covering the years ended 30 April 2007 to 30 April 2022. The year to 30 April 2022 will be our final year as auditor of DS Smith Plc.

15.2. Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

16. Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.14R, these financial statements form part of the European Single Electronic Format (ESEF) prepared Annual Financial Report filed on the National Storage Mechanism of the UK FCA in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditor's report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

Nicola Mitchell
(Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
20 June 2022

Consolidated income statement

Year ended 30 April 2022

Continuing operations	Note	**Before adjusting items 2022 £m**	**Adjusting items 2022 (note 4) £m**	**After adjusting items 2022 £m**	Before adjusting items 2021 £m	Adjusting items 2021 (note 4) £m	After adjusting items 2021 £m
Revenue	2	**7,241**	**–**	**7,241**	5,976	–	5,976
Operating costs	3,4	**(6,625)**	**(37)**	**(6,662)**	(5,474)	(44)	(5,518)
Operating profit before amortisation, acquisitions and divestments	2	**616**	**(37)**	**579**	502	(44)	458
Amortisation of intangible assets; acquisitions and divestments	10, 4	**(138)**	**2**	**(136)**	(142)	(5)	(147)
Operating profit	4	**478**	**(35)**	**443**	360	(49)	311
Finance income	5	**1**	**–**	**1**	1	–	1
Finance costs	5, 4	**(68)**	**(2)**	**(70)**	(76)	(7)	(83)
Employment benefit net finance expense	25	**(3)**	**–**	**(3)**	(3)	–	(3)
Net financing costs		**(70)**	**(2)**	**(72)**	(78)	(7)	(85)
Profit after financing costs		**408**	**(37)**	**371**	282	(56)	226
Share of profit of equity accounted investments, net of tax	13	**7**	**–**	**7**	5	–	5
Profit before income tax		**415**	**(37)**	**378**	287	(56)	231
Income tax (expense)/credit	7, 4	**(100)**	**2**	**(98)**	(65)	16	(49)
Profit for the year from continuing operations		**315**	**(35)**	**280**	222	(40)	182
Discontinued operations							
Profit for the year from discontinued operations, net of tax	30(b)	**–**	**–**	**–**	–	12	12
Profit for the year		**315**	**(35)**	**280**	222	(28)	194
Profit for the year attributable to:							
Owners of the parent		**315**	**(35)**	**280**	222	(28)	194
Non-controlling interests		**–**	**–**	**–**	–	–	–
Earnings per share							
Earnings per share from continuing and discontinued operations							
Basic	8			**20.4p**			14.2p
Diluted	8			**20.3p**			14.1p
Earnings per share from continuing operations							
Basic	8			**20.4p**			13.3p
Diluted	8			**20.3p**			13.2p
Adjusted earnings per share from continuing operations							
Basic	8, 33		**30.7p**			24.2p	
Diluted	8		**30.5p**			24.1p	

Consolidated statement of comprehensive income

Year ended 30 April 2022

	Note	2022 £m	2021 £m
Profit for the year		**280**	194
Items which will not be reclassified subsequently to profit or loss			
Actuarial gain/(loss) on employee benefits	25	**68**	(5)
Equity interest at FVTOCI – net change in fair value		**–**	(3)
Income tax on items which will not be reclassified subsequently to profit or loss	7	**(14)**	(5)
Items which may be reclassified subsequently to profit or loss			
Foreign currency translation differences		**(40)**	(95)
Reclassification from translation reserve to income statement arising on divestment		**(3)**	–
Cash flow hedges fair value changes		**1,069**	103
Reclassification from cash flow hedge reserve to income statement		**(357)**	9
Movement in net investment hedge		**28**	(2)
Income tax on items which may be reclassified subsequently to profit or loss	7	**(162)**	(21)
Other comprehensive income/(expense) for the year, net of tax		**589**	(19)
Total comprehensive income for the year		**869**	175
Total comprehensive income attributable to:			
Owners of the parent		**869**	175
Non-controlling interests		**–**	–

Consolidated statement of financial position

At 30 April 2022

	Note	2022 £m	2021 £m
Assets			
Non-current assets			
Intangible assets	10	**2,906**	2,995
Biological assets		**10**	9
Property, plant and equipment	11	**3,128**	3,050
Right-of-use assets	12	**199**	226
Equity accounted investments	13	**17**	38
Other investments	14	**16**	13
Deferred tax assets	22	**7**	37
Other receivables	16	**–**	1
Derivative financial instruments	21	**495**	35
Total non-current assets		**6,778**	6,404
Current assets			
Inventories	15	**703**	537
Biological assets		**7**	6
Income tax receivable		**34**	41
Trade and other receivables	16	**1,229**	818
Cash and cash equivalents	19	**819**	813
Derivative financial instruments	21	**316**	80
Assets classified as held for sale		**–**	1
Total current assets		**3,108**	2,296
Total assets		**9,886**	8,700
Liabilities			
Non-current liabilities			
Borrowings	20	**(1,391)**	(2,066)
Employee benefits	25	**(86)**	(175)
Other payables	17	**(37)**	(15)
Provisions	23	**(7)**	(8)
Lease liabilities	12	**(140)**	(159)
Deferred tax liabilities	22	**(396)**	(271)
Derivative financial instruments	21	**(28)**	(15)
Total non-current liabilities		**(2,085)**	(2,709)
Current liabilities			
Bank overdrafts	19	**(73)**	(94)
Borrowings	20	**(681)**	(235)
Trade and other payables	17	**(2,503)**	(1,834)
Income tax liabilities		**(143)**	(133)
Provisions	23	**(48)**	(48)
Lease liabilities	12	**(63)**	(71)
Derivative financial instruments	21	**(56)**	(41)
Total current liabilities		**(3,567)**	(2,456)
Total liabilities		**(5,652)**	(5,165)
Net assets		**4,234**	3,535
Equity			
Issued capital	24	**137**	137
Share premium		**2,248**	2,241
Reserves	24	**1,847**	1,155
Total equity attributable to owners of the parent		**4,232**	3,533
Non-controlling interests		**2**	2
Total equity		**4,234**	3,535

Approved by the Board of Directors of DS Smith Plc on 20 June 2022 and signed on its behalf by:

M W Roberts
Director

A R T Marsh
Director

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

Year ended 30 April 2022

	Note	Share capital £m	Share premium £m	Hedging reserve £m	Translation reserve £m	Own shares £m	Retained earnings[1] £m	Total equity attributable to owners of the parent £m	Non-controlling interests £m	Total equity £m
At 1 May 2020		**137**	**2,238**	**(39)**	**14**	**(3)**	**1,003**	**3,350**	**1**	**3,351**
Profit for the year		–	–	–	–	–	194	194	–	194
Actuarial loss on employee benefits	25	–	–	–	–	–	(5)	(5)	–	(5)
Equity interest at FVTOCI – change in fair value		–	–	–	–	–	(3)	(3)	–	(3)
Foreign currency translation differences		–	–	–	(95)	–	–	(95)	–	(95)
Cash flow hedges fair value changes		–	–	103	–	–	–	103	–	103
Reclassification from cash flow hedge reserve to income statement	21(c)	–	–	9	–	–	–	9	–	9
Movement in net investment hedge		–	–	–	(2)	–	–	(2)	–	(2)
Income tax on other comprehensive income		–	–	(20)	(1)	–	(5)	(26)	–	(26)
Total comprehensive income/(expense)		**–**	**–**	**92**	**(98)**	**–**	**181**	**175**	**–**	**175**
Issue of share capital		–	3	–	–	–	–	3	–	3
Employee share trust		–	–	–	–	–	(2)	(2)	–	(2)
Share-based payment expense (net of tax)		–	–	–	–	–	10	10	–	10
Transactions with non-controlling interests		–	–	–	–	–	(3)	(3)	1	(2)
Other changes in equity in the year		**–**	**3**	**–**	**–**	**–**	**5**	**8**	**1**	**9**
At 30 April 2021		**137**	**2,241**	**53**	**(84)**	**(3)**	**1,189**	**3,533**	**2**	**3,535**
Profit for the year		–	–	–	–	–	280	280	–	280
Actuarial gain on employee benefits	25	–	–	–	–	–	68	68	–	68
Foreign currency translation differences		–	–	–	(40)	–	–	(40)	–	(40)
Reclassification from translation reserve to income statement arising on divestment		–	–	–	(3)	–	–	(3)	–	(3)
Cash flow hedges fair value changes		–	–	1,069	–	–	–	1,069	–	1,069
Reclassification from cash flow hedge reserve to income statement	21(c)	–	–	(357)	–	–	–	(357)	–	(357)
Movement in net investment hedge		–	–	–	28	–	–	28	–	28
Income tax on other comprehensive income		–	–	(163)	1	–	(14)	(176)	–	(176)
Total comprehensive income/(expense)		**–**	**–**	**549**	**(14)**	**–**	**334**	**869**	**–**	**869**
Issue of share capital		–	7	–	–	–	–	7	–	7
Employee share trust		–	–	–	–	(6)	(15)	(21)	–	(21)
Share-based payment expense (net of tax)		–	–	–	–	–	10	10	–	10
Dividends paid	9	–	–	–	–	–	(166)	(166)	–	(166)
Reclassification		–	–	7	(7)	–	–	–	–	–
Other changes in equity in the year		**–**	**7**	**7**	**(7)**	**(6)**	**(171)**	**(170)**	**–**	**(170)**
At 30 April 2022		**137**	**2,248**	**609**	**(105)**	**(9)**	**1,352**	**4,232**	**2**	**4,234**

1. Retained earnings include a reserve related to merger relief (note 24).

Consolidated statement of cash flows

Year ended 30 April 2022

Continuing operations	Note	2022 £m	2021 £m
Operating activities			
Cash generated from operations	27	**1,079**	895
Interest received		**1**	1
Interest paid		**(63)**	(69)
Tax paid		**(96)**	(66)
Cash flows from operating activities		**921**	761
Investing activities			
Acquisition of subsidiary businesses, net of cash and cash equivalents	30	**(23)**	(90)
Divestment of subsidiary businesses, net of cash and cash equivalents	30	**35**	16
Capital expenditure		**(431)**	(331)
Proceeds from sale of property, plant and equipment and intangible assets		**16**	8
Cash (outflows)/ inflows from restricted cash and other deposits		**(2)**	4
Other investing activities		**2**	2
Cash flows used in investing activities		**(403)**	(391)
Financing activities			
Proceeds from issue of share capital		**7**	3
Repayment of borrowings		**(529)**	(1,213)
Proceeds from borrowings		**334**	1,157
Payments in respect of derivative financial instruments		**(35)**	(16)
Repayment of principal on lease liabilities		**(73)**	(73)
Dividends paid to Group shareholders	9	**(166)**	–
Other		**(21)**	–
Cash flows used in financing activities		**(483)**	(142)
Increase in cash and cash equivalents from continuing operations		**35**	228
Discontinued operation			
Cash flows used in discontinued operation	30(b)	**–**	(10)
Increase in cash and cash equivalents		**35**	218
Net cash and cash equivalents at beginning of the year		**719**	505
Exchange losses on cash and cash equivalents		**(8)**	(4)
Net cash and cash equivalents at end of the year	19	**746**	719

Notes to the consolidated financial statements

1. Significant accounting policies

(a) Basis of preparation

(i) Consolidated financial statements

These financial statements are the consolidated financial statements for the Group consisting of DS Smith Plc, a company registered in England and Wales, and all its subsidiaries. The consolidated financial statements have been prepared and approved by the Directors in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB).

On 31 December 2020 EU-adopted IFRS was brought into UK law and became UK adopted international accounting standards, with future changes to IFRS being subject to endorsement by the UK Endorsement Board. This transition constitutes a change in accounting framework. The Group transitioned to UK-adopted International Accounting Standards in its consolidated financial statements on 1 May 2021. However, there is no change in relation to recognition, measurement or disclosures, as well as no changes in the accounting policies from the transition. The principal accounting policies adopted are set out below in this note and were applied consistently throughout the current and preceding year.

The consolidated financial statements are prepared on the historical cost basis with the exception of biological assets, other investments, assets and liabilities of certain financial instruments and employee benefit plans that are stated at their fair value and share-based payments that are stated at their grant date fair value.

The consolidated financial statements have been prepared on a going concern basis as set out on pages 50-51 of the Directors' report. The Directors consider that adequate resources exist for the Company to continue in operational existence for the foreseeable future.

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that affect whether and how policies are applied, and the reported amounts of assets and liabilities, income and expenses. Estimates with a significant risk of material adjustment and the critical accounting judgement are discussed in accounting policies 1(z) and 1(aa).

(ii) Discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset or disposal group, excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale is expected to be completed within one year from the date of the classification.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the income statement. Cash flows generated from discontinued operations are presented as a single item in the statement of cash flows.

All other notes to the financial statements include amounts for continuing operations.

(iii) New accounting standards adopted

The following new accounting standards, amendments or interpretations have been adopted by the Group as of 1 May 2021:

- *Interest Rate Benchmark Reform Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16);* and
- *Covid 19 Related Rent Concessions – amendments to IFRS 16*

The adoption of new accounting standards, amendments and interpretations have not had a material effect on the results for the year or the financial position at the year end.

The accounting policies set out above have been applied consistently in all periods presented in these consolidated financial statements. The accounting policies have been applied consistently by all Group entities.

(iv) Changes to accounting standards not yet adopted

These standards are currently not expected to have a material impact on the consolidated financial statements of the Group.

1. Significant accounting policies continued

(b) Basis of consolidation

(i) Subsidiaries

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Control is achieved when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

(ii) Interests in equity accounted investments

The Group's interests in equity accounted investments comprise interests in associates and joint ventures. An associate is an entity over which the Group has significant influence, but not control or joint control, over the financial and operating policy decisions of the investment. A joint venture is an entity in which the Group has joint control, whereby the Group has rights to the net assets of the entity, rather than rights to its assets and obligations for its liabilities.

Interests in associates and joint ventures are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investments, until the date on which significant influence or joint control ceases.

(iii) Non-controlling interests

Non-controlling interests are shown as a component of equity in the consolidated statement of financial position net of the value of options over interests held by non-controlling interests in the Group's subsidiaries.

(iv) Business combinations

The acquisition method is used to account for the acquisition of subsidiaries. Identifiable net assets acquired (including intangibles) in a business combination are measured initially at their fair values at the acquisition date.

Where the measurement of the fair value of identifiable net assets acquired is incomplete at the end of the reporting period in which the combination occurs, the Group will report provisional fair values. Final fair values are determined within a year of the acquisition date and applied retrospectively.

The excess of the consideration transferred and the amount of any non-controlling interest over the fair value of the identifiable assets (including intangibles), liabilities and contingent liabilities acquired is recorded as goodwill.

The consideration transferred is measured as the fair value of the assets given, equity instruments issued (if any), and liabilities assumed or incurred at the date of acquisition.

Acquisition related costs are expensed as incurred.

The results of the subsidiaries acquired are included in the consolidated financial statements from the acquisition date.

(c) Revenue

The Group is in the business of providing sustainable packaging solutions, sustainable paper products, recycling and waste management services. The Group has concluded that it is the principal in its revenue arrangements.

Revenue comprises the fair value of the sale of goods and services, net of value added tax and other sales taxes, rebates and discounts and after eliminating sales within the Group. Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services and the fulfilment of the related performance obligations. Generally this occurs when the goods are loaded into the collection vehicle if the buyer is collecting them, or when the goods are unloaded at the delivery address if the Group is responsible for delivery.

The transaction price is the contractual price with the customer adjusted for rebates and discounts. Rebates and discounts are estimated using historical data and experiences with the customers. Revenue is recognised to the extent that it is highly probable that a significant reversal will not occur. Returns from customers are negligible. No element of financing is deemed present as typical sales contracts with customers are usually shorter than 12 months.

A receivable is recognised when the goods are delivered or services provided at a point in time that consideration is unconditional because only the passage of time is required before the payment is due.

Revenue by function is not provided in the Group's disclosures as the year-on-year variability in the degree of integration would be misrepresentative of the level of activity.

(d) Supplier rebates

The Group receives income from its suppliers, mainly in the form of volume based rebates and early settlement discounts. These are recognised as a reduction in operating costs in the year to which they relate. At the period end, where appropriate, the Group estimates supplier income due from annual agreements for volume rebates.

(e) Government grants

Government grants are recognised in the statement of financial position initially as deferred income when there is reasonable assurance that they will be received and that the Group will comply with the conditions attached to them. Grants that compensate the Group for expenses incurred are offset against the expenses in the same periods in which the expenses are incurred. Grants relating to assets are released to the income statement over the expected useful life of the asset to which they relate on a basis consistent with the depreciation policy. Depreciation is provided on the full cost of the assets before deducting grants.

(f) Dividends

Dividends attributable to the equity holders of the Company paid during the year are recognised directly in equity.

Notes to the consolidated financial statements (continued)

1. Significant accounting policies continued

(g) Foreign currency translation

The consolidated financial statements are presented in sterling, which is the Group's presentational currency. Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the foreign exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation of monetary assets and liabilities are recognised in the consolidated income statement. Non-monetary assets and liabilities that are measured at historical cost in a foreign currency are translated using the exchange rates at the dates of the transactions.

The assets and liabilities of all the Group entities that have a functional currency other than sterling are translated at the closing exchange rate at the reporting date. Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the date of the transactions).

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, borrowings, and other financial instruments designated as hedges of such investments, are recognised in the translation reserve. On the disposal of foreign currency entities, the cumulative exchange difference recorded in the translation reserve is taken to the consolidated income statement as part of the gain or loss on disposal.

(h) Intangible assets

(i) Goodwill

The recognition of business combinations requires the excess of the purchase price of acquisitions over the net book value of identifiable assets acquired to be allocated to the assets and liabilities of the acquired entity. The Group makes judgements and estimates in relation to the fair value allocation of the purchase price.

Goodwill is stated at cost less accumulated impairment losses. The useful life of goodwill is considered to be indefinite. Goodwill is allocated to the cash generating units (CGUs), or groups of CGUs, that are expected to benefit from the synergies of the combination and is tested annually for impairment, or more frequently if an impairment is indicated.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss recognised in the consolidated income statement.

(ii) Intellectual property

Intellectual property is stated at cost less accumulated amortisation and impairment.

(iii) Computer software

Computer software that is integral to a related item of hardware is included within property, plant and equipment. All other computer software is treated as an intangible asset.

(iv) Customer related

Customer relationships, acquired as part of a business combination, are capitalised separately from goodwill and are carried at cost less accumulated amortisation and impairment.

(v) Other intangible assets

Other intangible assets that are acquired by the Group are carried at cost less accumulated amortisation and impairment.

(vi) Amortisation

Amortisation of intangible assets (excluding goodwill) is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets, unless such lives are indefinite. Intangible assets (other than goodwill) are amortised from the date they are available for use.

The estimated useful lives are as follows:

Intellectual property	Up to 20 years
Computer software	3-5 years
Customer relationships	5-15 years

(i) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each item of property, plant and equipment, and major components that are accounted for separately (or in the case of leased assets, the lease period, if shorter). Land is not depreciated.

The estimated useful lives are as follows:

Freehold and long leasehold properties	10-50 years
Plant and equipment – motor vehicles	3-5 years
Plant and equipment – other, fixtures and fittings (including IT hardware)	2-30 years

Gains or losses arising on the sale of surplus property assets are recorded through operating profit before adjusting items.

1. Significant accounting policies continued

(j) Other investments

Other investments primarily consist of investments in unquoted equity securities and restricted cash. Equity securities are measured at fair value. On initial recognition, the Group makes an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at fair value through other comprehensive income (FVTOCI). Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination. Investment in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment revaluation reserve. The cumulative gain or loss is not reclassified to profit or loss on divestment of the equity investments; instead, it is transferred to retained earnings. The Group has designated all investments in equity that are not held for trading as at FVTOCI.

Restricted cash is carried at amortised cost.

(k) Impairment

The carrying amounts of the Group's assets, including tangible and intangible non-current assets, are reviewed at each reporting date to determine whether there are any indicators of impairment. If any such indicators exist, the asset's recoverable amount is estimated. Goodwill is tested for impairment annually at the same time, regardless of the presence of an impairment indicator. An impairment loss is recognised whenever the carrying amount of an asset, collection of assets or its CGU exceeds its recoverable amount. Impairment losses are recognised in the consolidated income statement.

(i) Cash generating units

For the purposes of property, plant and equipment and other intangibles impairment testing, each operating segment, split by process (e.g. Packaging, Paper, Recycling), is a separate individual CGU. Goodwill impairment testing is carried out based on regional groupings of CGUs as set out in note 10, as this is the lowest level at which goodwill is monitored for internal management purposes.

(ii) Calculation of recoverable amount

The recoverable amount of the Group's assets is calculated as the value-in-use of the CGU to which the assets are attributed or the net selling price, if greater. Value-in-use is calculated by discounting the cash flows expected to be generated by the CGU/group of CGUs being tested for evidence of impairment. This is done using a pre-tax discount rate that reflects the current assessment of the time value of money, and the country-specific risks for which the cash flows have not been adjusted. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the CGU to which the asset belongs.

(iii) Reversals of impairment

Impairment losses in respect of goodwill are not reversed. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(l) Derivative financial instruments

The Group uses derivative financial instruments, primarily currency and commodity swaps, to manage currency and commodity risks associated with the Group's underlying business activities and the financing of these activities. The Group has a policy not to, and does not, undertake any speculative activity in these instruments.

Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The Group has elected to continue to apply the hedge accounting requirements of IAS 39, as allowed under IFRS 9.

Derivative financial instruments are accounted for as hedges when designated as hedges at the inception of the contract and when the financial instruments provide an effective hedge of the underlying risk.

For the purpose of hedge accounting, hedges are classified as:

- cash flow hedges when hedging exposure to variability in cash flows that is attributable to a particular risk associated with either a statement of financial position item or a highly probable forecast transaction; or
- hedges of the net investment in a foreign entity.

The treatment of gains and losses arising from revaluing derivatives designated as hedging instruments depends on the nature of the hedging relationship as follows:

Cash flow hedges: the effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in the income statement. Amounts taken to equity are transferred to the income statement in the same period during which the hedged transaction affects profit or loss, such as when a forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the hedging instrument expires or is sold, terminated or exercised without replacement or roll-over, the hedged transaction ceases to be highly probable, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs and are transferred to the income statement or to the initial carrying amount of a non-financial asset or liability as above. If a forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to the income statement.

Notes to the consolidated financial statements (continued)

1. Significant accounting policies continued

(l) Derivative financial instruments continued

Hedges of net investment in a foreign entity represent the effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in the income statement. Amounts taken to equity are transferred to the income statement when the foreign entity is sold.

Any gains or losses arising from changes in the fair value of all other derivatives are taken to the income statement. These may arise from derivatives for which hedge accounting is not applied because they are not effective as hedging instruments.

The net present value of the expected future payments under options over interests held by non-controlling interests in the Group's subsidiaries is shown as a financial liability. At the end of each period, the valuation of the liability is reassessed with any changes recognised in profit or loss for the period.

(m) Treasury shares

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity.

(n) Trade and other receivables

Trade and other receivables are recognised initially at fair value less expected credit loss allowance and subsequently held at amortised cost. The Group utilises the simplified approach to provide for losses on receivables under IFRS 9.

(o) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of inventories is based on a weighted average cost and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

(p) Biological assets

Biological assets consist of standing timber, measured at fair value less cost to sell. Any change in fair value resulting from both net growth and change in the market value of standing timber is presented in the income statement. The revenue from the sale of standing timber is presented within revenue.

(q) Cash and cash equivalents and restricted cash

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows. Cash and cash equivalents are stated at amortised cost.

Cash subject to contractual restrictions on use by the Group is excluded from cash and cash equivalents in the consolidated financial statements and is presented within other investments in the consolidated statement of financial position. Restricted cash is stated at amortised cost.

(r) Borrowings

Borrowings are recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost unless designated in a fair value hedge relationship, with borrowing costs being accounted for on an accruals basis in the income statement using the effective interest method.

At the reporting date, interest payable is recorded separately from the associated borrowings, within trade and other payables.

(s) Employee benefits

(i) Defined contribution schemes

Contributions to defined contribution pension schemes are recognised as an employee benefit expense within personnel expenses in the income statement, as incurred.

(ii) Defined benefit schemes

The Group's net obligation in respect of defined benefit pension schemes is calculated separately for each scheme by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to its present value amount and recognised in the income statement within personnel expenses; a corresponding liability for all future benefits is established on the statement of financial position and the fair value of any scheme assets is deducted.

The discount rate is the yield at the reporting date on AA credit rated bonds that have maturity dates approximating to the duration of the schemes' obligations. The calculation is performed by a qualified actuary using the projected unit method. Actuarial gains and losses are recognised immediately in the statement of other comprehensive income.

(iii) Share-based payment transactions

The Group operates equity-settled share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised within personnel expenses, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The fair value of the options granted is measured using a stochastic model, taking into account the terms and conditions upon which the options were granted. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions.

At each reporting date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity.

(t) Provisions

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, a reliable estimate can be made of the amount of the obligation and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are discounted to present value where the effect is material.

1. Significant accounting policies continued

(u) Trade and other payables

Trade and other payables are initially measured at fair value, net of directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method.

(v) Leases

The Group recognises a right-of-use asset and a lease liability at the lease commencement date.

The right-of-use asset is initially measured at cost, being the initial amount of the lease liability adjusted for any lease payments made at or before commencement date, plus any initial direct costs incurred and an estimate of end of lease dismantling or restoration costs, less any incentives received and related provisions.

Lease liabilities are recorded at the present value of lease payments, which include:

- Fixed lease payments;
- Variable payments that depend on an index or rate, initially measured using the commencement date index or rate;
- Any amounts expected to be payable under residual value guarantees; and
- The exercise price of purchase options, if it is reasonably certain they will be exercised.

The interest rate implicit in the lease is used to discount lease payments, or, if that rate cannot be determined, the Group's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are depreciated on a straight-line basis over the lease term, or the useful life if shorter.

Interest is recognised on the lease liability, resulting in a higher finance cost in the earlier years of the lease term.

Lease payments relating to low value assets or to short-term leases are recognised as an expense on a straight-line basis over the lease term. Short-term leases are those with 12 or less months duration.

(w) Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted in each jurisdiction at the reporting date, and any adjustment to tax payable in respect of previous years.

The Group is subject to corporate taxes in a number of different jurisdictions and judgement is required in determining the appropriate provision for transactions where the ultimate tax determination is uncertain. In such circumstances, the Group recognises liabilities for anticipated taxes based on the best information available and where the anticipated liability is both probable and can be estimated. Any interest and penalties accrued are included in income taxes in both the consolidated income statement and the consolidated statement of financial position. Where the final outcome of such matters differs from the amount recorded, any differences may impact the income tax and deferred tax provisions in the period in which the final determination is made.

Deferred tax is provided for using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The tax effect of certain temporary differences is not recognised, principally with respect to goodwill; temporary differences arising on the initial recognition of assets or liabilities (other than those arising in a business combination or in a manner that initially impacts accounting or taxable profit); and temporary differences relating to investment in subsidiaries and equity accounted investees to the extent that they will probably not reverse in the foreseeable future and the Group is able to control the reversal of such temporary differences. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(x) Adjusting items

Items of income or expenditure that are significant by their nature, size or incidence, and for which separate presentation would assist in the understanding of the trading and financial results of the Group, are classified and disclosed as adjusting items.

Such items include business disposals, restructuring and acquisition related and integration costs, and impairments.

(y) Non-GAAP performance measures

In the reporting of financial information, the Group has adopted certain non-GAAP measures of historical or future financial performance, position or cash flows other than those defined or specified under International Financial Reporting Standards (IFRSs).

Non-GAAP measures are either not defined by IFRS or are adjusted IFRS figures, and therefore may not be directly comparable with other companies' reported non-GAAP measures, including those in the Group's industry.

Non-GAAP measures should be considered in addition to, and are not intended to be a substitute for, or superior to, IFRS measures.

Details of the Group's non-GAAP performance measures, including reasons for their use and reconciliations to IFRS figures are included as appropriate in note 32.

Notes to the consolidated financial statements (continued)

1. Significant accounting policies continued

(z) Key sources of estimation uncertainty

The application of the Group's accounting policies requires management to make estimates and assumptions. These estimates and assumptions affect the reported assets and liabilities and financial results of the Group. Actual outcomes could differ from the estimates and assumptions used.

The Group's key sources of estimation uncertainty are as detailed below:

(i) Taxation

The Group's tax payable on profits is determined based on tax laws and regulations that apply in each of the numerous jurisdictions in which the Group operates. The Group is required to exercise judgement in estimating income tax provisions, along with the recognition of deferred tax assets/liabilities. While the Group aims to ensure that estimates recorded are accurate, the actual amounts could be different from those expected. See note 7 for additional information.

(ii) Employee benefits

IAS 19 *Employee Benefits* requires the Group to make assumptions including, but not limited to, rates of inflation, discount rates and life expectancies. The use of different assumptions, in any of the above calculations, could have a material effect on the accounting values of the relevant statement of financial position assets and liabilities which could also result in a change to the cost of such liabilities as recognised in profit or loss over time. These assumptions are subject to periodic review. See note 25 for additional information.

(aa) Critical accounting judgement

(i) Adjusting items

The Group is required to exercise judgement in applying the adjusting items accounting policy to items of income and expenditure, taking account of their origination, as well as considering similar items in prior years to ensure consistency and appropriate presentation. See note 4 for additional information.

(ab) IFRS standards and interpretations endorsed but not yet effective

The International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC) have issued new standards and interpretations with an effective date after the date of these financial statements.

International Financial Reporting Standards (IFRS/IAS)	Effective date – financial year ending
Amendments to IAS 16 (Property, Plant and Equipment – Proceeds before Intended Use)	30 April 2023
Amendments to IFRS 3 (Reference to the Conceptual Framework)	30 April 2023
Amendments to IAS 37 (Onerous Contracts – Cost of Fulfilling a Contract)	30 April 2023
IAS 41 Agriculture	30 April 2023
Amendments to IAS 1 and IFRS Practice Statement(Disclosure of Accounting Policies)	30 April 2024
Amendments to IAS 12 (Deferred tax related to Assets and Liabilities arising from a single transaction)	30 April 2024
Amendments to IAS 8 (Definition of accounting estimates)	30 April 2024
IFRS 17 Insurance Contracts	30 April 2024

The Group does not anticipate that the adoption of the standards and interpretations that are effective for the year ending 30 April 2023 and beyond will have a material effect on its financial statements.

(ac) IFRS standards that have been issued but are not yet endorsed are as follows:

- *Amendments to IAS 1 (Classification of liabilities as current or non-current)*
- *Amendments to IFRS 4 (Extension of the Temporary Exemption from applying IFRS 9)*

The Group does not anticipate that the adoption of these accounting standards will have a material effect on its financial statements.

2. Segment reporting

Operating segments

IFRS 8 *Operating Segments* requires operating segments to be identified on the same basis as is used internally for the review of performance and allocation of resources by the Group Chief Executive (who is the Chief Operating Decision Maker as defined by IFRS 8).

The Group's continuing operations are organised into segments which cover geographical regions with integrated packaging and paper businesses. These comprise the Group's reportable segments and their results are regularly reviewed by the Group Chief Executive. The measure of profitability reported to the Group Chief Executive for the purposes of resource allocation and assessment of performance is adjusted operating profit, which is a non-GAAP performance measure, about which further information is provided in note 32.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Central administration costs are allocated to the individual segments on a consistent basis year-on-year. All assets and liabilities have been analysed by segment, except for items of a financing nature, taxation balances, employee benefit liabilities and current and non-current asset investments. Debt and associated interest are managed at a Group level and therefore have not been allocated across the segments.

Year ended 30 April 2022	Note	Northern Europe £m	Southern Europe £m	Eastern Europe £m	North America £m	Total continuing operations £m
External revenue		**2,790**	**2,736**	**1,118**	**597**	**7,241**
Adjusted EBITDA[1]		**250**	**432**	**116**	**108**	**906**
Depreciation		**(111)**	**(108)**	**(43)**	**(28)**	**(290)**
Adjusted operating profit[1]		**139**	**324**	**73**	**80**	**616**
Unallocated items:						
Amortisation	10					**(138)**
Adjusting items in operating profit	4					**(35)**
Total operating profit (continuing operations)						**443**
Unallocated items:						
Net financing costs						**(72)**
Share of profit of equity accounted investments, net of tax						**7**
Profit before income tax						**378**
Income tax expense						**(98)**
Profit for the year (continuing operations)						**280**
Analysis of total assets and total liabilities						
Segment assets		**2,127**	**3,597**	**1,128**	**1,330**	**8,182**
Unallocated items:						
Equity accounted investments and other investments						**33**
Derivative financial instruments						**811**
Cash and cash equivalents						**819**
Tax						**41**
Total assets						**9,886**
Segment liabilities		**(1,330)**	**(1,044)**	**(272)**	**(129)**	**(2,775)**
Unallocated items:						
Borrowings, overdrafts and interest payable						**(2,168)**
Derivative financial instruments						**(84)**
Tax						**(539)**
Employee benefits						**(86)**
Total liabilities						**(5,652)**
Capital expenditure		**102**	**200**	**101**	**28**	**431**

1. Adjusted to exclude amortisation and adjusting items as presented in the income statement.

Notes to the consolidated financial statements (continued)

2. Segment reporting continued

Year ended 30 April 2021	Note	Northern Europe £m	Southern Europe £m	Eastern Europe £m	North America £m	Total continuing operations £m
External revenue		2,370	2,156	909	541	5,976
Adjusted EBITDA[1]		257	333	119	97	806
Depreciation		(119)	(110)	(41)	(34)	(304)
Adjusted operating profit[1]		138	223	78	63	502
Unallocated items:						
Amortisation	10					(142)
Adjusting items in operating profit	4					(49)
Total operating profit (continuing operations)						311
Unallocated items:						
Net financing costs						(85)
Share of profit of equity accounted investment, net of tax						5
Profit before income tax						231
Income tax expense						(49)
Profit for the year (continuing operations)						182
Analysis of total assets and total liabilities						
Segment assets		2,079	3,344	1,015	1,204	7,642
Unallocated items:						
Equity accounted investment and other investments						51
Derivative financial instruments						115
Cash and cash equivalents						813
Tax						78
Assets classified as held for sale						1
Total assets						8,700
Segment liabilities		(1,028)	(743)	(223)	(117)	(2,111)
Unallocated items:						
Borrowings, overdrafts and interest payable						(2,419)
Derivative financial instruments						(56)
Tax						(404)
Employee benefits						(175)
Total liabilities						(5,165)
Capital expenditure		93	147	56	35	331

1. Adjusted to exclude amortisation and adjusting items as presented in the income statement.

2. Segment reporting continued

Geographical areas

In presenting information by geographical area, external revenue is based on the geographical location of customers. Non-current assets are based on the geographical location of assets and exclude investments, deferred tax assets, derivative financial instruments and intangible assets (which are monitored at the operating segment level, not at a country level).

Continuing operations	External revenue 2022 £m	External revenue 2021 £m	Non-current assets 2022 £m	Non-current assets 2021 £m	Capital expenditure 2022 £m	Capital expenditure 2021 £m
UK	**1,113**	947	**460**	467	**42**	26
France	**1,067**	897	**430**	438	**52**	55
Iberia	**841**	654	**613**	610	**73**	57
Germany	**708**	599	**390**	402	**36**	32
Italy	**822**	599	**333**	289	**75**	35
USA	**606**	551	**379**	338	**28**	35
Rest of the World	**2,084**	1,729	**732**	742	**125**	91
	7,241	5,976	**3,337**	3,286	**431**	331

3. Operating profit

Continuing operations	2022 £m	2021 £m
Operating costs		
Cost of sales	**3,914**	2,816
Other production costs	**1,211**	1,190
Distribution	**530**	482
Administrative expenses	**1,007**	1,030
	6,662	5,518

During the year, the Group received Nil (2020/21:£5.1m) of government support linked to the Covid-19 pandemic. Nil (2020/21: £2.4m) was repaid to the UK government in the year. In the current year there was no resulting income from Covid-19 related support programmes (2020/21: £2.7m) which has been netted off in operating costs . There are no unfulfilled conditions or contingencies attached to these grants.

Details of adjusting items included in operating profit are set out in note 4.

Operating profit is stated after charging/(crediting) the following:

Continuing operations	2022 £m	2021 £m
Depreciation of owned assets	**220**	230
Depreciation of right-of-use assets	**70**	74
Amortisation of intangible assets	**138**	142
(Profit)/loss on sale of non-current assets	**(1)**	2
Research and development	**8**	8

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Notes to the consolidated financial statements (continued)

3. Operating profit continued

Auditor's remuneration	2022 UK £m	2022 Overseas £m	2022 Total £m	2021 UK £m	2021 Overseas £m	2021 Total £m
Fees payable for audit of the Company's annual financial statements	**0.5**	**-**	**0.5**	0.3	–	0.3
Fees payable for audit of the Company's subsidiaries, pursuant to legislation	**1.1**	**2.9**	**4.0**	0.9	2.9	3.8
Total audit fees	**1.6**	**2.9**	**4.5**	1.2	2.9	4.1
Fees payable to the Company's Auditor and their associates for other services:						
Corporate finance services	**0.1**	**-**	**0.1**	0.1	–	0.1
Audit related assurance services	**0.3**	**0.1**	**0.4**	0.2	0.1	0.3
Total non-audit fees	**0.4**	**0.1**	**0.5**	0.3	0.1	0.4
Total Auditor's remuneration	**2.0**	**3.0**	**5.0**	1.5	3.0	4.5

Non-audit fees in 2021/22 and 2020/21 primarily include reporting and accounting services in respect of the Euro medium-term note ("EMTN") issues in the year and audit-related fees for the review of the interim results.

A description of the work of the Audit Committee is set out in the governance section and includes an explanation of how the external Auditor's objectivity and independence are safeguarded when non-audit services are provided by the external Auditor.

4. Adjusting items

Items are presented as adjusting in the financial statements where they are significant items of financial performance that the Directors consider should be separately disclosed to assist in the understanding of the trading and financial results of the Group. Such items include business disposals, restructuring and acquisition related and integration costs, and impairments.

Continuing operations	2022 £m	2021 £m
Acquisition related costs	**(1)**	(2)
Gain/(loss) on acquisitions and divestments	**3**	(3)
Net gain/ (loss) on acquisitions and divestments	**2**	(5)
Integration costs	**-**	(17)
Other restructuring costs	**(8)**	(27)
Impairment of associate	**(29)**	–
Total pre-tax adjusting items (recognised in operating profit)	**(35)**	(49)
Finance costs adjusting items	**(2)**	(7)
Adjusting tax items	**-**	5
Current tax credit on adjusting items	**2**	11
Total post-tax adjusting items	**(35)**	(40)

4. Adjusting items continued

2021/22

On 12 October 2021 the Group sold the De Hoop paper mill in the Netherlands. Cash consideration, net of cash and cash equivalents and transaction costs, was £35m and the net assets divested were £28m, resulting in a net gain of £7m. In addition, there were £4m of other site disposal costs.

Other restructuring costs of £8m primarily comprise a reorganisation and restructuring project across the Packaging business (£8m), focusing predominantly on reduction of indirect costs.

Finance costs in adjusting items related to the unwind of the discount on the redemption liability related to the purchase of Interstate Resources.

The impairment of associate of £29m relates to the Group's investment in an associate RKTK in Ukraine. The invasion of Ukraine by Russia has resulted in significant damage to the assets of the Group's associate and has fundamentally compromised the ability to realise the interest held. Accordingly, an impairment of the entire interest has been recognised, together with amounts in connection with the trading activities conducted with the associate.

The current tax credit on adjusting items of £2m for the year ended 30 April 2022 is the tax effect at the local applicable tax rate of adjusting items that are subject to tax. This excludes non-tax -deductible deal related advisory fees in relation to acquisitions and divestments. It also excludes the non-tax -deductible impairment of associates and the non- taxable gain from the sale of the paper mill in the Netherlands.

2020/21

Acquisition related costs of £2m were incurred predominantly relating to professional advisory, legal and consultancy fees and contractual deferred consideration payments on prior year acquisitions.

The loss on divestment of £3m primarily relates to the disposal of a small sheet plant in North America.

Integration costs relate to integration projects underway, primarily to achieve cost synergies from the major acquisitions made in the previous financial years (of which £14m relates to Europac and £3m relates to Interstate Resources). They include redundancies, professional fees, IT costs and those directly attributable internal salary costs which would otherwise not be incurred. Integration cost activity in respect of Europac and Interstate Resources has ceased with effect from 30 April 2021.

Within other restructuring costs of £27m, £23m relates to a material restructuring in Germany and a structured review of the underlying indirect cost base of the European Packaging business, focusing predominantly on reduction of these indirect costs.

Finance costs adjusting items of £7m relate to the unwind of the discount on the redemption liability related to the purchase of Interstate Resources.

The current tax credit on adjusting items of £11m in the year ended 30 April 2021 is the tax effect at the local applicable tax rate of adjusting items that are subject to tax. This excludes non-tax -deductible deal related advisory fees in relation to acquisitions and divestments.

The adjusting tax item of £5m includes a net decrease in the State Aid provision of £2m primarily in relation to the estimate of interest on overdue tax following agreement reached with HM Revenue & Customs ("HMRC") (see note 7) and the release of a US tax provision of £3m relating to the Plastics business that is no longer due.

Notes to the consolidated financial statements (continued)

5. Finance income and costs

Continuing operations	2022 £m	2021 £m
Interest income from financial assets	**(1)**	(1)
Finance income	**(1)**	(1)
Interest on borrowings and overdrafts	**47**	55
Interest on lease liabilities	**11**	12
Other	**10**	9
Finance costs before adjusting items	**68**	76
Finance costs adjusting items (note 4)	**2**	7
Finance costs	**70**	83

6. Staff costs

Continuing operations	2022 £m	2021 £m
Wages and salaries	**1,101**	1,085
Social security costs	**214**	213
Contributions to defined contribution pension plans	**51**	51
Service costs for defined benefit schemes (note 25)	**5**	5
Share-based payment expense (note 26)	**10**	9
Staff costs	**1,381**	1,363

Average number of employees	2022 Number	2021 Number
Northern Europe	**10,905**	10,995
Southern Europe	**8,889**	8,923
Eastern Europe	**7,677**	7,366
North America	**1,787**	1,847
Rest of the World	**598**	178
Average number of employees	**29,856**	29,309

7. Income tax expense

	2022 £m	2021 £m
Current tax expense		
Current year	**(128)**	(61)
Adjustment in respect of prior years	**4**	(3)
	(124)	(64)
Deferred tax (charge)/ credit		
Origination and reversal of temporary differences	**(2)**	(28)
Change in tax rates	**12**	–
Recognition of previously unrecognised deferred tax assets	**5**	18
Adjustment in respect of prior years	**9**	9
	24	(1)
Total income tax expense before adjusting items	**(100)**	(65)
Adjusting tax items (note 4)	**-**	5
Current tax credit on adjusting items (note 4)	**2**	11
Total income tax expense in the income statement from continuing operations	**(98)**	(49)
Total income tax expense in the income statement from discontinued operations (note 30(b))	**-**	9
Total income tax expense in the income statement - total Group	**(98)**	(40)

The tax credit on amortisation was £31m (2020/21: £32m).

7. Income tax expense continued

The reconciliation of the actual tax charge to the domestic corporation tax rate is as follows:

	2022 £m	2021 £m
Profit before income tax on continuing operations	**378**	231
Profit before income tax on discontinued operations (note 30(b))	**-**	3
Share of profit of equity accounted investments, net of tax	**(7)**	(5)
Profit before tax and share of profit of equity accounted investments, net of tax	**371**	229
Income tax at the domestic corporation tax rate of 19% (2020/21: 19%)	**(71)**	(44)
Effect of additional taxes and tax rates in overseas jurisdictions	**(40)**	(23)
Additional items deductible for tax purposes	**5**	16
Non-deductible expenses	**(20)**	(22)
Non-taxable gain on disposal of business	**2**	–
Recognition of previously unrecognised deferred tax assets	**5**	27
Deferred tax not recognised	**(4)**	(5)
Adjustment in respect of prior years[1]	**13**	11
Effect of change in corporation tax rates	**12**	–
Income tax expense - total Group	**(98)**	(40)

1. Included within the adjustments in respect of prior years is £5m which relates to adjusting items in the prior year.

The Group's effective tax rate, excluding amortisation, adjusting items and share of result from equity accounted investments, was 24% (2020/21: 23%).

The Finance Act 2021 included a 6% increase in the main UK corporation tax rate to 25% from 1 April 2023, which was substantially enacted on 10 June 2021. Accordingly, the Group's deferred tax balances have been remeasured in the current year.

Uncertain tax positions

The Group operates in a complex multinational tax environment and is subject to uncertain tax positions and changes in legislation in the jurisdictions in which it operates. The Group's uncertain tax positions principally relate to pricing of cross-border transactions and a limited number of specific transaction related tax risks.

The assessment of uncertain tax positions is based on management's expectation of the likely outcome of settlements with tax authorities or litigation. The quantification of the risks at any one point in time, especially with respect to transfer pricing, requires a degree of judgement and estimation by management.

Within the consolidated balance sheet at 30 April 2022 are current tax liabilities of £143m (30 April 2021: £133m) which include a provision of £118m (30 April 2021: £116m) relating to uncertain tax positions. It is possible that amounts paid will be different from the amounts provided and the Group estimates the range of reasonably possible outcomes relating to uncertain tax positions to be from £33m to £200m.

There are tax audits being conducted by the tax authorities in a number of countries. Whilst there is inherent uncertainty regarding the timing of the resolution of these tax audits and the final tax liabilities to be assessed, the Group does not expect there to be a material change in the provision for uncertain tax positions in the next 12 months.

Following the EU Commission's decision in April 2019, which concluded that up until 31 December 2018, the UK Controlled Foreign Company legislation partially represented State Aid, the Group recognised a provision in the year ended 30 April 2019 through adjusting items for the maximum potential exposure of £33m. During the prior year, the Group received a charging notice from HMRC under The Taxation (Post Transition Period) Bill for the full exposure. After the offset of deferred tax assets the cash tax liability was reduced to £18m (including interest), which was paid in May 2021.

The Group also filed an application with the General Court of the European Court of Justice for the EU Commission's decision to be annulled. The Group's application was stayed behind the UK lead cases and on 8th June 2022, the General Court released its judgement which dismissed these appeals . The Group will continue to monitor any future developments in this regard.

Included within the current tax liabilities is an amount of £15m (30 April 2021: £9m) relating to interest and penalties on uncertain tax positions.

Notes to the consolidated financial statements (continued)

7. Income tax expense continued

Tax on other comprehensive income and equity

	Gross 2022 £m	Tax credit/ (charge) 2022 £m	Net 2022 £m	Gross 2021 £m	Tax credit/ (charge) 2021 £m	Net 2021 £m
Actuarial gain/(loss) on employee benefits	**68**	**(14)**	**54**	(5)	(5)	(10)
Equity interest at FVTOCI – change in fair value	**–**	**–**	**–**	(3)	–	(3)
Foreign currency translation differences	**(40)**	**–**	**(40)**	(95)	–	(95)
Reclassification from translation reserve to income statement arising on divestment	**(3)**	**–**	**(3)**	–	–	–
Movements in cash flow hedges	**712**	**(163)**	**549**	112	(20)	92
Movement in net investment hedge	**28**	**1**	**29**	(2)	(1)	(3)
Other comprehensive income/(expense) for the year	**765**	**(176)**	**589**	7	(26)	(19)
Issue of share capital	**7**	**–**	**7**	3	–	3
Employee share trust	**(21)**	**–**	**(21)**	(2)	–	(2)
Share-based payment expense	**10**	**–**	**10**	9	1	10
Dividends paid to Group shareholders	**(166)**	**–**	**(166)**	–	–	–
Transactions with non-controlling interests	**–**	**–**	**–**	(2)	–	(2)
Other comprehensive income /(expense) and changes in equity	**595**	**(176)**	**419**	15	(25)	(10)

The realisation of underlying reserves is conducted in such a way to ensure there is no material tax consequence.

8. Earnings per share

Basic earnings per share from continuing operations

	2022	2021
Profit from continuing operations attributable to ordinary shareholders	**£280m**	£182m
Weighted average number of ordinary shares	**1,374m**	1,371m
Basic earnings per share	**20.4p**	13.3p

Diluted earnings per share from continuing operations

	2022	2021
Profit from continuing operations attributable to ordinary shareholders	**£280m**	£182m
Weighted average number of ordinary shares	**1,374m**	1,371m
Potentially dilutive shares issuable under share-based payment arrangements	**8m**	6m
Weighted average number of ordinary shares (diluted)	**1,382m**	1,377m
Diluted earnings per share	**20.3p**	13.2p

The number of shares excludes the weighted average number of the Company's own shares held as treasury shares during the year of 2m (2020/21: 1m).

	2022 Basic pence per share	2022 Diluted pence per share	2021 Basic pence per share	2021 Diluted pence per share
Earnings per share from continuing operations	**20.4p**	**20.3p**	13.3p	13.2p
Earnings per share from discontinued operations (note 30(b))	**–**	**–**	0.9p	0.9p
Earnings per share from continuing and discontinued operations	**20.4p**	**20.3p**	14.2p	14.1p

8. Earnings per share continued

Adjusted earnings per share from continuing operations

Adjusted earnings per share is a key performance measure for management long-term remuneration and is widely used by the Group's shareholders. Adjusted earnings is calculated by adding back the post-tax effects of both amortisation and adjusting items.

Further detail about the use of non-GAAP performance measures, including details of why amortisation is excluded, is given in note 32.

A reconciliation of basic to adjusted earnings per share is as follows:

	2022 £m	2022 Basic pence per share	2022 Diluted pence per share	2021 £m	2021 Basic pence per share	2021 Diluted pence per share
Basic earnings	**280**	**20.4p**	**20.3p**	182	13.3p	13.2p
Add back:						
Amortisation of intangible assets	**138**	**10.0p**	**9.9p**	142	10.3p	10.3p
Tax credit on amortisation	**(31)**	**(2.3p)**	**(2.3p)**	(32)	(2.3p)	(2.3p)
Adjusting items, before tax	**37**	**2.7p**	**2.7p**	56	4.1p	4.1p
Tax on adjusting items and adjusting tax items	**(2)**	**(0.1p)**	**(0.1p)**	(16)	(1.2p)	(1.2p)
Adjusted earnings	**422**	**30.7p**	**30.5p**	332	24.2p	24.1p

9. Dividends proposed and paid

	2022 Pence per share	2022 £m	2021 Pence per share	2021 £m
2020/21 interim dividend – proposed and paid	**–**	**–**	4.0p	55
2020/21 final dividend – proposed and paid	**–**	**–**	8.1p	111
2021/22 interim dividend – proposed and paid	**4.8p**	**66**	–	–
2021/22 final dividend – proposed	**10.2p**	**140**	–	–

	2022 £m	2021 £m
Paid during the year	**166**	–

The 2021/22 interim dividend was paid on 3 May 2022 after the year end.

The 2020/21 interim dividend of 4.0p per share and the final 20/21 dividend of 8.1p per share were paid during the year.

Notes to the consolidated financial statements (continued)

10. Intangible assets

	Goodwill £m	Software £m	Intellectual property £m	Customer related £m	Other £m	Total £m
Cost						
At 1 May 2021	2,199	180	19	1,310	31	3,739
Divestments	–	(5)	–	–	–	(5)
Additions	–	3	2	–	27	32
Disposals	–	(4)	–	–	(10)	(14)
Reclassification	–	1	1	–	17	19
Transfers	–	10	–	–	(10)	–
Currency translation	11	(3)	(1)	(9)	–	(2)
At 30 April 2022	**2,210**	**182**	**21**	**1,301**	**55**	**3,769**
Amortisation and impairment						
At 1 May 2021	(17)	(102)	(12)	(599)	(14)	(744)
Divestments	–	5	–	–	–	5
Amortisation	–	(16)	(1)	(110)	(11)	(138)
Disposals	–	4	–	–	–	4
Reclassification	–	1	–	–	–	1
Currency translation	–	2	1	6	–	9
At 30 April 2022	**(17)**	**(106)**	**(12)**	**(703)**	**(25)**	**(863)**
Carrying amount						
At 1 May 2021	2,182	78	7	711	17	2,995
At 30 April 2022	**2,193**	**76**	**9**	**598**	**30**	**2,906**

	Goodwill £m	Software £m	Intellectual property £m	Customer related £m	Other £m	Total £m
Cost						
At 1 May 2020	2,263	169	20	1,338	37	3,827
Divestments	–	(1)	–	–	–	(1)
Additions	–	9	1	–	5	15
Disposals	–	(12)	(2)	–	(2)	(16)
Transfers	–	9	–	–	(9)	–
Reclassification	–	6	–	–	–	6
Currency translation	(64)	–	–	(28)	–	(92)
At 30 April 2021	2,199	180	19	1,310	31	3,739
Amortisation and impairment						
At 1 May 2020	(17)	(92)	(12)	(495)	(14)	(630)
Divestments	–	1	–	–	–	1
Amortisation	–	(23)	(2)	(115)	(2)	(142)
Disposals	–	12	2	–	2	16
Currency translation	–	–	–	11	–	11
At 30 April 2021	(17)	(102)	(12)	(599)	(14)	(744)
Carrying amount						
At 1 May 2020	2,246	77	8	843	23	3,197
At 30 April 2021	2,182	78	7	711	17	2,995

Included within customer related intangibles at 30 April 2022 are amounts purchased as part of the acquisitions of Europac (carrying amount £361m, remaining amortisation period 12 years) and Interstate Resources (carrying amount £147m, remaining amortisation period five years).

10. Intangible assets continued

Goodwill

The CGUs identified below represent the lowest level at which goodwill is monitored for impairment indicators and internal management purposes, and are not larger than the operating segments determined in accordance with IFRS 8 *Operating Segments*. The carrying values of goodwill are split between the CGU groups as follows:

	2022 £m	2021 £m
Northern Europe	**394**	402
Southern Europe	**1,017**	1,053
Eastern Europe	**154**	159
North America	**628**	568
Total goodwill	**2,193**	2,182

Goodwill impairment tests – key assumptions and methodology

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill may be impaired. The recoverable amounts of the CGUs are determined from value-in-use calculations.

Impairment tests were conducted over the segmental structures, with no indicators of impairment noted in the year ended 30 April 2022, as the recoverable amount of the groups of CGUs, based upon value-in-use calculations, exceeded the carrying amounts.

The calculations of value-in-use are inherently judgemental and require management to make a series of estimates and assumptions. The key assumptions in the value-in-use calculations are:

- the cash flow forecasts have been derived from the most recent budget presented to the Board for the year ending 30 April 2023. The cash flows utilised are based upon forecast sales volumes and product mix, anticipated movements in paper prices and input costs and known changes and expectations of current market conditions, taking into account the cyclical nature of the business;
- the sales volume and price assumptions underlying the cash flow forecasts are the Directors' estimates of likely future changes based upon historic performance and the current economic outlooks for the economies in which the Group operates. These are viewed as the key operating assumptions as they determine the Directors' approach to margin and cost maintenance;
- the cash flow forecasts for capital expenditure are based upon past experience and include the replacement capital expenditure required to generate the terminal cash flows;
- cash flows beyond the year ending 30 April 2023 reflect the long-term growth rate specific to each of the CGUs. Where a CGU consists of multiple countries, country-specific rates are incorporated into a weighted average rate for that region. The rates applied are based upon external sources such as the International Monetary Fund's World Economic Outlook Database; and
- the pre-tax adjusted discount rate is derived from the basis of the Group's weighted average cost of capital ('WACC') of 9.5% (2020/21: 9.5%) plus a blended country risk premium for each CGU. The discount rate is a function of the cost of debt and equity. The cost of equity is largely based upon the risk-free rate for 10-year government bond yields for the European countries in which the Group operates (79% weighting), 30-year UK gilts (10% weighting) and 30-year US treasury yields (11%), adjusted for the relevant country market risk premium, ranging from 4.9% to 16.8%, which reflects the increased risk of investing in country specific equities and the relative volatilities of the equity of the Group compared to the market. This Group rate has been adjusted for the risks inherent in the countries in which the CGUs operate that are not reflected in the cash flow projections.

Notes to the consolidated financial statements (continued)

10. Intangible assets continued

Key assumptions by CGU	Northern Europe	Southern Europe	Eastern Europe	North America
Long-term growth rate at 30 April 2022	**1.5%**	**1.5%**	**3.2%**	**2.3%**
Long-term growth rate at 30 April 2021	1.4%	1.2%	2.9%	2.0%
Discount rate at 30 April 2022	**10.1%**	**11.7%**	**12.3%**	**10.0%**
Discount rate at 30 April 2021	8.8%	10.3%	10.4%	8.7%

Goodwill impairment tests – sensitivities

The value-in-use is based upon anticipated discounted future cash flows. At 30 April 2022, the impairment tests concluded that there was headroom across all CGUs. Whilst the Directors believe the assumptions used are realistic, it is possible that a reduction in the headroom would occur if any of the above key assumptions were adversely changed. Factors which could cause an impairment are:

- significant and prolonged underperformance relative to the forecast; and
- deteriorations in the economies in which the Group operates.

To support their assertions, the Directors have conducted sensitivity analyses to determine the impact that would result from the above situations. Key sensitivities tested included reduction or delays in future growth and increased discount rates. In these cases, if future estimates of economic improvements were delayed, or if the estimated discount rates applied to the cash flows were increased by 0.5%, there would still be adequate headroom to support the carrying value of the assets. Based on this analysis, the Directors believe that a reasonably possible change in any of the key assumptions detailed above would not cause the carrying value of CGUs to exceed their recoverable amounts, although the headroom would decrease. Therefore, at 30 April 2022, no impairment charge is required against the carrying value of goodwill.

11. Property, plant and equipment

	Land and buildings £m	Plant and equipment £m	Fixtures and fittings £m	Under construction £m	Total £m
Cost					
At 1 May 2021	1,066	3,337	95	201	4,699
Divestments	(19)	(138)	(3)	–	(160)
Additions	23	69	2	300	394
Disposals	(10)	(100)	(4)	–	(114)
Reclassification	1	12	–	(9)	4
Transfers	18	163	9	(190)	–
Currency translation	(36)	(83)	(6)	(5)	(130)
At 30 April 2022	**1,043**	**3,260**	**93**	**297**	**4,693**
Depreciation and impairment					
At 1 May 2021	(222)	(1,383)	(44)	–	(1,649)
Divestments	16	105	2	–	123
Depreciation charge	(35)	(176)	(9)	–	(220)
Disposals	6	94	3	–	103
Currency translation	17	56	5	–	78
At 30 April 2022	**(218)**	**(1,304)**	**(43)**	**–**	**(1,565)**
Carrying amount					
At 1 May 2021	844	1,954	51	201	3,050
At 30 April 2022	**825**	**1,956**	**50**	**297**	**3,128**

11. Property, plant and equipment continued

	Land and buildings £m	Plant and equipment £m	Fixtures and fittings £m	Under construction £m	Total £m
Cost					
At 1 May 2020	1,055	3,278	87	190	4,610
Divestments	(3)	(29)	(2)	–	(34)
Additions	10	67	4	209	290
Disposals	(7)	(77)	(3)	–	(87)
Transfers	23	159	7	(189)	–
Reclassification	(2)	7	3	(5)	3
Transfer from assets held for sale	–	3	–	–	3
Currency translation	(10)	(71)	(1)	(4)	(86)
At 30 April 2021	1,066	3,337	95	201	4,699
Depreciation and impairment					
At 1 May 2020	(200)	(1,331)	(37)	–	(1,568)
Divestments	2	20	1	–	23
Depreciation charge	(32)	(189)	(9)	–	(230)
Transfers	(1)	3	(2)	–	–
Disposals	3	72	3	–	78
Reclassification	1	1	–	–	2
Currency translation	5	41	–	–	46
At 30 April 2021	(222)	(1,383)	(44)	–	(1,649)
Carrying amount					
At 1 May 2020	855	1,947	50	190	3,042
At 30 April 2021	844	1,954	51	201	3,050

Assets under construction mainly relate to production machines and site improvements being constructed, the most significant of these being at the greenfield sites in Italy and Poland..

Notes to the consolidated financial statements (continued)

12. Right-of-use assets and lease liabilities

Right-of-use assets

	Land and buildings £m	Plant and equipment £m	Fixtures and fittings £m	Total £m
Cost				
At 1 May 2021	177	187	1	365
Divestments	–	(1)	–	(1)
Additions	17	34	–	51
Disposals	(9)	(22)	–	(31)
Reclassification	–	(4)	–	(4)
Currency translation	1	(5)	–	(4)
At 30 April 2022	**186**	**189**	**1**	**376**
Depreciation and impairment				
At 1 May 2021	(52)	(87)	–	(139)
Depreciation charge	(30)	(40)	–	(70)
Disposals	9	19	–	28
Reclassification	–	1	–	1
Currency translation	1	2	–	3
At 30 April 2022	**(72)**	**(105)**	**–**	**(177)**
Carrying amount				
At 1 May 2021	125	100	1	226
At 30 April 2022	**114**	**84**	**1**	**199**

	Land and buildings £m	Plant and equipment £m	Fixtures and fittings £m	Total £m
Cost				
At 1 May 2020	174	169	2	345
Divestments	(3)	–	–	(3)
Additions	17	34	–	51
Disposals	(6)	(16)	–	(22)
Reclassification	–	–	(1)	(1)
Currency translation	(5)	–	–	(5)
At 30 April 2021	177	187	1	365
Depreciation and impairment				
At 1 May 2020	(28)	(61)	–	(89)
Depreciation charge	(31)	(43)	–	(74)
Disposals	6	16	–	22
Reclassification	–	1	–	1
Currency translation	1	–	–	1
At 30 April 2021	(52)	(87)	–	(139)
Carrying amount				
At 1 May 2020	146	108	2	256
At 30 April 2021	125	100	1	226

12. Right-of-use assets and lease liabilities continued

Lease liabilities

The carrying amounts of lease liabilities and the movements during the year are as follows:

	2022 £m	2021 £m
At beginning of the year	**230**	255
Divestments	**(1)**	(3)
Additions	**51**	51
Accretion of interest	**11**	12
Payments	**(84)**	(85)
Early termination	**(3)**	1
Currency translation	**(1)**	(1)
At end of the year	**203**	230
Current	**63**	71
Non-current	**140**	159
	203	230

The Group has maintained full operational status throughout the Covid-19 pandemic and as a result of this there has been no requirement for the Group to enter into any alternative relationships with regard to its lease population.

The maturity analysis of lease liabilities is presented in note 20.

13. Equity accounted investments

	2022 £m	2021 £m
At beginning of the year	**38**	35
Dividends	**(1)**	(1)
Share of profit of equity accounted investments, net of tax	**7**	5
Currency translation	**2**	(1)
Impairment of associate (note 4)	**(29)**	–
At end of the year	**17**	38

Principal equity accounted investments

	Nature of business	Principal country of operation	Ownership interest 2022	Ownership interest 2021
PrJSC 'Rubezhnoye Cardboard and Package Mill'	Paper and packaging	Ukraine	**49.6%**	49.6%
Philcorr LLC	Packaging	USA	**40.0%**	40.0%
Philcorr Vineland LLC	Packaging	USA	**40.0%**	40.0%
Cartonajes Santander, S.L.	Packaging	Spain	**39.6%**	39.6%
Cartonajes Cantabria S.L.	Packaging	Spain	**39.6%**	39.6%
Euskocarton, S.L.	Packaging	Spain	**39.6%**	39.6%
Industria Cartonera Asturiana S.L.	Packaging	Spain	**39.6%**	39.6%

The Group's investment in an associate RKTK in Ukraine has been fully impaired during the year. The invasion of Ukraine by Russia has resulted in significant damage to the assets of the Group's associate and has fundamentally compromised the ability to realise the interest held. Accordingly, an impairment of the entire interest has been recognised, together with amounts in connection with the trading activities conducted with the associate.

All the above associates are accounted for using the equity method because the Group has the ability to exercise significant influence over the investments due to the Group's equity holdings and board representation.

Notes to the consolidated financial statements (continued)

13. Equity accounted investments continued

Summary of financial information of associates

The financial information below is for the Group's associates on a 100% basis for the year ended 30 April.

	2022 £m	2021 £m
Current assets	**15**	52
Non-current assets	**13**	79
Current liabilities	**(10)**	(19)
Non-current liabilities	**(6)**	(11)
Revenue	**77**	174
Profit after tax	**12**	20
Other comprehensive income	**–**	16

14. Other investments

	2022 £m	2021 £m
Other investments	**13**	10
Restricted cash	**3**	3
	16	13

15. Inventories

	2022 £m	2021 £m
Raw materials and consumables	**419**	325
Work in progress	**27**	22
Finished goods	**257**	190
	703	537

Inventory provisions at 30 April 2022 were £51m (30 April 2021: £50m).

Inventories of £3,102m were recognised as an expense during the year ended 30 April 2022 (2020/21: £2,307m) and included within cost of sales.

16. Trade and other receivables

	2022		2021	
	Non-current £m	Current £m	Non-current £m	Current £m
Trade receivables	**–**	**1,023**	–	677
Loss allowance	**–**	**(30)**	–	(31)
Prepayments and accrued income	**–**	**82**	–	65
Other deposits	**–**	**30**	–	29
Other receivables	**–**	**124**	1	78
	–	**1,229**	1	818

Other receivables comprise various items including indirect tax receivable, employee advances and interest receivable.

The Group has sold without recourse certain trade receivables and on realisation the receivable is de-recognised and proceeds are presented within operating cash flows. Other deposits relate to these arrangements. Sold trade receivables under these arrangements amounted to £381m (2020/21:£407m).

16. Trade and other receivables continued

			Of which past due				
	Total £m	Current (not past due) £m	1 month or less £m	1-3 months £m	3-6 months £m	6-12 months £m	More than 12 months £m
At 30 April 2022							
Gross trade receivables	**1,023**	**967**	**16**	**11**	**3**	**3**	**23**
Weighted average loss rate	**2.9%**	**0.4%**	**6.3%**	**9.1%**	**33%**	**33%**	**96%**
Loss allowance	**(30)**	**(4)**	**(1)**	**(1)**	**(1)**	**(1)**	**(22)**
At 30 April 2021							
Gross trade receivables	677	629	8	8	2	2	28
Weighted average loss rate	–	0.6%	13%	–	–	50%	89%
Loss allowance	(31)	(4)	(1)	–	–	(1)	(25)

Movement in loss allowance

	2022 £m	2021 £m
At beginning of the year	**(31)**	(36)
Amounts written off	**–**	8
Net remeasurement of loss allowance	**–**	(3)
Currency translation	**1**	–
At end of the year	**(30)**	(31)

Concentrations of credit risk with respect to trade receivables are limited due to the Group's customer base being large and diverse. The majority of customers are credit insured and the Group has a history of low levels of losses in respect of trade receivables.

The loss allowance represents the Group's expected credit losses on trade receivables as defined under IFRS 9 *Financial Instruments*. The expected credit losses are estimated using a provision matrix by grouping trade receivables based on shared credit risk characteristics and the days past due. Expected loss rates are calculated by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions (including the impact of Covid-19) and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The accounting impact of credit insurance is not considered integral to the consideration of the carrying value of the trade receivables.

17. Trade and other payables

	2022		2021	
	Non-current £m	Current £m	Non-current £m	Current £m
Trade payables	**–**	**1,922**	–	1,273
Interest payable	**–**	**23**	–	24
Other non-trade payables and accrued expenses	**37**	**558**	15	537
	37	**2,503**	15	1,834

In accordance with government initiatives to allow suppliers to receive payments earlier than contractual payment terms, the Group has set up supply chain finance programmes through third parties, all of which are established and well capitalised financial institutions. The objectives for the scheme are to support smaller suppliers, if they choose, on an invoice by invoice basis, an earlier payment from the financial institution whilst the group continue to pay the financial institution to the suppliers contractual terms giving them earlier access to funding, and to manage the Group's working capital. These schemes allow suppliers to receive, if they choose, on an invoice by invoice basis, an earlier payment whilst the Group continues to pay to the suppliers' contractual terms. Suppliers are at liberty to use them or not and these arrangements have no cost to the Group and have no effect on trade payable balances or operating cash flows. The Group does not participate in any rebates, does not receive any fees from the providers nor does it provide any discounts or incentives for the suppliers to utilise these facilities. Additionally, they are not used to create payment terms which are abnormal, atypical or extend statutory payment terms in the countries the Group operates in and no adjustments are made by Standard and Poor's in their assessment of Group adjusted net debt.

The Group assesses the supply chain finance programmes to ascertain whether liabilities to suppliers who have chosen to access an earlier payment under the scheme continue to meet the definition of trade payables, or should be reclassified as borrowings. The Group has concluded that the Group's liability to the supplier remains unchanged for all such programmes and, as such, these balances remain in trade payables and the cash flows associated with these programmes remain within operating cash flows.

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Notes to the consolidated financial statements (continued)

17. Trade and other payables continued

Within non-trade payables and accrued expenses is the redemption liability of £99m at 30 April 2022 (30 April 2021: £105m) arising on the acquisition of Interstate Resources and relating to a put option held by the seller, as detailed further in note 30(a).

The liability for the final stake at 30 April 2022 is recorded at the discounted fair value of the estimated redemption amount, applying a discount rate of 9%, based on the multiple based formula using the forecast results of the Interstate Resources business, as specified in the contract, with a floor of the original purchase price.

18. Net debt

The components of net debt and movement during the year is as follows:

	Note	At 30 April 2021 £m	Continuing operations cash flow £m	Acquisitions and divestments £m	Foreign exchange, fair value and non-cash movements £m	**At 30 April 2022 £m**
Cash and cash equivalents		813	15	–	(9)	**819**
Overdrafts		(94)	20	–	1	**(73)**
Net cash and cash equivalents	19	719	35	–	(8)	**746**
Other investments – restricted cash	14	3	–	–	–	**3**
Other deposits		29	2	–	(1)	**30**
Borrowings – after one year		(2,066)	3	–	672	**(1,391)**
Borrowings – within one year		(235)	192	–	(638)	**(681)**
Lease liabilities	12	(230)	73	1	(47)	**(203)**
Derivative financial instruments						
Assets		–	(4)	–	16	**12**
Liabilities		(15)	39	–	(24)	**–**
		(2,514)	305	1	(22)	**(2,230)**
Net debt – reported basis		(1,795)	340	1	(30)	**(1,484)**
IFRS 16 lease liabilities		227				**201**
Net debt excluding IFRS 16 liabilities		(1,568)				**(1,283)**

Net debt is a non-GAAP measure not defined by IFRS. While the Group has included lease liabilities after transition to IFRS 16 *Leases* within total lease liabilities (in addition to arrangements previously classified as finance leases under IAS 17), IFRS 16 liabilities are currently excluded from the definition of net debt as set out in the Group's banking covenant requirements.

Further detail on the use of non-GAAP measures and a reconciliation showing the calculation of adjusted net debt, as defined in the Group's banking covenants, is included in note 32.

Derivative financial instruments above relate to forward foreign exchange contracts and cross-currency swaps used to hedge the Group's borrowings and the net assets of foreign operations. The difference between the amounts shown above and the total derivative financial instrument assets and liabilities in the consolidated statement of financial position relates to derivative financial instruments that hedge forecast foreign currency transactions and the Group's purchases of energy.

Non-cash movements relate to amortisation of fees incurred on debt issuance and new leases.

Other deposits are included, as these short-term receivables have the characteristics of net debt.

19. Cash and cash equivalents

	2022 £m	2021 £m
Bank balances	**469**	378
Short-term deposits	**350**	435
Cash and cash equivalents (consolidated statement of financial position)	**819**	813
Bank overdrafts	**(73)**	(94)
Net cash and cash equivalents (consolidated statement of cash flows)	**746**	719

20. Borrowings

	2022			2021		
	Current £m	**Non-current £m**	**Total £m**	Current £m	Non-current £m	Total £m
Bank and other loans[1]	**(4)**	**(2)**	**(6)**	(32)	–	(32)
Commercial paper	**(37)**	**–**	**(37)**	(43)	–	(43)
Medium-term notes and other fixed-term debt						
€150m term loan 0.6% coupon July 2021	**–**	**–**	**–**	(130)	–	(130)
$268m USD private placement 4.65% weighted average coupon August 2021-2022[2]	**(213)**	**–**	**(213)**	(22)	(193)	(215)
€500m medium-term note 2.25% coupon September 2022	**(420)**	**–**	**(420)**	–	(433)	(433)
€750m medium-term note 1.38% coupon July 2024	**–**	**(625)**	**(625)**	–	(650)	(650)
€27.6m term loan 1.4% coupon September 2025	**(7)**	**(16)**	**(23)**	(8)	(27)	(35)
€600m medium-term note 0.85% coupon September 2026	**–**	**(499)**	**(499)**	–	(515)	(515)
£250m medium-term note 2.88% coupon July 2029	**–**	**(249)**	**(249)**	–	(248)	(248)
	(681)	**(1,391)**	**(2,072)**	(235)	(2,066)	(2,301)

1. Drawings under bank loans.
2. Swapped to fixed rate £103m and fixed rate €120m using cross-currency swaps.

Borrowings are unsecured and measured at amortised cost. There have been no breaches of covenants during the year ended 30 April 2022 in relation to the above borrowings.

Of the total borrowing facilities available to the Group, the undrawn committed facilities available at 30 April were as follows:

	2022 £m	2021 £m
Expiring between two and five years	**1,450**	1,452
Expiring after five years	**–**	–
	1,450	1,452

The £1,450m of undrawn facilities consist of the revolving credit facilities.

The repayment profile of the Group's borrowings, after taking into account the effect of cross-currency swaps and forward foreign exchange contracts, is as follows:

2022	**1 year or less £m**	**1-2 years £m**	**2-5 years £m**	**More than 5 years £m**	**Total £m**
Borrowings					
Fixed rate	**(680)**	**(7)**	**(1,136)**	**(248)**	**(2,071)**
Floating rate	**(1)**	**–**	**–**	**–**	**(1)**
Total borrowings	**(681)**	**(7)**	**(1,136)**	**(248)**	**(2,072)**

2021	1 year or less £m	1-2 years £m	2-5 years £m	More than 5 years £m	Total £m
Borrowings					
Fixed rate	(204)	(631)	(664)	(770)	(2,269)
Floating rate	(31)	(1)	–	–	(32)
Total borrowings	(235)	(632)	(664)	(770)	(2,301)

Notes to the consolidated financial statements (continued)

20. Borrowings continued

The Group's borrowings, after taking into account the effect of cross-currency swaps and forward foreign exchange contracts are denominated in the following currencies:

2022	Sterling £m	Euro £m	US dollar £m	Other £m	Total £m
Borrowings					
Fixed rate	**(200)**	**(1,643)**	**(227)**	**(1)**	**(2,071)**
Floating rate	**–**	**(1)**	**–**	**–**	**(1)**
	(200)	**(1,644)**	**(227)**	**(1)**	**(2,072)**
Net cash and cash equivalents (including bank overdrafts)					
Floating rate	**90**	**474**	**56**	**126**	**746**
Net borrowings at 30 April 2022	**(110)**	**(1,170)**	**(171)**	**125**	**(1,326)**

2021	Sterling £m	Euro £m	US dollar £m	Other £m	Total £m
Borrowings					
Fixed rate	(353)	(1,694)	(222)	–	(2,269)
Floating rate	–	(32)	–	–	(32)
	(353)	(1,726)	(222)	–	(2,301)
Net cash and cash equivalents (including bank overdrafts)					
Floating rate	288	315	20	96	719
Net borrowings at 30 April 2021	(65)	(1,411)	(202)	96	(1,582)

At 30 April 2022, 79% of the Group's borrowings, after taking into account the effect of cross-currency swaps and forward foreign exchange contracts, were denominated in euros in order to hedge the underlying assets of the Group's European operations (30 April 2021: 75%). Interest rates on floating rate borrowings are based on EURIBOR or, where applicable local currency base rates.

Maturity of lease liabilities

	1 year or less £m	1-2 years £m	2-5 years £m	More than 5 years £m	Total £m
At 30 April 2021	(71)	(51)	(73)	(35)	(230)
At 30 April 2022	**(63)**	**(46)**	**(61)**	**(33)**	**(203)**

Denomination of lease liabilities

	Sterling £m	Euro £m	US dollar £m	Other £m	Total £m
At 30 April 2021	(49)	(114)	(36)	(31)	(230)
At 30 April 2022	**(42)**	**(101)**	**(38)**	**(22)**	**(203)**

20. Borrowings continued

Changes in liabilities arising from financing activities

	At 1 May 2021 £m	Financing cash flows £m	Acquisitions and divestments £m	New leases £m	Movements in fair value £m	Other £m	At 30 Apr 2022 £m
Bank and other loans, including commercial paper	(75)	36	–	–	–	(4)	**(43)**
Medium-term notes and other fixed-term debt	(2,226)	159	–	–	–	38	**(2,029)**
Lease liabilities	(230)	73	1	(51)	–	4	**(203)**
Derivative financial instruments related to hedging of financial liabilities (note 18)							
Assets	–	(4)	–	–	16	–	**12**
Liabilities	(15)	39	–	–	(24)	–	**–**
Total liabilities from financing activities	**(2,546)**	**303**	**1**	**(51)**	**(8)**	**38**	**(2,263)**

	At 1 May 2020 £m	Financing cash flows £m	Acquisitions and divestments £m	New leases £m	Movements in fair value £m	Other £m	At 30 Apr 2021 £m
Bank and other loans, including commercial paper	(35)	(42)	–	–	–	2	(75)
Medium-term notes and other fixed-term debt	(2,363)	98	–	–	–	39	(2,226)
Lease liabilities	(255)	73	3	(51)	–	–	(230)
Derivative financial instruments related to hedging of financial liabilities (note 18)							
Assets	13	(8)	–	–	(5)	–	–
Liabilities	(2)	24	–	–	(37)	–	(15)
Total liabilities from financing activities	(2,642)	145	3	(51)	(42)	41	(2,546)

Other changes include foreign exchange movements and amortisation of capitalised borrowing costs.

Financing cash flows consist of the net amount of proceeds from borrowings, repayment of borrowings, repayment of lease obligations and proceeds from settlement of derivative financial instruments in the consolidated statement of cash flows. Payments in respect of, and proceeds from settlement of derivative financial instruments in the consolidated statement of cash flows relate solely to derivative financial instruments used to hedge the Group's borrowings and net assets of foreign operations. Operating cash flows include settlement of commodity derivatives.

Notes to the consolidated financial statements (continued)

21. Financial instruments

The Group's activities expose the Group to a number of key risks which have the potential to affect its ability to achieve its business objectives. A summary of the Group's key financial risks and the policies and objectives in place to manage these risks is set out in the financial review and principal risk sections of the Strategic Report.

The derivative financial instruments set out in this note have been entered into in line with the Group's risk management objectives. The Group's treasury policy prohibits entering into speculative transactions.

(a) Carrying amounts and fair values of financial assets and liabilities

Set out below is the accounting classification of the carrying amounts and fair values of all of the Group's financial assets and liabilities:

		2022		2021	
	Category	**Carrying amount £m**	**Fair value £m**	Carrying amount £m	Fair value £m
Financial assets					
Cash and cash equivalents	Amortised cost	**819**	**819**	813	813
Restricted cash	Amortised cost	**3**	**3**	3	3
Other investments	Fair value through other comprehensive income	**13**	**13**	10	10
Trade and other receivables	Amortised cost	**1,229**	**1,229**	819	819
Derivative financial instruments	Fair value – hedging instruments	**811**	**811**	115	115
Total financial assets		**2,875**	**2,875**	1,760	1,760
Financial liabilities					
Trade and other payables	Amortised cost, except as detailed below	**(2,540)**	**(2,540)**	(1,849)	(1,849)
Bank and other loans	Amortised cost	**(6)**	**(6)**	(32)	(32)
Commercial paper	Amortised cost	**(37)**	**(37)**	(43)	(43)
Medium-term notes and other fixed-term debt	Amortised cost	**(2,029)**	**(2,015)**	(2,226)	(2,323)
Lease liabilities	Amortised cost	**(203)**	**(203)**	(230)	(230)
Bank overdrafts	Amortised cost	**(73)**	**(73)**	(94)	(94)
Derivative financial instruments	Fair value – hedging instruments	**(84)**	**(84)**	(56)	(56)
Total financial liabilities		**(4,972)**	**(4,958)**	(4,530)	(4,627)

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. For financial instruments carried at fair value, market prices or rates are used to determine fair value where an active market exists. The Group uses forward prices for valuing forward foreign exchange and commodity contracts and uses valuation models with present value calculations based on market yield curves to value fixed rate borrowings and cross-currency swaps. All derivative financial instruments are shown at fair value in the consolidated statement of financial position.

The Group's medium-term notes and other fixed-term debt are in effective cash flow and net investment hedges. The fair values of financial assets and liabilities which bear floating rates of interest or are short-term in nature are estimated to be equivalent to their carrying amounts.

The Group's financial assets and financial liabilities are categorised within the fair value hierarchy that reflects the significance of the inputs used in making the assessments. The majority of the Group's financial instruments are Level 2 financial instruments in accordance with the fair value hierarchy, meaning although the instruments are not traded in an active market, inputs to fair value are observable for the asset and liability, either directly (i.e. quoted market prices) or indirectly (i.e. derived from prices). The Group's medium-term notes are Level 1 financial instruments, as the notes are listed on the Luxembourg Stock Exchange. Other investments and the redemption liability arising on the acquisition of Interstate Resources (within trade and other payables) are Level 3 financial instruments. The fair value of other investments is derived from fair value calculations based on their cash flows, and details of the valuation of the redemption liability are provided in note 17.

21. Financial instruments continued

(b) Derivative financial instruments

The Group enters into derivative financial instruments, primarily foreign exchange and commodity contracts, to manage the risks associated with the Group's underlying business activities and the financing of these activities. Derivatives designated as effective hedging instruments are carried at their fair value.

The assets and liabilities of the Group at 30 April in respect of derivative financial instruments are as follows:

	Assets		**Liabilities**		**Net**	
	2022 £m	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m
Derivatives held to:						
Manage the currency exposures on business activities, borrowings and net investments	**12**	–	**–**	(15)	**12**	(15)
Derivative financial instruments included in net debt	**12**	–	**–**	(15)	**12**	(15)
Derivatives held to hedge future transactions:						
Forward foreign exchange contracts	**1**	–	**–**	–	**1**	–
Energy and carbon certificate costs	**798**	115	**(84)**	(41)	**714**	74
Total derivative financial instruments	**811**	115	**(84)**	(56)	**727**	59
Current	**316**	80	**(56)**	(41)	**260**	39
Non-current	**495**	35	**(28)**	(15)	**467**	20
	811	115	**(84)**	(56)	**727**	59

(c) Cash flow and net investment hedges

(i) Hedge reserves

Set out below is the reconciliation of each component in the hedging reserve:

	Commodity risk £m	Foreign exchange risk £m	Total £m
Balance at 1 May 2020	(26)	(13)	(39)
Gain/(loss) on designated cash flow hedges:			
Cross-currency swaps	–	(20)	(20)
Commodity contracts	123	–	123
Loss/(gain) reclassified from equity to the income statement:			
Cross-currency swaps	–	27	27
Commodity contracts	(18)	–	(18)
Deferred tax	(20)	–	(20)
At 30 April 2021	**59**	**(6)**	**53**
Gain/(loss) on designated cash flow hedges:			
Cross-currency swaps	–	20	20
Commodity contracts	1,049	–	1,049
Loss/(gain) reclassified from equity to the income statement:			
Cross-currency swaps	–	(20)	(20)
Commodity contracts	(337)	–	(337)
Reclassification between reserves	–	7	7
Deferred tax	(162)	(1)	(163)
At 30 April 2022	**609**	**–**	**609**

Notes to the consolidated financial statements (continued)

21. Financial instruments continued

(c) Cash flow and net investment hedges continued

(i) Hedge reserves continued

The amounts reclassified to the income statement from the cash flow hedging reserve during the year are reflected in the following items in the income statement:

	2022 £m	2021 £m
Operating costs	**(337)**	(18)
Finance costs	**(20)**	27
Total pre-tax loss/(gain) reclassified from equity to the income statement during the year	**(357)**	9

There was £nil recognised ineffectiveness during the year ended 30 April 2022 (2020/21: £nil) in relation to the cross-currency swaps.

(ii) Hedges of net investments in foreign operations

The Group utilises foreign currency borrowings, cross-currency swaps and forward foreign exchange contracts as hedges of long-term investments in foreign subsidiaries. The pre-tax gain on the hedges recognised in equity during the year was £28m (2020/21: loss of £2m). This £28m is matched by a similar gain in equity on the retranslation of the hedged foreign subsidiary net assets resulting in a net gain of £nil (2020/21: net gain of £nil) treated as hedge ineffectiveness in the income statement.

(d) Risk identification and risk management

(i) Capital management

The Group defines its managed capital as the sum of equity, as presented in the consolidated statement of financial position, and net debt (note 18).

	2022 £m	2021 £m
Net debt	**1,484**	1,795
Total equity	**4,234**	3,535
Managed capital	**5,718**	5,330

There were no significant events leading to the change in managed capital levels during the year. The changes in the Group's funding were the repayment of private placement borrowings of €30m in August 2021, repayment of a €150m term loan in July 2021 and a €12m part-repayment of a term loan according to a quarterly payment schedule.

Managed capital is different from capital employed (defined as property, plant and equipment, right-of-use assets, goodwill and intangible assets, working capital, capital debtors/creditors, provisions, biological assets and assets/liabilities held for sale). Managed capital relates to our sources of funding, whereas adjusted return on average capital employed is our measure of the level of return being generated by the asset base.

The Group funds its operations from the following sources of capital: operating cash flow, borrowings, shareholders' equity and, where appropriate, divestments of non-core businesses. The Group's objective is to achieve a capital structure that results in an appropriate cost of capital whilst providing flexibility in short and medium-term funding so as to accommodate significant investments or acquisitions. The Group also aims to maintain a strong balance sheet and to provide continuity of financing by having borrowings with a range of maturities and from a variety of sources.

The Group's overall treasury objectives are to ensure sufficient funds are available for the Group to carry out its strategy and to manage certain financial risks to which the Group is exposed, as described elsewhere in this note. The Group's treasury strategy is controlled through the Balance Sheet Committee which meets every two months and includes the Group Finance Director, the Group General Counsel and Company Secretary, the Group Financial Controller and the Corporate Finance Director. The Group Treasury function operates in accordance with policies and procedures approved by the Board and is controlled by the Corporate Finance Director. The function arranges funding for the Group, provides a service to operations and implements strategies for financial risk management.

(ii) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument fluctuate because of a change in market prices. The Group is exposed to changes in interest rates, foreign currency exchange rates and commodity prices.

Interest rate risk

The Group is exposed to interest rate risk as borrowings are arranged at fixed interest rates, exposing it to fair value risk, and at floating interest rates, exposing it to future cash flow risk. The risk is managed by maintaining a mix of fixed and floating rate borrowings. The Group's exposure to interest rates on financial assets and financial liabilities is detailed in the liquidity risk management section of this note.

21. Financial instruments continued

(d) Risk identification and risk management continued

(ii) Market risk continued

Interest rate sensitivity

At 30 April 2022, 100% of the Group's borrowings were at fixed rates of interest (30 April 2021: 99%). The sensitivity analysis below shows the impact on profit of a 100 basis points rise in market interest rates (representing management's assessment of the reasonably possible change in interest rates) in all currencies in which the Group had variable-rate borrowings at 30 April 2022.

To calculate the impact on the income statement for the year, the interest rates on all variable-rate external borrowings and cash deposits have been increased by 100 basis points, and the resulting increase in the net interest charge has been adjusted for the effect of the Group's interest rate derivatives. The impact on equity is equal to the impact on profit.

The results are presented before non-controlling interests and tax.

	2022 £m	2021 £m
Impact on profit of increase in market interest rates of 100 basis points	**–**	–

Foreign exchange risk

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in sterling, was as follows:

	2022 EUR £m	2022 USD £m	2021 EUR £m	2021 USD £m
Trade receivables	**782**	**71**	504	54
Trade payables	**(1,614)**	**(179)**	(1,177)	(174)
Net borrowings[1]	**(1,171)**	**(170)**	(1,411)	(202)

1. After taking into account the effect of cross-currency swaps and forward foreign exchange contracts.

Foreign exchange risk on investments

The Group is exposed to foreign exchange risk arising from net investments in Group entities, the functional currencies of which differ from the Group's presentational currency, sterling. The Group partly hedges this exposure through borrowings denominated in foreign currencies and through cross-currency swaps and forward foreign exchange contracts.

Gains and losses arising from hedges of net investments are recognised in equity.

Foreign exchange risk on borrowings

The Group is exposed to foreign exchange risk on borrowings denominated in foreign currencies. The Group hedges some of this exposure through cross-currency swaps designated as cash flow hedges.

Foreign exchange risk on transactions

Foreign currency transaction risk arises where a business unit makes product sales or purchases in a currency other than its functional currency. Part of this risk is hedged using forward foreign exchange contracts which are designated as cash flow hedges.

The Group only designates the forward rate of foreign currency forwards in hedge relationships.

For the hedges of highly probable forecast sales and purchases, as the critical terms (i.e. the notional amount, life and underlying terms) of the foreign exchange forward contracts and their corresponding hedged items are the same, the Group performs a qualitative assessment of effectiveness and it is expected that the value of the forward contracts and the value of the corresponding hedged items will systematically change in opposite directions in response to movements in the underlying exchange rates.

The Group's main currency exposures are to the euro and US dollar. The following significant exchange rates applied during the year:

	2022 Average	2022 Closing	2021 Average	2021 Closing
Euro	**1.179**	**1.192**	1.122	1.151
US dollar	**1.359**	**1.256**	1.320	1.391

Notes to the consolidated financial statements (continued)

21. Financial instruments continued

(d) Risk identification and risk management continued

(ii) Market risk continued

Foreign exchange risk on transactions continued

The following sensitivity analysis shows the impact on the Group's results of a 10% strengthening and weakening in the sterling exchange rate against all other currencies representing management's assessment of the reasonably possible change in foreign exchange rates. The analysis is restricted to financial instruments denominated in a foreign currency and excludes the impact of financial instruments designated as net investment hedges.

Net investment hedges are excluded as the impact of the foreign exchange movements on these are offset by equal and opposite movements in the hedged items.

The results are presented before non-controlling interests and tax.

	2022		2021	
	Impact on profit £m	Impact on total equity £m	Impact on profit £m	Impact on total equity £m
10% strengthening of sterling	–	62	–	42
10% weakening of sterling	–	(76)	–	(51)

Commodity risk

The Group's main commodity exposures are to changes in gas and electricity prices. The Group also hedges its exposure to fluctuations in the cost of carbon emission certificates. This commodity price risk is managed by a combination of physical supply agreements and derivative instruments. At 30 April 2022, gains of £609m net of tax (2020/21: gains of £59m) are deferred in equity in respect of cash flow hedges in accordance with IAS 39. Any gains or losses deferred in equity will be reclassified to the income statement in the period in which the hedged item also affects the income statement, which will occur within three years.

The following table details the Group's sensitivity to a 10% increase in these prices, which is management's assessment of the reasonably possible change, on average, over any given year. A decrease of 10% in these prices would produce an opposite effect on equity. As all of the Group's commodity financial instruments achieve hedge accounting under IAS 39, there is no impact on profit for either year.

The results are presented before non-controlling interests and tax.

	2022		2021	
	Impact on profit £m	Impact on total equity £m	Impact on profit £m	Impact on total equity £m
10% increase in electricity prices	–	4	–	3
10% increase in gas prices	–	103	–	22
10% increase in carbon certificate prices	–	8	–	7

(iii) Credit risk

Credit risk is the risk that a customer or counterparty to a financial instrument will fail to perform or fail to pay amounts due, causing financial loss to the Group. In the current economic environment, the Group has placed increased emphasis on the management of credit risk. The carrying amount of financial assets at 30 April 2022 was £2,875m and is analysed in note 21(a). This represents the maximum credit risk exposure.

Credit risk on financial instruments held with financial institutions is assessed and managed by reference to the long-term credit ratings assigned to that counterparty by Standard & Poor's and Moody's credit rating agencies. The short-term deposits are placed with seven financial institutions with a minimum Standard & Poor's credit rating of BBB. Amounts deposited with counterparties are subject to limits based on their credit ratings. There are no significant concentrations of credit risk.

See note 16 for information on credit risk with respect to trade receivables.

21. Financial instruments continued

(d) Risk identification and risk management continued

(iv) Liquidity risk

Liquidity risk is the risk that the Group, although solvent, will have difficulty in meeting its obligations associated with its financial liabilities as they fall due.

The Group manages its liquidity risk by maintaining a sufficient level of undrawn committed borrowing facilities. At 30 April 2022, the Group had £1,450m of undrawn committed borrowing facilities (30 April 2021: £1,452m), which comprises the revolving credit facilities. The Group mitigates its refinancing risk by raising its debt requirements from a number of different sources with a range of maturities.

The following table is an analysis of the undiscounted contractual maturities of non-derivative financial liabilities.

	Contractual repayments			
At 30 April 2022	**Total £m**	**1 year or less £m**	**1-5 years £m**	**More than 5 years £m**
Non-derivative financial liabilities				
Trade and other payables	2,540	2,503	37	–
Bank and other loans	6	4	2	–
Commercial paper	37	37	–	–
Medium-term notes and other fixed-term debt	2,039	640	1,149	250
Lease liabilities	241	66	122	53
Bank overdrafts	73	73	–	–
Interest payments on borrowings	121	35	64	22
Total non-derivative financial liabilities	**5,057**	**3,358**	**1,374**	**325**

	Contractual repayments			
At 30 April 2021	Total £m	1 year or less £m	1-5 years £m	More than 5 years £m
Non-derivative financial liabilities				
Trade and other payables	1,849	1,834	15	–
Bank and other loans	36	32	4	–
Commercial paper	43	43	–	–
Medium-term notes and other fixed-term debt	2,236	160	1,305	771
Lease liabilities	276	74	144	58
Bank overdrafts	94	94	–	–
Interest payments on borrowings	157	39	85	33
Total non-derivative financial liabilities	4,691	2,276	1,553	862

Refer to note 29 for a summary of the Group's capital commitments.

Notes to the consolidated financial statements (continued)

21. Financial instruments continued

(d) Risk identification and risk management continued

(iv) Liquidity risk continued

The following table is an analysis of the undiscounted contractual maturities of derivative financial liabilities. Where the payable and receivable legs of these derivatives are denominated in foreign currencies, the contractual payments or receipts have been calculated based on exchange rates prevailing at the respective year ends. The disclosure shows net cash flow amounts for derivatives that are net cash-settled and gross cash inflow and outflow amounts for derivatives that have simultaneous gross cash settlement.

Where applicable, interest and foreign exchange rates prevailing at the reporting date are assumed to remain constant over the future contractual maturities.

	Contractual payments/(receipts)			
At 30 April 2022	**Total £m**	**1 year or less £m**	**1-5 years £m**	**More than 5 years £m**
Derivative financial liabilities				
Energy derivatives	**84**	**56**	**28**	**-**
Cross-currency swaps and forward foreign exchange contracts:				
Payments	**22**	**22**	**-**	**-**
Receipts	**(22)**	**(22)**	**-**	**-**
Total derivative financial liabilities	**84**	**56**	**28**	**-**

	Contractual payments/(receipts)			
At 30 April 2021	Total £m	1 year or less £m	1-5 years £m	More than 5 years £m
Derivative financial liabilities				
Energy derivatives	41	39	2	-
Cross-currency swaps and forward foreign exchange contracts:				
Payments	583	269	314	-
Receipts	(573)	(269)	(304)	-
Total derivative financial liabilities	51	39	12	-

22. Deferred tax assets and liabilities

Analysis of movements in recognised deferred tax assets and liabilities during the year

	Property, plant and equipment and intangible assets		Employee benefits including pensions		Tax losses		Other[1]		Total	
	2022 £m	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m
At beginning of the year	**(331)**	(352)	**45**	50	**62**	65	**(10)**	9	**(234)**	(228)
Credit/(charge) for the year:										
- continuing	**30**	11	**(3)**	(1)	**(4)**	(12)	**1**	1	**24**	(1)
- discontinued	**-**	-	**-**	-	**-**	9	**-**	-	**-**	9
Recognised directly in equity	**-**	-	**(14)**	(4)	**-**	-	**(163)**	(20)	**(177)**	(24)
Currency translation	**(1)**	10	**(1)**	-	**-**	-	**-**	-	**(2)**	10
At end of the year	**(302)**	(331)	**27**	45	**58**	62	**(172)**	(10)	**(389)**	(234)

1. Includes deferred tax liabilities on derivative financial instruments of £174m (30 April 2021: £11m).

At 30 April 2022, deferred tax assets and liabilities were recognised for all taxable temporary differences:

- except where the deferred tax liability arises on goodwill;
- except on initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, except where the timing of the reversal of temporary differences can be controlled by the Group and it is probable that temporary differences will not reverse in the foreseeable future.

At 30 April 2022, no deferred tax liability has been recognised in respect of temporary differences relating to unremitted earnings of subsidiaries and associates because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future. The amount of the associated temporary differences at 30 April 2022 was £2,031m (30 April 2021: £1,927m).

As commented in note 7, Finance Act 2021 included a 6% increase in the main UK corporation tax rate to 25% from 1 April 2023, which was substantially enacted on 10 June 2021. Accordingly, the rate applied to UK deferred tax assets and liabilities expected to reverse after 1 April 2023 is 25% (2020: 19%).

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2022 £m	2021 £m
Deferred tax liabilities	**(396)**	(271)
Deferred tax assets	**7**	37
Net deferred tax	**(389)**	(234)

The deferred tax asset in respect of tax losses at 30 April 2022 includes an asset in the UK of £24m (30 April 2021: £19m). The asset has been recognised based on the Group's forecast of net interest income that will arise in the UK from the financing of previous acquisitions. The asset is expected to be fully recovered over the foreseeable future.

The deferred tax asset in respect of tax losses at 30 April 2022 includes an asset in France of £10m (30 April 2021: £14m). The asset in France is expected to be fully recovered over the next few years.

The deferred tax asset of £11m at 30 April 2021 in respect of tax losses in Luxembourg has fully reversed in the year since the tax losses have been used to offset taxable interest income.

In addition to the tax losses above, the Group has tax losses at 30 April 2022 of £42m (30 April 2021: £49m). for which no deferred tax assets have been recognised. These losses include £24m (30 April 2021:£8m) which do not expire and £18m (30 April 2021: £20m) which expire between 2027 and 2029 under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise these benefits.

Notes to the consolidated financial statements (continued)

23. Provisions

	Restructuring £m	Other £m	Total £m
At 1 May 2021	7	49	56
Divestments	–	(2)	(2)
Charged to income	11	29	40
Credited to income	–	(21)	(21)
Utilised	(11)	(7)	(18)
At 30 April 2022	**7**	**48**	**55**
Non-current	–	7	7
Current	7	41	48
At 30 April 2022	**7**	**48**	**55**

The restructuring provision includes amounts associated with the site closures and restructuring costs described in note 4.

The Group was one of a number of companies operating in the paper packaging industry that was subject to a decision (currently the subject of appeal) by the Italian Competition Authority concerning anti-competitive behaviour in Italy (the "Decision"). Given its position as leniency applicant, the Group was not fined. The Group is subject to a number of claims (both actual and threatened) for compensation in respect of the Decision, which the Group intends to defend robustly. Given the early stage of these claims, the ongoing appeal process, the Group's intention to defend all claims robustly and having applied the tests in IAS37, no provision has been recognised and instead this item has been disclosed as a contingent liability.

Other provisions relate to environmental and restoration liabilities, carbon emission obligations, indemnities and estimated liabilities arising from actual and potential litigation and disputes. The timing of the utilisation of these provisions is uncertain, except where the associated costs are contractual, in which case the provision is utilised over the time period specified in the contract.

24. Capital and reserves

Share capital

	Number of shares 2022 millions	Number of shares 2021 millions	2022 £m	2021 £m
Ordinary equity shares of 10 pence each:				
Issued, allotted, called up and fully paid	**1,376**	1,373	**137**	137

During the year ended 30 April 2022 2,694,364 of ordinary shares were issued as a result of exercises of employee share options.

The net movements in share capital and share premium are disclosed in the consolidated statement of changes in equity.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations and the translation of liabilities that hedge the Company's net investment in a foreign subsidiary.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Share premium

The share premium account represents the difference between the issue price and the nominal value of shares issued.

Own shares

The reserve for the Company's own shares comprises the cost of the Company's shares held by the Group. The Group operates a General Employee Benefit Trust, which acquires shares in the Company that can be used to satisfy the requirements of the Performance Share Plans. At 30 April 2022, the Trust held 2.4m shares (30 April 2021: 1.2m shares). The market value of the shares at 30 April 2022 was £7.8m (30 April 2021: £5.2m). Dividends receivable on the shares owned by the Trust have been waived.

24. Capital and reserves continued

Non-controlling interests

The Group has a put option in relation to a subsidiary with a non-controlling interest. The Group records a liability at the net present value of the expected future payments, with a corresponding entry against non-controlling interests in respect of the non-controlling shareholders' put option, measured at fair value. At the end of each period, the valuation of the liability is reassessed with any changes recorded within finance costs through the income statement and then transferred out of retained earnings into non-controlling interests.

Retained earnings

Retained earnings includes a merger relief reserve related to the shares issued in consideration to the sellers of EcoPack/EcoPaper in 2017/18. The closing balance of this reserve is £32m.

25. Employee benefits

Balance sheet	Total 2022 £m	Total 2021 £m	UK 2022 £m	UK 2021 £m	Overseas 2022 £m	Overseas 2021 £m
Present value of post-retirement obligations	**(1,189)**	(1,345)	**(1,056)**	(1,189)	**(133)**	(156)
Fair value of plan assets						
Equities/multi-strategy	**100**	14	**85**	–	**15**	14
Debt instruments	**612**	553	**587**	526	**25**	27
Derivatives	**315**	465	**315**	465	**-**	–
Real estate	**1**	1	**-**	–	**1**	1
Cash and cash equivalents	**17**	7	**17**	7	**-**	–
Other	**68**	138	**53**	122	**15**	16
	1,113	1,178	**1,057**	1,120	**56**	58
Net post-retirement plan (deficit)/surplus	**(76)**	(167)	**1**	(69)	**(77)**	(98)
Other employee benefit liabilities	**(10)**	(8)	**-**	–	**(10)**	(8)
Total employee benefit (deficit)/surplus	**(86)**	(175)	**1**	(69)	**(87)**	(106)
Related deferred tax asset	**21**	40	**-**	13	**21**	27
Net employee benefit (deficit)/surplus	**(65)**	(135)	**1**	(56)	**(66)**	(79)

Employee benefit schemes

At 30 April 2022, the Group operated a number of employee benefit arrangements for the benefit of its employees throughout the world. The plans are provided through both defined benefit and defined contribution arrangements and their legal status and control vary depending on the conditions and practices in the countries concerned.

Pension scheme trustees and representatives of the Group work with those managing the employee benefit arrangements to monitor the effects on the arrangements of changes in financial markets and the impact of uncertainty in assumptions, and to develop strategies that could mitigate the risks to which these employee benefit schemes expose the Group.

Notes to the consolidated financial statements (continued)

25. Employee benefits continued

UK schemes

The DS Smith Group Pension Scheme (the 'Group Scheme') is a UK funded final salary defined benefit scheme providing pensions and lump sum benefits to members and dependants. The Group Scheme closed to future accrual from 30 April 2011 with pensions calculated based on pensionable salaries up to the point of closure (or the date of leaving the Group Scheme, if earlier). The Group Scheme has a normal retirement age of 65 although some members are able to take their benefits earlier than this. Increases to pensions are affected by changes in the rate of inflation for the majority of members.

The Group Scheme is governed by a Trustee Company (DS Smith Pension Trustees Limited), which is comprised of a Board of Trustee Directors (the 'Trustee Board') and is independent of the Group. The Trustee Board is responsible for managing the operation, funding and investment strategy of the Group Scheme.

UK legislation requires the Trustee Board to carry out actuarial funding valuations at least every three years and to target full funding over an appropriate period of time, taking into account the current circumstances of the Group Scheme and the Group on a basis that prudently reflects the risks to which the Group Scheme is exposed (the 'Technical Provisions' basis). The most recent funding valuation was carried out as at 30 April 2019, following which a deficit recovery plan was agreed with the Trustee Board on 14 April 2020. The Group has agreed to maintain the previous Schedule of Contributions. The contribution for the year ended 30 April 2022 under the plan was £20m. The recovery plan is expected to be completed on or around September 2025.

The Trustee Board and the Group have in place a secondary Long-Term Funding Target (the 'LTFT'), in addition to the statutory funding requirement, the purpose of which is to achieve material additional security for the Group Scheme's members. The objective of the LTFT is for the Group Scheme to be funded by 30 April 2035 to a level that does not expect to rely on future contributions from the Group. The LTFT comprises actuarial assumptions to assess whether any additional contributions above the deficit recovery contributions are required, and an investment strategy approach to be followed for de-risking the scheme's assets. In recent valuations, the secondary funding assessment has concluded that the deficit recovery plan contributions are sufficient and no additional contributions from the Group under the LTFT are required.

In order to manage risk, the Group Scheme's investment strategy is designed to closely align movements in the Group Scheme's assets to that of its liabilities, whilst maintaining an appropriate level of expected return. To help the Trustee Board to monitor, review and assess investment matters, the Investment and Funding Committee (the 'IFC'), which consists of representatives from the Trustee Board and the Group, meets on a quarterly basis throughout the year.

The Group Scheme exposes the Group to risks, such as longevity risk, currency risk, inflation risk, interest rate risk and investment risk. As the Group Scheme's obligation is to provide lifetime pension benefits to members upon retirement, increases in life expectancy will result in an increase in the Group Scheme's liabilities. Other assumptions used to value the defined benefit obligation are also uncertain.

The Group Scheme deficit recovery plan agreed with the Trustee Board is considered a minimum funding requirement as described in IFRIC 14 *IAS 19 – the Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*. The Group has an unconditional right to a return of any surplus in a run-off scenario scenario and has therefore recognised the IAS 19 accounting surplus on the Group's balance sheet at 30 April 2022.

The assets in the Group Scheme (apart from the cash held) are nearly all Level 2 instruments under the fair value hierarchy. All Level 2 assets are held in daily traded pooled funds for which daily bid prices are available, and the valuation process for these assets involves minimal judgement and is agreed by reference to independent third parties. The Group Scheme does not hold any investment in DS Smith securities.

The largest defined contribution arrangement operated by the Group is in the UK. The UK defined contribution scheme is a trust-based arrangement offering members a range of investments. All assets are held independently from the Group. The Group also operates a small unfunded arrangement in the UK.

25. Employee benefits continued

Overseas schemes

The countries where the Group operates the most significant defined benefit post-retirement arrangements are:

- France – various mandatory retirement indemnities, post-retirement medical plans and jubilee arrangements (benefits paid to employees after completion of a certain number of years of service), the majority of which are determined by the applicable Collective Bargaining Agreement;
- Belgium – liabilities with respect to non-contributory defined benefit and cash balance retirement plans, as well as unfunded jubilee arrangements. The defined benefit plan is closed to new employees, although active members continue to accrue benefits;
- Switzerland – a contributory defined benefit pension scheme providing pensions and lump sum benefits to members and dependants;
- Italy – mandatory end-of-service lump sum benefits in respect of pre-2007 service;
- Portugal – defined benefit pensions plan with a fund that guarantees a payment of a pension supplement to all retired employees and pensioners who were receiving pension benefit from the fund on 13 July 2007; and
- Germany – jubilee arrangements and non-contributory defined benefit pension schemes.

In general, local trustees or similar bodies manage the post-retirement and medical plans in accordance with local regulations.

Overseas schemes expose the Group to risks such as longevity risk, currency risk, inflation risk, interest rate risk, investment risk, life expectancy risk and healthcare cost risk. Actions taken by the local regulator, or changes to legislation, could result in stronger local funding requirements for pension schemes, which could affect the Group's future cash flow.

Movements in the liability for employee benefit plans' obligations recognised in the consolidated statement of financial position

	2022 £m	2021 £m
Schemes' liabilities at beginning of the year	**(1,353)**	(1,363)
Divestments	**1**	–
Interest cost	**(26)**	(20)
Service cost recognised in the consolidated income statement	**(5)**	(5)
Member contributions	**(1)**	(1)
Settlement/curtailment	**–**	13
Pension payments	**50**	50
Unfunded benefits paid	**6**	10
Actuarial gain/(losses) – financial assumptions	**121**	(47)
Actuarial gains – experience	**6**	13
Actuarial losses – demographic	**(2)**	(5)
Currency translation	**4**	2
Schemes' liabilities at end of the year	**(1,199)**	(1,353)

Notes to the consolidated financial statements (continued)

25. Employee benefits continued

Movements in the fair value of employee benefit plans' assets recognised in the consolidated statement of financial position

	2022 £m	2021 £m
Schemes' assets at beginning of the year	**1,178**	1,164
Employer contributions	**21**	20
Member contributions	**1**	1
Interest income	**23**	18
Actuarial (losses)/ gains	**(57)**	34
Pension payments	**(51)**	(50)
Currency translation	**(2)**	(1)
Assets utilised in scheme settlement/curtailment	**-**	(8)
Schemes' assets at end of the year	**1,113**	1,178

Durations and expected payment profile

The following table provides information on the distribution of the timing of expected benefit payments for the Group Scheme:

At 30 April 2022	Within 5 years £m	6 to 10 years £m	11 to 20 years £m	21 to 30 years £m	31 to 40 years £m	41 to 50 years £m	Over 50 years £m
Projected benefit payments	**219**	**245**	**468**	**340**	**189**	**64**	**11**

The weighted average duration for the Group Scheme is 14 years.

The Group made agreed contributions of £20m to fund the UK Group Scheme in 2021/22 (2020/21: £19m). The Group's current best estimate of contributions expected to be made to the Group Scheme in the year ending 30 April 2023 will be approximately £20m. A charge over four UK Packaging properties has been made as security for the unfunded arrangement in the UK, the liability for which totals £6m.

Significant actuarial assumptions

Principal actuarial assumptions for the Group Scheme are as follows:

	2022	2021
Discount rate for scheme liabilities	**3.1%**	2.0%
Inflation	**3.2%**	2.7%
Pre-retirement pension increases	**2.5%**	2.2%
Future pension increases for pre 30 April 2005 service	**3.1%**	2.7%
Future pension increases for post 30 April 2005 service	**2.2%**	2.0%

For overseas arrangements, the weighted average actuarial assumptions are at an average discount rate of 2.0% (30 April 2021: 1.0%) and an inflation rate of 2.9% (30 April 2021: 1.7%).

25. Employee benefits continued

During the prior year, the UKSA's publication on the future of the RPI assumption base had the effect of lowering the RPI assumption by 1% per annum in the short term and the post-2030 assumption is that the RPI/CPI gap falls to zero. Assumptions regarding future mortality experience are set based on actuarial advice and in accordance with the relevant standard mortality tables in each country. For the Group Scheme at 30 April, the mortality base table used is SAPS 3 (year of birth), with CMI 2019 projections with a 1.25% per annum long-term rate of improvement used for future longevity improvement. At 30 April 2021 the mortality base table used was SAPS 3 (year of birth), with CMI 2019 projections with a 1.25% per annum long-term rate of improvement used for future longevity improvement. As part of the UK Group Scheme actuarial valuation exercise the projected life expectancies were as follows:

	2022		2021	
	Male	Female	Male	Female
Life expectancy at age 65				
Member currently aged 65	**21.3**	**23.5**	21.2	23.4
Member currently aged 45	**22.3**	**25.1**	22.2	25.0

Sensitivity analysis

The sensitivity of the liabilities in the Group Scheme to each significant actuarial assumption is summarised in the following table, showing the impact on the defined benefit obligation if each assumption is altered by the amount specified in isolation, whilst assuming that all other variables remain the same. In practice, this approach is not necessarily realistic since some assumptions are related. This sensitivity analysis applies to the defined benefit obligation only and not to the net defined benefit pension liability, the measurement of which depends on a number of factors including the fair value of plan assets.

	Increase in pension liability £m
0.5% decrease in discount rate	**(79)**
0.5% increase in inflation	**(59)**
Pre-retirement pension increases	**(21)**
0.5% CPI 5% on pre 30 April 2005 service	**(41)**
0.5% CPI 2.5% on post 30 April 2005 service	**(4)**
1 year increase in life expectancy	**(40)**

Expense recognised in the consolidated income statement

	Total	
	2022 £m	2021 £m
Post-retirement benefits current service cost	**(5)**	(5)
Total service cost	**(5)**	(5)
Net interest cost on net pension liability	**(2)**	(2)
Pension Protection Fund levy	**(1)**	(1)
Employment benefit net finance expense	**(3)**	(3)
Total expense recognised in the consolidated income statement	**(8)**	(8)

Items recognised in other comprehensive income

Remeasurement of defined benefit obligation	**125**	(39)
Return on plan assets excluding amounts included in employment benefit net finance expense	**(57)**	34
Total gains/(losses) recognised in other comprehensive income	**68**	(5)

Notes to the consolidated financial statements (continued)

26. Share-based payment expense

The Group's share-based payment arrangements are as follows:

(i) A Performance Share Plan (PSP). Awards under the PSP normally become exercisable after three years subject to remaining in service and the satisfaction of performance conditions measured over the three financial years commencing with the year of grant. Awards have been made under the PSP annually since 2008, originally based on the following performance measures, in the proportions shown below:

i. the Company's total shareholder return (TSR) compared to the constituents of the Industrial Goods and Services Supersector within the FTSE 250;

ii. average adjusted earnings per share (EPS); and

iii. average adjusted return on average capital employed (ROACE).

Awards made in 2016 are subject to three performance measures:

i. 33.3% of each award based on a TSR component;

ii. 33.3% of each award based on average adjusted EPS; and

iii. 33.3% of each award based on average adjusted ROACE.

Awards made from 2017 are subject to either two performance measures or to three performance measures:

(a) Two performance measures:

i. 50% of each award based on average adjusted EPS; and

ii. 50% of each award based on average adjusted ROACE.

(b) Three performance measures:

i. 33.3% of each award based on a TSR component;

ii. 33.3% of each award based on average adjusted EPS; and

iii. 33.3% of each award based on average adjusted ROACE.

The awards granted in 2016 and 2017 have vested but have not yet been fully exercised.

(ii) A Deferred Share Bonus Plan (DSBP) is operated for Executive Directors and, from 2012/13, for senior executives. Shares awarded under the Plan will vest automatically if the Director or senior executive is still employed by the Company three years after the grant of the award.

(iii) An international Sharesave Plan was introduced in January 2014 with further invitations being made in subsequent years. All employees of the Company and participating subsidiaries were eligible to participate in this Plan or an HMRC approved UK Sharesave Plan. Options are granted to participants who have contracted to save up to a maximum of £250 (or local currency equivalent) across all open invitations per month over a period of three years, at a discount of up to 20% to the average closing mid-market price of a DS Smith Plc ordinary share on the three dealing days prior to invitation. Options cannot normally be exercised until a minimum of three years has elapsed. In common with most plans of this type there are no performance conditions applicable to options granted under this Plan. The provisions of this Plan are subject to minor country specific variances. In France, the option price is discounted by up to 20% of the 20-day average up to the day before grant date. A standard US Stock Purchase Plan, was introduced in January 2014 with further invitations in subsequent years. US employees of the Group are eligible to participate in this Plan. Options are granted to participants who have contracted to save up to the local currency equivalent of £250 per month over a period of two years at a discount of up to 15% to the higher of the mid-market average price on the day before invitation and the mid-market average on the day before grant of a DS Smith Plc ordinary share. Options cannot normally be exercised until a minimum of two years has elapsed.

26. Share-based payment expense continued

Further details of the awards described in (i), (ii), and (iii) are set out in the Remuneration Committee report.

Options outstanding and exercisable under share arrangements at 30 April 2022 were:

	Options outstanding				Options exercisable	
	Number of shares	Option price range (p)	Weighted average remaining contract life (years)	Weighted average exercise price (p)	Number exercisable	Weighted average exercise price (p)
Performance Share Plan	8,965,026	Nil	1.4	Nil	79,306	Nil
Deferred Share Bonus Plan	1,346,196	Nil	1.1	Nil	86,221	Nil
Sharesave Plan	12,964,878	269.0 – 412.0	1.1	308.8	5,320,903	290.0

The effect on earnings per share of potentially dilutive shares issuable under share-based payment arrangements is shown in note 8.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Performance Share Plan		Deferred Share Bonus Plan		Sharesave plan	
2022	**Weighted average exercise price (p)**	**Options ('000s)**	**Weighted average exercise price (p)**	**Options ('000s)**	**Weighted average exercise price (p)**	**Options ('000s)**
At 1 May 2021	Nil	8,878	Nil	4,669	317.4	15,538
Granted	Nil	2,849	Nil	645	316.0	2,756
Exercised	Nil	(537)	Nil	(3,641)	370.5	(808)
Lapsed	Nil	(2,225)	Nil	(327)	331.7	(4,521)
At 30 April 2022	**Nil**	**8,965**	**Nil**	**1,346**	**308.8**	**12,965**
Exercisable at 30 April 2022	**Nil**	**79**	**Nil**	**86**	**290.0**	**5,321**

	Performance Share Plan		Deferred Share Bonus plan		Sharesave plan	
2021	Weighted average exercise price (p)	Options ('000s)	Weighted average exercise price (p)	Options ('000s)	Weighted average exercise price (p)	Options ('000s)
At 1 May 2020	Nil	7,634	Nil	1,790	313.8	10,593
Granted	Nil	3,757	Nil	3,267	325.0	4,972
Exercised	Nil	(525)	Nil	(151)	370.5	(808)
Lapsed	Nil	(2,040)	Nil	(243)	331.8	(4,490)
At 30 April 2021	Nil	8,826	Nil	4,663	306.9	10,267
Exercisable at 30 April 2021	Nil	610	Nil	303	411.6	878

The average share price of the Company during the financial year was 390.9 pence (2020/21: 337.7 pence).

The fair value of awards granted in the period relates to the PSP and DSBP schemes.

The fair value of the PSP award granted during the year, determined using the stochastic (Monte Carlo) valuation model, was £11m. The significant inputs into the model were: a share price of 409.6p for the PSP at the grant date; the exercise prices shown above; an expected volatility of the share price of 35.4%; the scheme life disclosed above; a risk-free interest rate of -0.15% and an expected dividend yield of 0.94%. The volatility of share price returns is calculated over the period of time commensurate with the remainder of the performance period immediately prior to the date of grant.

The total charge for the year relating to share-based payments recognised as personnel expenses was £10m (2020/21: £9m).

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Notes to the consolidated financial statements (continued)

27. Cash generated from operations

Continuing operations	2022 £m	2021 £m
Profit for the year	**280**	182
Adjustments for:		
Pre-tax integration costs and other adjusting items	**37**	44
Amortisation of intangible assets; acquisitions and divestments	**136**	147
Cash outflow for adjusting items	**(13)**	(48)
Depreciation	**290**	304
(Profit)/loss on sale of non-current assets	**(1)**	2
Share of profit of equity accounted investments, net of tax	**(7)**	(5)
Employment benefit net finance expense	**3**	3
Share-based payment expense	**10**	9
Finance income	**(1)**	(1)
Finance costs	**70**	83
Other non-cash items	**(17)**	(6)
Income tax expense	**98**	49
Change in provisions	**-**	(9)
Change in employee benefits	**(21)**	(32)
Cash generation before working capital movement	**864**	722
Changes in:		
Inventories	**(200)**	(28)
Trade and other receivables	**(449)**	(75)
Trade and other payables	**864**	276
Working capital movement	**215**	173
Cash generated from continuing operations	**1,079**	895

28. Reconciliation of net cash flow to movement in net debt

	2022 £m	2021 £m
Profit for the year	**280**	182
Income tax expense	**98**	49
Share of profit of equity accounted investments, net of tax	**(7)**	(5)
Net financing costs	**72**	85
Amortisation of intangible assets; acquisitions and divestments	**136**	147
Pre-tax integration costs and other adjusting items	**37**	44
Adjusted operating profit	**616**	502
Depreciation	**290**	304
Adjusted EBITDA	**906**	806
Working capital movement	**215**	173
Change in provisions	**-**	(9)
Change in employee benefits	**(21)**	(32)
Other	**(8)**	5
Cash generated from operations before adjusting cash items	**1,092**	943
Capital expenditure	**(431)**	(331)
Proceeds from sale of property, plant and equipment and other investments	**16**	8
Tax paid	**(96)**	(66)
Net interest paid	**(62)**	(68)
Free cash flow	**519**	486
Cash outflow for adjusting items	**(13)**	(48)
Dividends paid	**(166)**	-
Acquisition of subsidiary businesses, net of cash and cash equivalents	**(23)**	(90)
Divestment of subsidiary businesses, net of cash and cash equivalents	**35**	16
Other	**(19)**	2
Net cash flow	**333**	366
Proceeds from issue of share capital	**7**	3
Borrowings and lease liabilities divested	**1**	3
Net movement on debt	**341**	372
Foreign exchange, fair value and other non-cash movements (note 18)	**(30)**	(56)
Net debt movement - continuing operations	**311**	316
Net debt movement - discontinued operation (note 30(b))	**-**	(10)
Opening net debt	**(1,795)**	(2,101)
Closing net debt - reported basis	**(1,484)**	(1,795)

Adjusted operating profit, adjusted EBITDA, free cash flow, and net debt are non-GAAP measures not defined by IFRS. Further detail on the use of non-GAAP measures is included in note 32.

Notes to the consolidated financial statements (continued)

29. Capital commitments and contingencies

At 30 April 2022, the Group had committed to incur capital expenditure of £186m (30 April 2021 £61m) relating primarily to the new Greenfield sites in Italy and Poland.

The Group is not subject to material litigation, but has a number of contingent liabilities that arise in the ordinary course of business on behalf of trading subsidiaries including, inter alia, intellectual property disputes and regulatory enquiries in areas such as health and safety, environmental, and anti-trust. No losses are anticipated to arise on these contingent liabilities.

30. Acquisitions and divestments

(a) 2021/22

In total, during the year ended 30 April 2022, cash consideration for acquisition of subsidiary businesses, net of cash and cash equivalents, was £23m. This included £19m for the remainder of the consideration for the purchase of a further 10% stake in Interstate Resources on 26 June 2020 after the exercise of a portion of the put option held by the sellers. Remaining acquisitions are not material to the Group individually or in aggregate.

On 12 October 2021 the Group sold the De Hoop paper mill in the Netherlands. Cash consideration, net of cash and cash equivalents and transaction costs, was £35m and net assets divested were £28m, resulting in a net gain of £7m. In addition, there was also £4m of site disposal costs.

2020/21

On 26 June 2020, the purchase of a further 10% stake in Interstate Resources was completed after the exercise of a portion of the put option held by the sellers. Of the £106m consideration, £82m was paid in cash, with, by agreement, the remainder deferred to October 2022. The final 10% stake remains subject to the put option. As a substantial shareholder of the Group, the seller met the definition of a related party (note 17).

In total, during the year ended 30 April 2021, cash consideration for acquisition of subsidiary businesses, net of cash and cash equivalents, was £90m, and borrowings acquired, including deposits, were £nil. Apart from the acquisition of the 10% stake in Interstate Resources, the remaining acquisitions are not material to the Group individually or in aggregate.

On 11 December 2020, the Group sold the New England sheets business in North America. Cash consideration, net of cash and cash equivalents, was £16m, and leases divested were £3m.

A deferred tax asset of £9m arose in respect of tax losses on the disposal of the Plastics business and was recognised in discontinued operations.

(b) Plastics division

On 27 February 2020, the sale of the Group's Plastics division to Olympus Partners and its affiliate Liqui-Box Holdings was completed.

Plastics principally comprised flexible packaging and dispensing solutions, extruded and injection moulded products and foam products.

The Plastics segment has been classified as a discontinued operation as disclosed in note 1(a)(ii). The consolidated income statement presents the Plastics segment as a discontinued operation with a single line amount of profit from discontinued operation, net of tax. The consolidated statement of cash flows presents a single amount of net cash flow from discontinued operations.

Consolidated income statement – discontinued operations

	Year ended 30 April 2022 £m	Year ended 30 April 2021 £m
Revenue	–	–
Operating costs	–	–
Operating profit before amortisation and adjusting items	–	–
Amortisation of intangible assets	–	–
Profit on disposal before tax	–	3
Other pre-tax adjusting items	–	–
Net finance cost	–	–
Profit before income tax	–	3
Income tax credit/(expense)	–	9
Profit for the year from discontinued operations	–	12

In 2020/21 a deferred tax asset of £9m in respect of tax losses arising on the disposal of the Plastics business and £9m was recognised in discontinued operations.

30. Acquisitions and divestments continued

Basic earnings per share from discontinued operations

	2022	2021
Profit from discontinued operations attributable to ordinary shareholders	–	£12m
Weighted average number of ordinary shares	**1,374m**	1,371m
Basic earnings per share	–	0.9p

Diluted earnings per share from discontinued operations

	2022	2021
Profit from discontinued operations attributable to ordinary shareholders	–	£12m
Weighted average number of ordinary shares	**1,374m**	1,371m
Potentially dilutive shares issuable under share-based payment arrangement	**8m**	6m
Weighted average number of ordinary shares (diluted)	**1,382m**	1,377m
Diluted earnings per share	–	0.9p

The number of shares excludes the weighted average number of the Company's own shares held as treasury shares during the year of 2m (2020/21: 1m).

Adjusted earnings per share from discontinued operations

Further detail about the use of non-GAAP performance measures is given in note 32.

A reconciliation of basic to adjusted earnings per share from discontinued operations is as follows:

	2022			2021		
	£m	**Basic – pence per share**	**Diluted – pence per share**	£m	Basic – pence per share	Diluted – pence per share
Basic earnings from discontinued operations	–	–	–	12	0.9p	0.9p
Add back:						
Adjusting items, before tax	–	–	–	(3)	(0.2p)	(0.2p)
Tax on adjusting items and adjusting tax items	–	–	–	(9)	(0.7p)	(0.7p)
Adjusted earnings from discontinued operations	–	–	–	–	–	–

Cash flows used in discontinued operations

	Year ended 30 April 2022 £m	Year ended 30 April 2021 £m
Net cash used in investing activities	–	(10)
Net cash flows for the year	–	(10)

(c) Other 2021/22 acquisitions and divestments

The Group incurred acquisition related costs of £1m (2020/21: £2m), primarily related to professional advisory, legal and consultancy fees and contractual deferred consideration payments on prior year acquisitions.

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Notes to the consolidated financial statements (continued)

31. Related parties

Identity of related parties

In the normal course of business, the Group undertakes a wide variety of transactions between its subsidiaries and equity accounted investments.

The key management personnel of the Company comprise the Chair, Executive Directors and Non-Executive Directors. The compensation of key management personnel can be found in the single total figure remuneration table in the Remuneration Committee report. Certain key management personnel also participate in the Group's share-based incentive programme (note 26). Included within the share-based payment expense, and detailed in the Remuneration Committee report, is a charge of £1m (2020/21: £1m) relating to key management personnel.

Transactions with pension trustees are disclosed in note 25.

Other related party transactions

	2022 £m	2021 £m
Sales to equity accounted investees	**21**	16
Sales to other investees	**-**	6
Purchases from equity accounted investees	**25**	18
Purchases from other investees	**-**	5

32. Non-GAAP performance measures

The Group presents reported and adjusted financial information in order to provide shareholders with additional information to further understand the Group's operational performance and financial position.

The principal adjustments to financial information are made to exclude the effects of adjusting items (refer to note 4) and amortisation.

Total reported financial information represents the Group's overall performance and financial position, but can contain significant unusual or non-operational items that may obscure understanding of the key trends and position. These unusual or non-operational items include business disposals, restructuring and project costs, acquisition-related and integration costs, and impairments. Restructuring items treated as adjusting items are major programmes usually spanning more than one year, with uneven impact on the profit and loss for those years affected. Other adjusting items, such as business disposals, impairments, integration and acquisition costs, are by nature either highly variable or can also have a similar distorting effect. Therefore, the Directors consider that presenting non-GAAP measures which exclude adjusting items enables comparability of the recurring core business, complementing the IFRS measures presented.

Amortisation relates primarily to customer contracts and relationships and infrastructure optimisation projects arising from or as a result of business combinations. Significant costs are incurred in maintaining, developing and increasing the value of such intangibles, costs which are charged in determining adjusted profit. Exclusion of amortisation remedies this double count as well as, in the case of customer contracts and relationships, providing comparability over the accounting treatment of customer contracts and relationships arising from the acquisition of businesses and those generated internally.

The Group's key non-GAAP measures are used both internally and externally to evaluate business performance against the Group's KPIs and banking and debt covenants, as a key constituent of the Group's planning process, as well as comprising targets against which compensation is determined.

Certain non-GAAP performance measures can be, and are, reconciled to information presented in the financial statements. Other financial key performance measures are calculated using information which is not presented in the financial statements and is based on, for example, average 12-month balances or average exchange rates.

Unlike other of the Group's non-GAAP performance measures, net debt and net debt/EBITDA remain calculated under the previous standard, IAS 17 *Leases*, because they are calculated in accordance with the Group's banking covenant requirements which remain on the previous GAAP basis. As such, for net debt and net debt/EBITDA, the reconciliation for the non-GAAP performance measure below has been expanded to show the calculation to return the non-GAAP performance measure to the IAS 17 basis.

32. Non-GAAP performance measures continued

Key non-GAAP performance measures

The key non-GAAP performance measures used by the Group and their calculation methods are as follows:

Adjusted operating profit

Adjusted operating profit is operating profit excluding the pre-tax effects of both amortisation and adjusting items. Adjusting items include business divestment gains and losses, restructuring and acquisition related and integration costs and impairments.

A reconciliation between reported and adjusted operating profit is set out on the face of the consolidated income statement.

Operating profit before adjusting items

A reconciliation between operating profit and operating profit before adjusting items is set out on the face of the consolidated income statement.

Other similar profit measures before adjusting items are quoted, such as profit before income tax and adjusting items, and are directly derived from the consolidated income statement, from which they can be directly reconciled.

Adjusted EBITDA

Earnings before interest, tax, depreciation and amortisation (Adjusted EBITDA) is adjusted operating profit excluding depreciation. A reconciliation from adjusted operating profit to adjusted EBITDA is provided in note 28.

Adjusted earnings per share

Adjusted earnings per share is basic earnings per share adjusted to exclude the post-tax effects of adjusting items and amortisation. Adjusted earnings per share is a key performance measure for management long-term remuneration and is widely used by the Group's shareholders.

A reconciliation between basic and adjusted earnings per share is provided in note 8.

Return on sales

Return on sales is adjusted operating profit measured as a percentage of revenue. Return on sales is used to measure the value we deliver to customers and the Group's ability to charge for that value.

	2022 £m	2021 £m
Adjusted operating profit	**616**	502
Revenue	**7,241**	5,976
Return on sales	**8.5%**	8.4%

Adjusted return on average capital employed (ROACE)

ROACE is the last 12 months' adjusted operating profit as a percentage of the average monthly capital employed over the previous 12 month period. Capital employed is the sum of property, plant and equipment, right-of-use assets, goodwill and intangible assets, working capital, capital debtors/creditors, provisions, biological assets and assets/liabilities held for sale. Assets and liabilities relating to discontinued operations are excluded.

	2022 £m	2021 £m
Capital employed at 30 April	**5,578**	5,728
Currency inter-month and acquisition/divestment movements	**113**	394
Last 12 months' average capital employed	**5,691**	6,122
Last 12 months' adjusted operating profit	**616**	502
Adjusted return on average capital employed	**10.8%**	8.2%

Notes to the consolidated financial statements (continued)

32. Non-GAAP performance measures continued

Net debt and net debt/EBITDA

Net debt is the measure by which the Group assesses its level of overall indebtedness within its financial position. The components of net debt as they reconcile to the primary financial statements and notes to the accounts are disclosed in note 18.

Net debt/EBITDA is the ratio of net debt to adjusted EBITDA, calculated in accordance with the Group's banking covenant requirements.

Net debt/EBITDA is considered a key measure of balance sheet strength and financial stability by which the Group assesses its financial position.

The Group's banking covenant requirements currently exclude IFRS 16 liabilities from the definition of net debt, as well as requiring that EBITDA is calculated before the effects of IFRS 16, so an adjustment to the previous IAS 17 basis is made in the calculation.

In calculating the ratio, net debt is stated at average rates as opposed to closing rates, and adjusted EBITDA is adjusted operating profit before depreciation from the previous 12 month period adjusted for the full year effect of acquisitions and divestments in the period, and to adjust to an IAS 17 basis.

	2022 £m	2021 £m
Net debt – reported basis (see note 18)	**1,484**	1,795
IFRS 16 lease liabilities (see note 18)	**(201)**	(227)
Adjustment to average rate	**13**	38
Net debt – adjusted basis	**1,296**	1,606
Adjusted EBITDA – last 12 months' reported basis (continuing operations)	**906**	806
Adjust to IAS 17 basis	**(78)**	(82)
Acquisition and divestment effects	**(7)**	2
Adjusted EBITDA – banking covenant basis	**821**	726
Net debt/EBITDA	**1.6x**	2.2x

Free cash flow

Free cash flow is the net movement on debt before cash outflow for adjusting items, dividends paid, acquisition and divestment of subsidiary businesses (including borrowings acquired), and proceeds from issue of share capital.

A reconciliation from Adjusted EBITDA to free cash flow is set out in note 28.

Cash conversion

Cash conversion is free cash flow, as defined above, adjusted to exclude tax, net interest, growth capital expenditure and pension payments as a percentage of adjusted operating profit and can be derived directly from note 28, other than growth capital expenditure, which is capital expenditure necessary for the development or expansion of the business as follows:

	2022 £m	2021 £m
Growth capital expenditure	**176**	100
Non-growth capital expenditure	**255**	231
Total capital expenditure (note 28)	**431**	331
Free cash flow (note 28)	**519**	486
Tax paid (note 28)	**96**	66
Net interest paid (note 28)	**62**	68
Growth capital expenditure	**176**	100
Change in employee benefits (note 28)	**21**	32
Adjusted free cash flow	**874**	752
Adjusted operating profit	**616**	502
Cash conversion	**142%**	150%

32. Non-GAAP performance measures continued

Average working capital to sales

Average working capital to sales measures the level of investment the Group makes in working capital to conduct its operations. It is measured by comparing the monthly working capital balances for the previous 12 months as a percentage of revenue over the same period. Working capital is the sum of inventories, trade and other receivables, and trade and other payables, excluding capital and acquisition and divestment related debtors and creditors.

	2022 £m	2021 £m
Inventories (note 15)	**703**	537
Trade and other receivables	**1,189**	786
Trade and other payables	**(2,372)**	(1,669)
Inter-month movements and exclusion of capital and acquisition and divestment related items	**241**	236
Last 12 months' average working capital	**(239)**	(110)
Last 12 months' revenue	**7,241**	5,976
Average working capital to sales	**(3.3%)**	(1.8%)

Constant currency and organic growth

The Group presents commentary on both reported and constant currency revenue and adjusted operating profit comparatives in order to explain the impact of exchange rates on the Group's key income statement items. Constant currency comparatives recalculate the prior year revenue and adjusted operating profit as if they had been generated using the current year exchange rates. In addition, the Group then separates the incremental effects of acquisitions and disposals made in the current year, and the incremental effects of acquisitions and disposals made in the previous year, to determine underlying organic growth. The table below shows the calculations:

	Revenue £m	Adjusted operating profit £m
Reported basis – comparative year ended 30 April 2021	**5,976**	**502**
Currency effects	**(240)**	**(23)**
Constant currency basis – comparative year ended 30 April 2021	**5,736**	**479**
Organic growth	**1,505**	**137**
Reported basis – year ended 30 April 2022	**7,241**	**616**

Dividend cover

Dividend cover is adjusted earnings per share divided by the total dividend for the year.

	2022	2021
Adjusted earnings per share	**30.7p**	24.2p
Total dividend	**15.0p**	12.1p
Dividend cover	**2.0x**	2.0x

Notes to the consolidated financial statements (continued)

33. DS Smith Group companies

The Group's ultimate parent Company is DS Smith Plc.

Group companies are grouped by the countries in which they are incorporated or registered. Unless otherwise noted, the undertakings below are wholly-owned and consolidated by DS Smith and the share capital held comprises ordinary or common shares which are held by Group subsidiaries. Principal companies are identified in **orange**.

Fully owned subsidiaries	Notes
Argentina	
Total Marketing Support Argentina SA	AR1
Australia	
Total Marketing Support Pacific Pty Ltd	AU1
Austria	
DS Smith Austria Holdings GmbH	AT1
DS Smith Packaging Austria Beteiligungsverwaltungs GmbH	AT1
DS Smith Packaging Austria GmbH	AT2
DS Smith Packaging South East GmbH	AT1
Belgium	
DS Smith Packaging Belgium N.V.	BE1
DS Smith Packaging Marketing N.V.	BE2
Bolivia	
Total MarketingSupport Bolivia S.A.	BO1
Bosnia & Herzegovina	
DS Smith Packaging BH d.o.o. Sarajevo	BA1
DS Smith Recycling Bosnia d.o.o.	BA2
Brazil	
Total Marketing Support Brazil Ltda	BR1
Bulgaria	
DS Smith Bulgaria S.A.	BG1
Canada	
TMS Canada 360 Inc.	CA1
Chile	
Total Marketing Support Chile SpA	CL1
China	
DS Smith Shanghai Trading Ltd	CN1
TMS Shanghai Trading Ltd	CN2
Colombia	
Total Marketing Support Colombia S A S	CO1
Croatia	
Bilokalnik-IPA d.d.	e, HR1
DS Smith Belišće Croatia d.o.o.	HR2
DS Smith Unijapapir Croatia d.o.o.	HR3
Czech Republic	
DS Smith Packaging Czech Republic s.r.o.	CZ1
DS Smith Triss s.r.o.	CZ2
Denmark	
DS Smith Packaging Denmark A/S	DK1
Ecuador	
Total Marketing Support Ecuador TM-EC C.L.	EC1
Egypt	
TMS Egypt LLC	EG1
Estonia	
DS Smith Packaging Estonia AS	EE1

	Notes
Finland	
DS Smith Packaging Baltic Holding Oy	FI1
DS Smith Packaging Finland Oy	FI1
DS Smith Packaging Pakkausjaloste Oy	FI2
Eastpac Oy	FI1
France	
DS Smith France	FR1
DS Smith Hêtre Blanc	FR2
DS Smith Packaging Ales	FR3
DS Smith Packaging Anjou	FR2
DS Smith Packaging Atlantique	FR2
DS Smith Packaging Bretagne	FR4
DS Smith Packaging C.E.R.A.	FR5
DS Smith Packaging Consumer	FR2
DS Smith Packaging Contoire-Hamel	FR6
DS Smith Packaging Display and Services	FR2
DS Smith Packaging DPF	FR7
DS Smith Packaging Durtal	FR8
DS Smith Packaging Fegersheim	FR9
DS Smith Packaging France	FR2
DS Smith Packaging Kaypac	FR10
DS Smith Packaging Larousse	FR11
DS Smith Packaging Mehun-CIM	FR12
DS Smith Packaging Nord Est	FR1
DS Smith Packaging Premium	FR13
DS Smith Packaging Savoie	FR14
DS Smith Packaging Seine Normandie	FR15
DS Smith Packaging Sud Est	FR16
DS Smith Packaging Sud Ouest	FR13
DS Smith Packaging Systems	FR17
DS Smith Packaging Velin	FR18
DS Smith Packaging Vervins	FR2
DS Smith Paper Coullons	FR19
DS Smith Paper Kaysersberg	FR20
DS Smith Paper Rouen	FR15
DS Smith Recycling France	FR21
Rowlandson France	FR1
Tecnicartón France	FR22
Germany	
Bretschneider Verpackungen GmbH	h, DE2
Delta Packaging Services GmbH	DE6
DS Smith Packaging Arenshausen Mivepa GmbH	DE3
DS Smith Packaging Arnstadt GmbH	DE1
DS Smith Packaging Beteiligungen GmbH	DE8
DS Smith Packaging Deutschland Stiftung	DE5
DS Smith Packaging Deutschland Stiftung & Co KG	DE8

	Notes
DS Smith Paper Deutschland GmbH	DE7
DS Smith Recycling Deutschland GmbH	DE4
DS Smith Stange B.V. & Co. KG	DE8
DS Smith Transport Services GmbH	DE7
Greece	
DS Smith Cretan Hellas S.A.	GR1
DS Smith Hellas S.A.	GR2
Guatemala	
TMS Global Guatemala, Sociedad Anonima	GT1
Honduras	
Total Marketing Support Honduras, S.A.	HN1
Hong Kong	
The Less Packaging Company (Asia) Limited	HK1
Hungary	
DS Smith Packaging Hungary Kft.	HU2
Merpas Hungary Kft.	i, HU1
India	
The Less Packaging Company (India) Private Limited	IN1
Total Marketing Support India Private Limited	IN2
Indonesia	
PT Total Marketing Support Indonesia	ID1
Ireland	
DS Smith Ireland Treasury Designated Activity Company	IR1
DS Smith Recycling Ireland Limited	IR2
Italy	
DS Smith Holding Italia SpA	IT3
DS Smith Packaging Italia SpA	IT3
DS Smith Paper Italia Srl	IT3
DS Smith Recycling Italia Srl	IT2
Toscana Ondulati SpA	IT1
Japan	
Total Marketing Support Japan Ltd	JP1
Kazakhstan	
Total Marketing Support Kazakhstan L.L.P.	KZ1
Latvia	
SIA DS Smith Packaging Latvia	LV1
Lithuania	
UAB DS Smith Packaging Lithuania	LT1
Luxembourg	
DS Smith (Luxembourg) S.à r.l.	LU1
DS Smith Perch Luxembourg S.à r.l.	LU1
DS Smith Re S.A.	LU1
Malaysia	
Total Marketing Support (360) Malaysia Sdn. Bhd.	MY1

33. DS Smith Group companies continued

Fully owned subsidiaries continued	Notes
Mexico	
Total Marketing Support 360 Mexico S.A de C.V	MX1
Morocco	
Tecnicartón Tánger S.a.r.l. AU	MA1
Netherlands	
David S. Smith (Netherlands) B.V.	NL2
DS Smith (Holdings) B.V.	ER
DS Smith Baars B.V.	DE8
DS Smith De Hoop Holding B.V.	NL2
DS Smith Finance B.V.	NL2
DS Smith Hellas Netherlands B.V.	NL2
DS Smith Italy B.V.	ER
DS Smith Packaging Almelo B.V.	NL1
DS Smith Packaging Barneveld B.V.	NL3
DS Smith Packaging Belita B.V.	NL2
DS Smith Packaging Holding B.V.	NL2
DS Smith Packaging International B.V.	NL2
DS Smith Packaging Netherlands B.V.	NL2
DS Smith Packaging Tilburg B.V.	NL5
DS Smith Recycling Benelux B.V.	NL2
DS Smith Recycling Holding B.V.	NL2
DS Smith Salm B.V.	NL2
DS Smith Toppositie B.V.	NL2
Nicaragua	
Total Marketing Support Nicaragua, Sociedad Anonima	NI1
Nigeria	
Total Marketing Support 360 Nigeria Limited	NG1
North Macedonia	
DS Smith AD Skopje	f, MK1
Pakistan	
TMS Pakistan (Private) Limited	PK1
Philippines	
Total Marketing Support Philippines, Inc	PH1
Poland	
DS Smith Packaging sp. z o.o.	PL1
DS Smith Polska sp. z o.o.	PL1
Portugal	
DS Smith Displays P&I, S.A.	PT3
DS Smith Energia Viana, S.A.	PT8
DS Smith Packaging Portugal, S.A.	PT4
DS Smith Paper Viana, S.A.	PT8
DS Smith Portugal, SGPS, S.A.	PT8
DS Smith Recycling Portugal, S.A.	PT9
Lepe – Empresa Portuguesa de Embalagens, S.A.	PT2
Nova DS Smith Embalagem, S.A.	PT7
Tecnicartón Portugal Unipessoal Lda	PT1

	Notes
Romania	
DS Smith Packaging Ghimbav S.R.L.	c, RO1
DS Smith Packaging Romania S.R.L.	RO3
DS Smith Paper Zarnesti. S.R.L.	b, RO2
Russia	
Total Marketing Support Moscow	RU1
Serbia	
DS Smith Inos Papir Servis d.o.o.	RS1
DS Smith Packaging d.o.o. Kruševac	RS2
Papir Servis DP d.o.o.	RS4
Slovakia	
DS Smith Packaging Slovakia s.r.o.	SK1
DS Smith Turpak Obaly a.s.	d, SK2
Slovenia	
DS Smith Slovenija d.o.o.	SI1
South Africa	
TMS 360 SA (PTY) Ltd	ZA1
Spain	
Bertako S.L.U.	ES1
DS Smith Andorra S.A.	ES3
DS Smith Business Services S.L.U.	ES3
DS Smith Packaging Cartogal S.A.	ES10
DS Smith Packaging Dicesa S.A.	g, ES5
DS Smith Packaging Galicia S.A.	ES11
DS Smith Packaging Holding S.L.U.	ES3
DS Smith Packaging Lucena, S.L.	ES7
DS Smith Packaging Madrid S.L.	ES3
DS Smith Packaging Penedes S.A.U.	ES5
DS Smith Recycling Spain S.A.	ES2
DS Smith Spain, S.A.	ES4
Industria Cartonera Asturiana, S.A.	ES12
Tecnicartón, S.L.	ES8
Sweden	
DS Smith Packaging Sweden AB	SE1
DS Smith Packaging Sweden Holding AB	SE1
Switzerland	
DS Smith Packaging Switzerland AG	CH1
Turkey	
DS Smith Ambalaj A.Ş.	TR1
Total Marketing Support Turkey Baskı Yönetimi Hizmetleri A.Ş.	TR2
Ukraine	
Total Marketing Support Ukraine	UA1
United Arab Emirates	
Total Marketing Support Middle East DMCC	AE1
UK	
Abbey Corrugated Limited	ER
Ashton Corrugated	ER
Ashton Corrugated (Southern) Limited	ER
Avonbank Paper Disposal Limited	ER
Biber Paper Converting Limited	ER
Calara Holding Limited	ER
Conew Limited	ER

	Notes
Corrugated Products Limited	ER
David S. Smith Nominees Limited	ER
D.W. Plastics (UK) Limited	ER
DS Smith (UK) Limited	ER
DS Smith America (UK) LLP	ER
DS Smith Business Services Limited	ER
The DS Smith Charitable Foundation	ER
DS Smith Corrugated Packaging Limited	ER
DS Smith Display Holding Limited	ER
DS Smith Dormant Five Limited	ER
DS Smith Euro Finance Limited	ER
DS Smith Europe Limited	ER
DS Smith Finco Limited	a, ER
DS Smith Haddox Limited	ER
DS Smith Holdings Limited	a, ER
DS Smith International Limited	ER
DS Smith Italy Limited	ER
DS Smith Logistics Limited	ER
DS Smith Packaging Limited	ER
DS Smith Paper Limited	ER
DS Smith Pension Trustees Limited	ER
DS Smith Perch Limited	ER
DS Smith Recycling UK Limited	ER
DS Smith Roma Limited	ER
DS Smith Sudbrook Limited	ER
DS Smith Supplementary Life Cover Scheme Limited	ER
DS Smith Ukraine Limited	ER
DSS Eastern Europe Limited	ER
DSS Poznan Limited	ER
DSSH No. 1 Limited	ER
Grovehurst Energy Limited	ER
JDS Holding	ER
Miljoint Limited	ER
Multigraphics Holdings Limited	ER
Multigraphics Limited	ER
Multigraphics Services Limited	ER
Priory Packaging Limited	ER
Reed & Smith Limited	ER
St. Regis International Limited	ER
St. Regis Kemsley Limited	ER
St. Regis Paper Company Limited	ER
The Brand Compliance Company Limited	ER
The Less Packaging Company Limited	ER
TheBannerPeople.Com Limited	ER
TMS Global UK Limited	ER
Total Marketing Support Global Limited	ER
Total Marketing Support Limited	ER
Treforest Mill plc	ER
TRM Packaging Limited	ER
United Shopper Marketing Limited	ER
W. Rowlandson & Company Limited	ER
Waddington & Duval Limited	ER

Notes to the consolidated financial statements (continued)

33. DS Smith Group companies continued

Fully owned subsidiaries continued	Notes
USA	
Carolina Graphic Services LLC	US1
Cedarpak LLC	US3
CEMT Holdings Group LLC	US4
Corrugated Container Corporation	US13
Corrugated Container Corporation of Shenandoah Valley	US14
Corrugated Container Corporation of Tennessee	US15
Corrugated Supply, LLC	US4
Corrugated Supply, L.P.	US4
DS Smith Creative Solutions Inc.	US16
DS Smith Holdings, Inc.	US3
DS Smith Management Resources, Inc.	g,US3
DS Smith North America Recycling, LLC	US3
DS Smith North America Shared Services,LLC	US3
DS Smith Packaging-Holly Springs, LLC	US18
DS Smith Packaging-Lebanon, LLC	US17
DS Smith Packaging-Stream, LLC	US3
Evergreen Community Power LLC	US3
Interstate Container Columbia LLC	US6
Interstate Container New Castle LLC	US7
Interstate Container Reading LLC	US8
Interstate Corrpack LLC	US5
Interstate Holding, Inc.	US3
Interstate Mechanical Packaging LLC	US6
Interstate Paper LLC	US9
Interstate Realty Hialeah LLC	US3
Interstate Resources, Inc.	US3
Interstate Southern Packaging LLC	US10
Newport Timber LLC	US9
Phoenix Technology Holdings USA, Inc.	US3
RB Lumber Company LLC	US9
RFC Container LLC	US4
SouthCorr L.L.C.	US11
St. George Timberland Holdings, Inc.	US3
TMS America LLC	US19
United Corrstack LLC	US12
Uruguay	
Kozery S.A.	UY1

Associate entities	Notes
Austria	
ARO Holding GmbH	t,AT3
Croatia	
Hrvatski Radio Vapovština d.o.o.	q,HR4
Denmark	
Farusa Emballage AS	s,DK2
Italy	
Bertolin Imballaggi S.r.l.	o,IT4
Netherlands	
Stort Doonweg B.V.	i, NL4
Portugal	
Companhia Termica Do Serrado A.c.e.	m, PT5
Iberian Forest Fund - Fundo Especial de Investimento Imobiliario Florestal Fechado	l,PT6
Cartocer - Fabrica de Caixas de Cartao das Lezirias, Lda	n,PT10
Floresta Atlantica - Sociedade Gestora de Fundos de Investimento Imobiliario, S.A.	r,PT6
Serbia	
Papir Pet d.o.o.	i, RS3
Spain	
Cartonajes Cantabria, S.L.	l, ES6
Cartonajes Santander, S.L.	l, ES6
Euskocarton, S.L.	l, ES6
Cartonajes Mimo, S.L.	q, ES9
Logistica Integral de Packaging Zaragoza, S.A.	p,ES13
Ukraine	
Private Joint Stock Company "Rubizhanskiy Kartonno-Tarniy Kombinat"	j, UA2
USA	
Philcorr LLC	k, US2
PhilCorr Vineland LLC	k, US2

Ownership interest at 30 April 2022	
a	Directly held by DS Smith Plc
b	99.927% ownership interest
c	99.285% ownership interest
d	98.89% ownership interest
e	97.39% ownership interest
f	81.39% ownership interest
g	80% ownership interest
h	51% ownership interest
i	50% ownership interest
j	49.597% ownership interest
k	40% ownership interest
l	39.58% ownership interest
m	30% ownership interest
n	18% ownership interest
o	13.58% ownership interest
p	12.2% ownership interest
q	12% ownership interest
r	11.89% ownership interest
s	10% ownership interest
t	6.69% ownership interest

33. DS Smith Group companies continued

Registered offices	
ER	350 Euston Road, London, NW1 3AX, UK
AR1	Avenida Eduardo Madero 1020, 5th floor, Office "B", The City of Buenos Aires, Argentina
AU1	Vistra Australia Pty Ltd, Suite 902 Level 9, 146 Arthur Street, North Sydney NSW 2060, Australia
AT1	Friedrichstraße 10, 1010, Wien, Austria
AT2	Heidestrasse 15, 2433 Margarethen am Moos, Austria
AT3	Brucknerstrasse 8, 1041 Wien, Austria
BE1	New Orleansstraat 100, 9000 Gent, Belgium
BE2	Leonardo da Vincilaan 2, Corporate Village – Gebouw Gent 1831 Machelen-Diegem, Belgium
BO1	Santa Cruz de la Sierra – Calle Dr. Mariano Zambrana No 700 UV: S/N MZNO: S/N Zona: Oeste, Bolivia
BA1	Igmanska bb, Sarajevo, Vogošća, Bosnia and Herzegovina
BA2	Jovana Dučića br 25 A, Banja Luka, Bosnia and Herzegovina
BR1	Avenida Paulista no. 807, conjunto 810, Bela Vista, Cidade de Sao Paulo, Estado de Sao Paulo, CEP 01311-100, Brazil
BG1	Glavinitsa, 4400 Pazardzhik, Bulgaria
CA1	215-1673 Carling Avenue, Ottowa ON K2A 1C4, Canada
CL1	Santa Beatriz, 111. Of 1104. Providencia, Santiago de Chile, Chile
CN1	Room 05C, 3/F, No. 2 Building, Hongqiao Vanke Center, 988 Shenchang Road, Minhang district, 201107, Shanghai, China
CN2	R919, 9/F, No. 1788 West Nan Jin Rd, Jing An District, Shanghai, 200040, China
CO1	Calle 72 , 10-07 Oficina 401, Edificio Liberty Seguros, Bogotá, Colombia
HR1	Dravska ulica 19, Koprivnica (Grad Koprivnica), Croatia
HR2	Vijenac Salamona Henricha Gutmanna 30, Belišće, Croatia
HR3	Lastovska 5, Zagreb, Croatia
HR4	Kralja Petra Krešimira IV br. 1., Valpovo, Croatia
CZ1	Teplická 109, Martiněves, 405 02 Jílové , Czech Republic
CZ2	Zirovnicka 3124, 10600 Praha 10, Czech Republic
DK1	Åstrupvej 30, 8500 Grenaa, Denmark
DK2	Bygmarken 14, 3520 Farum, Denmark
EC1	Av. Republica de El Salvador N36-140, Edif. Mansion Blanca, Quito, PBX:4007828, Ecuador
EG1	Nile City Towers, North Tower, 22nd Floor, Cornish El Nil, Cairo, 11624, Egypt
EE1	Pae 24, 11415 Tallinn, Estonia
FI1	PL 426, 33101 Tampere, Finland
FI2	Virranniementie 3, 70420 Kuopio, Finland
FR1	11 route Industrielle, F-68320, Kunheim, France
FR2	1 Terrasse Bellini, 92800, Puteaux, France
FR3	345 Impasse de Saint-Alban Avenue de Croupillac, 30100 Ales, France
FR4	Zone Industrielle de Kevoasdoue, 29270, Carhaix, France
FR5	6-8 Boulevard Monge, 69330, Meyzieu, Lyon, France
FR6	570 Rue Nationale Contoire Hamel, 80500 Trois- Rivieres, France
FR7	350 Zone Artisanale des Trois Fontaines, 38140 Rives, France
FR8	Z.a Lafontaine, 49430 Durtal, France
FR9	146 Route de Lyon, 67640, Fegersheim, France
FR10	Zone Industrielle, Voiveselles Croisette, 88800, B.P. 37, Vittel, France
FR11	Rue de la Deviniere, B.P. 7, 45510 FR, Tigy, France
FR12	Route de Marmagne, 18500, Mehun sur Yevre, France
FR13	Zone Industrielle de Châteaubernard, 16100, Cognac, France
FR14	Avenue Robert Franck, 73110, La Rochette, France
FR15	Rue Desire Granet, 76800 St. Etienne du Rouvray, France
FR16	Zone Industrielle du Pré de la Barre, 38440, St-Jean de Bournay, France
FR17	12 rue Gay Lussac ZI Dijon Chenove, 21300, Chenove, France
FR18	Zone Industrielle de la Plaine, 88510 Eloyes, France
FR19	Usine de La Fosse, B.P. No 8, 45720, Coullons, France
FR20	77 Route de Lapoutroie, 68240, Kaysersberg, France
FR21	2 Rue Paul Cezanne, 93360, Neuilly Plaisance, France
FR22	27 Rue du Tennis, 25110, Baume les Dames, France
DE1	Bierweg 11, 99310 Arnstadt, Germany
DE2	Bretschneiderstr. 5, D-08309 Eibenstock, Germany
DE3	Hauptstrasse 80, 37318 Arenshausen, Germany
DE4	Kufsteiner Strasse 27, 83064 Raubling, Germany
DE5	Rollnerstrasse 14, D-90408 Nürnberg, Germany
DE6	Siemensstrasse 8, 50259 Pulheim, Germany
DE7	Weichertstrasse 7, D-63741 Aschaffenburg, Germany
DE8	Zum Fliegerhorst 1312 – 1318, 63526 Erlensee, Germany
GR1	PO Box 90, GR-72200 Ierapetra, Kriti, Greece
GR2	PO Box 1010, 57022 Sindos Industrial Area, Thessaloniki, Greece
GT1	15 Calle 1-04 Zona 10, Centrica Plaza, Torre I, Oficina 301, Guatemala, 01010, Guatemala
HN1	Avenida La Paz, No. 2702, Tegucigalpa, M.D.C., PO Box 2735, Honduras
HK1	Units 1607-8, 16th Floor, Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong
HU1	Váci út 1-3., "A" Tower, 6th floor, 1062 Budapest, Hungary
HU2	Záhony u. 7, HU-1031 Budapest, Hungary
IN1	A-5/30, Basement, Behind Oriental Bank of Commerce, Paschim Vihar, New Delhi, 110063 , India
IN2	G-56 Green Park (main), New Delhi – 110016, India
ID1	Tempo Scan Tower Lantai 32, Jalan H.r. Rasuna Said Kav 3-4, Kel. Kuningan Timur, Kec.Setiabudi, Kota Adm. Jakarta Selatan, Prov. DKI Jakarta, Indonesia
IR1	10 Ely Place, Dublin 2, D02 HR98, Ireland
IR2	25/28 North Wall Quay, Dublin 1, Ireland
IT1	Capannori (Lu) Via del Fanuccio, 126 Cap, 55014 Frazione Marlia, Italy
IT2	Strada Lanzo 237, cap 10148, Torino (TO), Italy
IT3	Via Torri Bianche, n. 24, 20871 Vimercate (MB), Italy
IT4	Via Puisle 37, CAP 38051 Borgo Valsugana (TN), Italy
JP1	Oak Minami-Azabu Building 2F, 3-19-23 Minami-Azabu, Minato-ku, Tokyo, 106-0047, Japan
KZ1	Abay Ave. 52, 8 floor, 802-6 office "Innova Tower" BC, 050008, Almaty, Kazakhstan
LV1	Hospitāļu iela 23-102, Rīga LV-1013, Latvia
LT1	Savanoriu ave. 183, 02300 Vilnius, Lithuania
LU1	8-10 Avenue de la Gare, L-1610 Luxembourg
MY1	Unit C-12-4, Level 12, Block C, Megan Avenue II, No. 12 Jalan Yap Kwan Seng, 50450 Kuala Lumpur, Wilayah Persekutuan, Malaysia
MX1	AV. Presidente Masarik, 29 Interior 14, OF 10, Polanco V Section, Miguel Hidalgo, 11560, Mexico
MA1	Tanger, Zone Franche d'Exportation, ILot 11, Lot 5, Morocco
NL1	Bedrijvenpark Twente 90, NL-7602 KD Almelo, Netherlands
NL2	Coldenhovenseweg 130, 6961 EH, Eerbeek, Netherlands
NL3	Hermesweg 2, 3771 ND, Barneveld, Netherlands
NL4	Kanaalweg 8 A, 6961 LW, Eerbeek, Netherlands
NL5	Wegastraat 2, 5015 BS, Tilburg, Netherlands
NI1	Car Building, 3rd Floor, Highway to Masaya, Managua, Nicaragua
NG1	3, Ijora – Causeway, Ijora, Lagos, Nigeria
MK1	Str. 1632 no. 1, Skopje 1000, North Macedonia
PK1	H. No. 193, SQ Margalla Road, SCHS, E-11/2. Islamabad Capital Territory (I.C.T.) 44000. Pakistan
PH1	24/F Philam Life Tower, 8767 Paseo de Roxas Avenue, Bel-Air, City of Makati, Fourth District, NCR, 1226, Philippines

Notes to the consolidated financial statements (continued)

33. DS Smith Group companies continued

Registered offices continued

PL1	Komitetu Obrony Robotników 45D, 02-146 Warsaw, Poland
PT1	Águeda (Aveiro), Raso de Paredes 3754-209, Portugal
PT2	Av. Jose Gregorio 114, 2430-275 Marinha Grande, Portugal
PT3	Edificio Opcao Actual, Parque Industrial de Oliveirinha, 3430-414 Carregal do Sal, Portugal
PT4	Rua Mestra Cecília do Simão, n.º 378 , 3885-593 Esmoriz, Ovar, Portugal
PT5	Lugar do Espido, Via Norte, Distrito: Porto Concelho: Maia Freguesia: Cidade da Maia, 4470 177 MAIA, Portugal
PT6	Rua Abranches Ferrao, n.o 10, 7o G, 1600-001, Lisboa, Portugal
PT7	Rua do Monte Grande, n. o3,, 4485-255 Guilhabreu, Portugal
PT8	Estrada 23 de Fevereiro, 372, 4905-261, Deocriste, Portugal
PT9	Rua Pedro Jose Ferreira, 329/335, 4420-612, Gondomar, Portugal
PT10	Lezirias, Sao Lourenco do Bairro, 3780 Anadia, Portugal
RO1	No. 46 Fagarasului Street, Ghimbav, Brasov County, Romania
RO2	No. 18, 13 Decembrie Street, Zarnesti, Brasov County, Romania
RO3	Calea Torontalului, DN6 kM. 7, Timisoara, Romania
RU1	Building 2, Floor 7, Room 21 , Skakovaya st. 17, 125040, Moscow, Russian Federation
RS1	11000 Beograd, Milorada Jovanovića 14, Serbia
RS2	Kruševac, Balkanska 72, Serbia
RS3	44 Bulevar Vojvode Stepe, Novi Sad, Serbia
RS4	37000 Krusevac, Balkanska 72, Serbia
SK1	Námestie baníkov 8/31, 048 01 Roznava, Slovakia
SK2	Robotnícka 1, Martin, 036 80, Slovakia
SI1	Cesta prvih borcev 51, 8280 Brestanica, Slovenia
ZA1	Central Office Park No 4, 257 Jean Avenue, Centurion, Gauteng, 0157, South Africa
ES1	Polígono Industrial Areta nº 1, parcela 348, calle Altzutzate, nº 46, 31620 Huarte, Navarra, Spain
ES2	Avenida el Norte de Castilla, 20, 47008 Valladolid (Valladolid), Spain
ES3	Avd. Del Sol 13, Torrejón de Ardoz, 28850 – Madrid, Spain
ES4	Carretera A-62, Burgos a Portugal, 34210, Duenas (Palencia), Spain
ES5	Carretera B.P. 2151 confluencia carretera C15, Sant Pere de Riudevitlles, 08776, Barcelona, Spain
ES6	Poligono Industrial Heras, 239-242, 39792, Medio Cudeyo, Spain
ES7	Carretera Nacional 331 (Carretera de Malaga), Km.66,28, 14900, Lucena (Cordoba), Spain
ES8	Parque Industrial Juan Carlos I, C/ Canal Crespo, 13 Almussafes 46440 (Valencia), Spain
ES9	Calle Pitagoras no 2., Polgono Industrial San Marcos, Getafe (Madrid), Spain
ES10	Polígono Industrial A Tomada, parcela 28-33, A Pobra do Caramiñal , 15949 A Coruña, Spain
ES11	Polígono Industrial O Pousadoiro 4, Parcela 1, 36617 Vilagarcía de Arousa, Pontevedra (Galicia), Spain
ES12	Poligono Industrial San Claudio, 33191, Oviedo, Spain
ES13	Barrio de la Cartuja Baja , A-68. Pol. Empresariu, m. Calle Ajedrea 8., Zaragoza (50720), Spain
SE1	Box 504, 331 25 Varnamo, Sweden
CH1	Industriestrasse 11, 4665 Oftringen, Switzerland
TR1	Araptepe Selimpaşa Mah. 5007. Sk. No. 4 Silivri, Istanbul, Turkey
TR2	Goztepe Merdivenkoy Mah. Bora Sk. No.1 Nida Kule Is Merkezi, Kat 7, Kadikoy, Istanbul, 34732, Turkey
UA1	4-5 Floors, 25B,Sagaydachnogo str., Kiev, 04070, Ukraine
UA2	67 Mendeleev str., Rubizhne, Lugansk Region, 93006, Ukraine
AE1	Unit No: I5-PF-39, Detached Retail I5, Plot No: JLT-PH1-RET-I5, Jumeirah Lakes Towers, Dubai, United Arab Emirates
US1	4328 Federal Drive, STE 105, Greensboro, NC 27410, United States
US2	2317 Almond Road, Route 55 Industrial Park, Vineland, NJ 08360, United States
US3	600 Peachtree Street , Suite 4200, Atlanta GA 30308, United States
US4	2066 South East Avenue, Vineland, NJ 08360, United States
US5	903 Woods Road, Cambridge, MD 21613, United States
US6	128 Crews Drive, Columbia, SC 29210, United States
US7	792 Commerce Avenue, New Castle, PA 16101, United States
US8	100 Grace Street, Reading, PA 19611, United States
US9	2366 Interstate Paper Road, Riceboro, GA 31323, United States
US10	120 T Elmer Cox Road Greeneville, TN 37743, United States
US11	3021 Taylor Drive, Asheboro, NC 27203, United States
US12	720 Laurel Street, Reading PA 19602, United States
US13	6405 Commonwealth Drive SW, Roanoke, Virginia, 24018, United States
US14	100 Development Ln., Winchester VA 22602, United States
US15	128 Corrugated Ln, Piney Flats TN 37686, United States
US16	70 Outwater Ln., Floor 4, Garfield, NJ 07026, United States
US17	800 Edwards Drive, Lebanon IN 46052, United States
US18	301 Thomas Mill Road, Holly Springs NC 27540, United States
US19	340 W. Butterfield Road, Suite 2A, Elmhurst IL 60126, United States
UY1	Plaza Independencia 811 PB, Montevideo, Uruguay

34. Subsequent events

There are no other subsequent events after the reporting date which require disclosure.

Parent Company statement of financial position

At 30 April 2022

	Note	2022 £m	2021 Restated[1] £m
Assets			
Non-current assets			
Intangible assets	3	**41**	34
Property, plant and equipment and right-of-use assets	4	**7**	7
Investments in subsidiaries	5	**4,625**	4,577
Deferred tax assets	10	**-**	30
Other receivables	6	**5,466**	5,194
Derivative financial instruments	12	**483**	35
Total non-current assets		**10,622**	9,877
Current assets			
Trade and other receivables	6	**72**	189
Cash and cash equivalents	7	**414**	437
Derivative financial instruments	12	**316**	80
Total current assets		**802**	706
Total assets		**11,424**	10,583
Liabilities			
Non-current liabilities			
Borrowings	9	**(1,389)**	(2,062)
Employee benefits	13	**(3)**	(30)
Deferred tax liabilities	10	**(133)**	–
Other payables	8	**(26)**	(18)
Lease liabilities	11	**(3)**	(4)
Provisions		**(1)**	(5)
Derivative financial instruments	12	**(28)**	(15)
Total non-current liabilities		**(1,583)**	(2,134)
Current liabilities			
Borrowings	9	**(687)**	(65)
Trade and other payables	8	**(4,584)**	(4,244)
Income tax liabilities		**(1)**	–
Lease liabilities	11	**(1)**	(1)
Derivative financial instruments	12	**(57)**	(41)
Total current liabilities		**(5,330)**	(4,351)
Total liabilities		**(6,913)**	(6,485)
Net assets		**4,511**	4,098
Equity			
Issued capital	14	**137**	137
Share premium account	14	**2,248**	2,241
Reserves	14	**2,126**	1,720
Shareholders' equity		**4,511**	4,098

1. Certain amounts due to and receivable from subsidiaries have been restated in the prior year to reflect current year treatment. Consequently, some balances receivable from or owed to subsidiaries that were previously reported net are now reported gross.

The Company made a profit for the year of £16m (2020/21: profit of £258m including the recognition of intra-group dividends).

Approved by the Board of Directors of DS Smith Plc (company registered number 1377658) on 20 June 2022 and signed on its behalf by:

M W Roberts
Director

A R T Marsh
Director

The accompanying notes are an integral part of these financial statements.

Parent Company statement of changes in equity

At 30 April 2022

	Share capital £m	Share premium £m	Hedging reserve £m	Own shares £m	Merger relief reserve £m	Retained earnings £m	Total equity £m
At 1 May 2020	**137**	**2,238**	**(39)**	**(3)**	**32**	**1,378**	**3,743**
Profit for the year	–	–	–	–	–	258	258
Actuarial loss on employee benefits	–	–	–	–	–	(6)	(6)
Cash flow hedges fair value changes	–	–	103	–	–	–	103
Reclassification from cash flow hedge reserve to income statement	–	–	9	–	–	–	9
Income tax on other comprehensive income	–	–	(20)	–	–	–	(20)
Total comprehensive income	**–**	**–**	**92**	**–**	**–**	**252**	**344**
Issue of share capital	–	3	–	–	–	–	3
Employee share trust	–	–	–	–	–	(2)	(2)
Share-based payment expense (net of tax)	–	–	–	–	–	10	10
Other changes in equity in the year	**–**	**3**	–	–	–	**8**	**11**
At 30 April 2021	**137**	**2,241**	**53**	**(3)**	**32**	**1,638**	**4,098**
Profit for the year	–	–	–	–	–	16	16
Actuarial gain on employee benefits	–	–	–	–	–	20	20
Cash flow hedges fair value changes	–	–	1,070	–	–	–	1,070
Reclassification from cash flow hedge reserve to income statement	–	–	(357)	–	–	–	(357)
Income tax on other comprehensive income	–	–	(163)	–	–	(3)	(166)
Total comprehensive income	**–**	**–**	**550**	**–**	**–**	**33**	**583**
Issue of share capital	–	7	–	–	–	–	7
Employee share trust	–	–	–	(6)	–	(15)	(21)
Share-based payment expense (net of tax)	–	–	–	–	–	10	10
Dividends paid	–	–	–	–	–	(166)	(166)
Other changes in equity in the year	**–**	**7**	**–**	**(6)**	**–**	**(171)**	**(170)**
At 30 April 2022	**137**	**2,248**	**603**	**(9)**	**32**	**1,500**	**4,511**

Notes to the parent Company financial statements

1. Principal accounting policies

(a) Basis of preparation

These financial statements of DS Smith Plc (the 'Company') have been prepared on the going concern basis and in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 101) and the UK Companies Act.

The accounts are prepared under the historical cost convention with the exception of certain financial instruments and employee benefit plans that are stated at their fair value and share-based payments that are stated at their grant date fair value.

Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own income statement or statement of comprehensive income.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- statement of cash flows and related notes;
- a comparative period reconciliation for share capital;
- disclosures in respect of transactions with wholly-owned subsidiaries;
- comparative period reconciliations for tangible fixed assets and intangible assets;
- disclosures in respect of capital management;
- the effects of new but not yet effective IFRSs; and
- disclosures in respect of Key Management Personnel.

As the Group financial statements include the equivalent disclosures, the Company has also taken advantage of the exemptions under FRS 101 available in respect of the following disclosures:

- IAS 24 *Related Party Disclosure* in respect of transactions entered with wholly-owned subsidiaries;
- IFRS 2 *Share-based Payment* in respect of Group settled share-based payments; and
- IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instruments.*

The Company adopted the following new accounting standards, amendments or interpretations as of 1 May 2021:

- *Interest Rate Benchmark Reform Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16);* and
- *Covid 19 Related Rent Concessions – amendments to IFRS 16*

The adoption of the standards, interpretations and amendments has not had a material effect on the results for the year.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

(b) Foreign currencies

The Company's financial statements are presented in sterling, which is the Company's functional currency and presentation currency. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange at the date of the transaction, and retranslated at the rate of exchange ruling at the balance sheet date. Exchange differences arising on translation are taken to the income statement.

(c) Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of each item, which range between three and five years.

(d) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each item of property, plant and equipment. Estimated useful lives of plant and equipment are between two and 30 years, and for leasehold improvements are over the period of the lease.

(e) Leases

The Company recognises a right-of-use asset and a lease liability at the lease commencement date.

The right-of-use asset is initially measured at cost, being the initial amount of the lease liability adjusted for any lease payments made at or before commencement date, plus any initial direct costs incurred and an estimate of end of lease dismantling or restoration costs, less any incentives received and related provisions.

Lease liabilities are recorded at the present value of lease payments.

The interest rate implicit in the lease is used to discount lease payments, or, if that rate cannot be determined, the Group's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are depreciated on a straight-line basis over the lease term, or the useful life if shorter.

Interest is recognised on the lease liability, resulting in a higher finance cost in the earlier years of the lease term.

Lease payments relating to low value assets or to short-term leases are recognised as an expense on a straight-line basis over the lease term. Short-term leases are those with 12 months or less duration.

When the Company enters into a back-to-back lease arrangement on behalf of a subsidiary, corresponding lease receivables are recognised.

Notes to the parent Company financial statements (continued)

1. Principal accounting policies continued

(f) Investments in subsidiaries

Investments in subsidiaries are valued at cost less provisions for impairment.

Impairment testing is performed annually for investment in subsidiaries by comparing the carrying amount of each investment with the relevant subsidiary's consolidated balance sheet. Where the net assets are lower than the investment value, a discounted cash flow is utilised to calculate the present value of the investment to confirm whether any impairment is required.

(g) Deferred taxation

Deferred tax is provided for using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(h) Employee benefits

(i) Defined benefit schemes

The Company is the sponsoring employer for a UK funded, defined benefit scheme, the DS Smith Group Pension scheme (the 'Group Scheme').

The Group has in place a stated policy for allocating the net defined benefit cost relating to the Group Scheme to participating Group entities.

Accordingly, both the Company's statement of financial position and income statement reflect the Company's share of the net defined benefit liability and net defined benefit cost in respect of the Group scheme, allocated per the stated policy. Actuarial gains and losses are recognised immediately in the statement of comprehensive income.

(ii) Share-based payment transactions

The Company operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The fair value of the options granted is measured using a stochastic model, taking into account the terms and conditions upon which the options were granted. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable.

At each reporting date, the Company revises its estimate of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity. Where applicable, the fair value of employee services received by subsidiary undertakings within the DS Smith Plc Group in exchange for options granted by the Company is recognised as an expense in the financial statements of the subsidiary by means of a recharge from the Company.

(i) Shares held by employee share trust

The cost of shares held in the employee share trust is deducted from equity. All differences between the purchase price of the shares held to satisfy options granted and the proceeds received for the shares, whether on exercise or lapse, are charged to retained earnings.

(j) Financial instruments

The Company uses derivative financial instruments, primarily currency and commodity swaps, to manage interest rate, currency and commodity risks associated with the Group's underlying business activities and the financing of these activities. The Group has a policy not to, and does not, undertake any speculative activity in these instruments. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Derivative financial instruments are accounted for as hedges when designated as hedges at the inception of the contract and when the financial instruments provide an effective hedge of the underlying risk. Any gains or losses arising from the hedging instruments are offset against the hedged items.

For the purpose of hedge accounting, hedges are classified as cash flow hedges due to hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

(k) Dividend income

Dividend income from subsidiary undertakings is recognised in the income statement when paid.

(l) Accounting judgements and key sources of estimation uncertainty

Employee benefits

IAS 19 *Employee Benefits* requires the Company to make assumptions including, but not limited to, rates of inflation, discount rates and life expectancies. The use of different assumptions, in any of the above calculations, could have a material effect on the accounting values of the relevant statement of financial position assets and liabilities which could also result in a change to the cost of such liabilities as recognised in profit or loss over time. These assumptions are subject to periodic review. See note 25 of the Group's accounts for additional information.

2. Employee information

The average number of employees employed by the Company during the year was 344 (2020/21: 278).

	2022 £m	2021 £m
Wages and salaries	**36**	31
Social security costs	**4**	3
Pension costs	**2**	2
Total	**42**	36

Note 26 to the consolidated financial statements sets out the disclosure information required for the Company's share-based payments.

3. Intangible assets

	Software £m	Other intangibles £m	Carbon Credits £m	Intangible assets under construction £m	Total £m
Cost					
At 1 May 2021	72	7	–	6	85
Additions	–	–	14	7	21
Reclassifications	3	2	–	(5)	–
At 30 April 2022	**75**	**9**	**14**	**8**	**106**
Amortisation					
At 1 May 2021	(51)	–	–	–	(51)
Amortisation charge	(14)	–	–	–	(14)
At 30 April 2022	**(65)**	**–**	**–**	**–**	**(65)**
Carrying amount					
At 1 May 2021	21	7	–	6	34
At 30 April 2022	**10**	**9**	**14**	**8**	**41**

4. Property, plant and equipment and right-of-use assets

	Right-of-use assets £m	Leasehold improvements £m	Plant and equipment £m	Assets under construction £m	Total property, plant and equipment £m
Cost					
At 1 May 2021	6	3	2	1	12
Additions	–	–	–	1	1
Reclassification	–	–	1	(1)	–
At 30 April 2022	**6**	**3**	**3**	**1**	**13**
Depreciation					
At 1 May 2021	(2)	(1)	(2)	–	(5)
Depreciation charge	–	(1)	–	–	(1)
At 30 April 2022	**(2)**	**(2)**	**(2)**	**–**	**(6)**
Carrying amount					
At 1 May 2021	4	2	–	1	7
At 30 April 2022	**4**	**1**	**1**	**1**	**7**

Right-of-use assets relate to land and buildings.

Notes to the parent Company financial statements (continued)

5. Investments in subsidiaries

	Shares in Group undertakings £m
At 1 May 2021	4,577
Additions	48
At 30 April 2022	**4,625**

The Company's principal trading subsidiary undertakings at 30 April 2022 are shown in note 33 to the consolidated financial statements.

6. Trade and other receivables

	2022		2021 - Restated	
	Non-current £m	Current £m	Non-current £m	Current £m
Amounts owed by subsidiary undertakings	**5,466**	**44**	5,194	176
Other receivables	**-**	**9**	–	1
Prepayments and accrued income	**-**	**19**	–	12
	5,466	**72**	5,194	189

Following an analysis of the terms of the intercompany agreements, prior year amounts owed by subsidiaries have been restated, with £530m reclassified from current to non-current receivables as there was no expectation that the assets would be realised within 12 months. Furthermore, current amounts owed by subsidiaries has been increased by £169m, being amounts that were previously offset against amounts owed to subsidiaries.

When measuring the potential impairment of receivables from subsidiary undertakings, forward looking information based on assumptions for the future movement of different economic drivers are considered.

7. Cash and cash equivalents

	2022 £m	2021 £m
Bank balances	**67**	8
Short-term deposits	**347**	429
	414	437

8. Trade and other payables

	2022		2021 - Restated	
	Non-current £m	Current £m	Non-current £m	Current £m
Trade payables	**-**	**10**	–	15
Amounts owed to subsidiary undertakings	**26**	**4,490**	18	4,185
Other tax and social security payables	**-**	**11**	–	10
Non-trade payables, accruals and deferred income	**-**	**73**	–	34
	26	**4,584**	18	4,244

Following an analysis of the terms of the intercompany agreements, prior year amounts owed to subsidiary undertakings have been restated, with £3,852m reclassified from non-current to current payables as there was no legal right to defer repayment by 12 months. Furthermore, current amounts owed to subsidiaries has been increased by £169m, being amounts that were previously offset against amounts owed by subsidiaries.

Non-current amounts owed to subsidiaries are subject to interest at rates based on EURIBOR or where applicable, forward looking base rates and are repayable between 2023 and 2026.

9. Borrowings

	2022		2021	
	Non-current £m	Current £m	Non-current £m	Current £m
Bank loans and overdrafts	**-**	**47**	–	35
Medium-term notes and other fixed-term debt	**1,389**	**640**	2,062	30
	1,389	**687**	2,062	65

Disclosures in respect of the Group's borrowings are provided in note 20 to the consolidated financial statements.

10. Deferred tax assets and liabilities

Analysis of movements in recognised deferred tax assets and liabilities during the year

	Property, plant and equipment and intangible assets		Employee benefits including pensions		Tax losses		Derivative financial instruments		Total	
	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m
At beginning of the year	**6**	4	**12**	11	**23**	26	**(11)**	9	**30**	50
Credit/(charge) for the year	**4**	2	**(2)**	1	**1**	(3)	**-**	–	**3**	–
Recognised directly in equity	**-**	–	**(3)**	–	**-**	–	**(163)**	(20)	**(166)**	(20)
At end of the year	**10**	6	**7**	12	**24**	23	**(174)**	(11)	**(133)**	30

Notes to the parent Company financial statements (continued)

11. Lease liabilities

The carrying amounts of lease liabilities and the movements during the year are as follows:

	2022 £m	2021 £m
Cost		
At beginning of the year	**5**	18
Disposals	**-**	(12)
Payments	**(1)**	(1)
At end of the year	**4**	5
Current	**1**	1
Non-current	**3**	4
	4	5

Maturity of lease liabilities

	1 year or less £m	1-2 years £m	2-5 years £m	More than 5 years £m	Total £m
At 30 April 2021	(1)	(1)	(2)	(1)	(5)
At 30 April 2022	**(1)**	**(1)**	**(1)**	**(1)**	**(4)**

12. Derivative financial instruments

The assets and liabilities of the Company at 30 April in respect of derivative financial instruments are as follows:

	Assets		Liabilities		Net	
	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m
Derivatives held to:						
Manage the currency exposures on business activities, borrowings and net investments	**12**	–	**-**	(15)	**12**	(15)
Derivative financial instruments included in net debt	**12**	–	**-**	(15)	**12**	(15)
Derivatives held to hedge future transactions:						
Forward foreign exchange contracts	**1**	–	**-**	–	**1**	–
Energy and carbon certificate costs	**786**	115	**(85)**	(41)	**701**	74
Total derivative financial instruments	**799**	115	**(85)**	(56)	**714**	59
Current	**316**	80	**(57)**	(41)	**259**	39
Non-current	**483**	35	**(28)**	(15)	**455**	20
	799	115	**(85)**	(56)	**714**	59

Disclosures in respect of the Group's derivative financial instruments are provided in note 21 to the consolidated financial statements.

13. Employee benefits

The Company participates in all of the Group's UK pension schemes. The accounting valuation is consistent with the Group valuation, as described in note 25 to the consolidated financial statements, where full disclosures relating to these schemes are given.

	2022 £m	2021 £m
Present value of funded obligations	**(1,050)**	(1,182)
Present value of unfunded obligations	**(6)**	(7)
Fair value of scheme assets	**1,057**	1,120
Total IAS 19 surplus, net	**1**	(69)
Allocated to other participating employers	**(4)**	39
Company's share of IAS 19 deficit, net	**(3)**	(30)

14. Share capital and reserves

Details of the Company's share capital and merger relief reserve are provided in note 24 to the consolidated financial statements. Movements in shareholders' equity are shown in the parent Company statement of changes in equity.

The closing merger relief reserve of £32m relates to the shares issued in consideration to the sellers of EcoPack/EcoPaper.

The reserve for the Company's own shares comprises the cost of the Company's shares held by the Group. The Group operates a General Employee Benefit Trust, which acquires shares in the Company that can be used to satisfy the requirements of the Performance Share Plan. At 30 April 2022, the Trust held 2.4m shares (30 April 2021: 1.2m shares). The market value of the shares at 30 April 2022 was £7.8m (30 April 2021 £5.2m). Dividends receivable on the shares owned by the Trust have been waived.

As at 30 April 2022, the Company had distributable reserves of £1,491m (30 April 2021: £1,688m).

15. Contingent liabilities

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within the Group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee. At 30 April 2022, these guarantees amounted to £4.9m (30 April 2021: £5.5m).

16. Related party disclosure

The Company has identified the Directors of the Company, its key management personnel and the UK pension scheme as related parties. Details of the relevant relationships with these related parties are disclosed in the Remuneration Committee report, and note 31 to the consolidated financial statements respectively.

17. Auditor's remuneration

Auditor's remuneration in respect of the Company is detailed in note 3 to the consolidated financial statements.

Five-year financial summary
Unaudited

Continuing operations	2018 £m	2019 £m	2020 £m	2021 £m	**2022 £m**
Revenue	5,518	6,171	6,043	5,976	**7,241**
Operating profit[1]	492	631	660	502	**616**
Amortisation	(90)	(114)	(143)	(142)	**(138)**
Share of profit of equity-accounted investments before adjusting items, net of tax	5	9	7	5	**7**
Net financing costs before adjusting items	(62)	(71)	(87)	(78)	**(70)**
Profit before taxation and adjusting items	345	455	437	287	**415**
Acquisitions and divestments	(28)	(32)	(4)	(5)	**2**
Other adjusting items	(57)	(73)	(65)	(51)	**(39)**
Profit before income tax	260	350	368	231	**378**
Adjusted earnings per share[1]	30.7p	33.3p	33.2p	24.2p	**30.7p**
Dividends per share	14.4p	16.2p	n/a	12.1p	**15.0p**
Return on sales[2]	8.9%	10.2%	10.9%	8.4%	**8.5%**
Adjusted return on average capital employed[1,2,3]	13.7%	13.6%	10.6%	8.2%	**10.8%**

1. Before amortisation and adjusting items.
2. Adjusted return on average capital employed is defined as operating profit before amortisation and adjusting items divided by average capital employed.
3. Average capital employed is the average monthly capital employed for the last 12 months. Capital employed is made up of property, plant and equipment, right-of-use assets, goodwill and intangible assets, working capital, capital debtors/creditors, provisions, biological assets and assets/liabilities held for sale. Assets and liabilities relating to discontinued operations are excluded. The definition of capital employed is different from the definition of managed capital as defined in note 21 to the consolidated financial statements, which consists of equity as presented in the consolidated statement of financial position, plus net debt.

Shareholder information

Financial diary

6 September 2022	Annual General Meeting
8 December 2022*	Announcement of half-year results for the six months ended 31 October 2022
22 June 2023*	Announcement of full-year results for the year ended 30 April 2023

* Provisional date

Company website

The Company's website at www.dssmith.com contains the latest information for shareholders, including press releases and an updated financial diary. Email alerts of the latest news, press releases and financial reports about the Company may be obtained by registering for the email news alert service on the website.

Share price information

The latest price of the Company's ordinary shares is available on www.londonstockexchange.com. DS Smith's ticker symbol is SMDS. It is recommended that you consult your financial adviser and verify information obtained before making any investment decision.

Registrar

Please contact the Registrar at the above right address to advise of a change of address or for any enquiries relating to dividend payments, lost share certificates or other share registration matters. The Registrar provides online facilities at www.shareview.co.uk. Once you have registered you will be able to access information on your DS Smith Plc shareholding, update your personal details and amend your dividend payment instructions online without having to call or write to the Registrar.

Dividends

Shareholders who wish to have their dividends paid directly into a bank or building society account should contact the Registrar. In addition, the Registrar is now able to pay dividends to over 90 different countries. This service enables the payment of your dividends directly into your bank account in your home currency. For international payments, a charge is deducted from each dividend payment to cover the costs involved. Please contact the Registrar to request further information.

Share dealing services

The Registrar offers a real-time telephone and internet dealing service for the UK. Further details including terms and rates can be obtained by logging on to the website at www.shareview.co.uk/dealing or by calling 0345 603 7037. Lines are open between 8am and 4.30pm, UK time, Monday to Friday.

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Other information

Information on how to manage your shareholdings can be found at https://help.shareview.co.uk. The pages at this web address provide answers to commonly asked questions regarding shareholder registration, links to downloadable forms and guidance notes. If your question is not answered by the information provided, you can send your enquiry via secure email from these pages. You will be asked to complete a structured form and to provide your shareholder reference, name and address.

You will also need to provide your email address if this is how you would like to receive your response. In the UK you can telephone 0371 384 2197. Lines are open 8.30am to 5.30pm Monday to Friday. For call charges, please check with your provider as costs may vary. For overseas, telephone +44 (0) 121 415 7047.

This report contains certain forward-looking statements with respect to the operations, performance and financial condition of the Group. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this report and DS Smith Plc undertakes no obligation to update these forward-looking statements. Nothing contained in this report should be construed as a profit forecast.

Pages 1 to 111 consist of a Strategic Report and Directors' report (including the Directors' remuneration report) that have been drawn up and presented in accordance with and in reliance upon applicable English company law. The liability of the Directors in connection with such reports shall be subject to the limitation and restrictions provided by, and shall be no greater than is required by, applicable English company law.

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