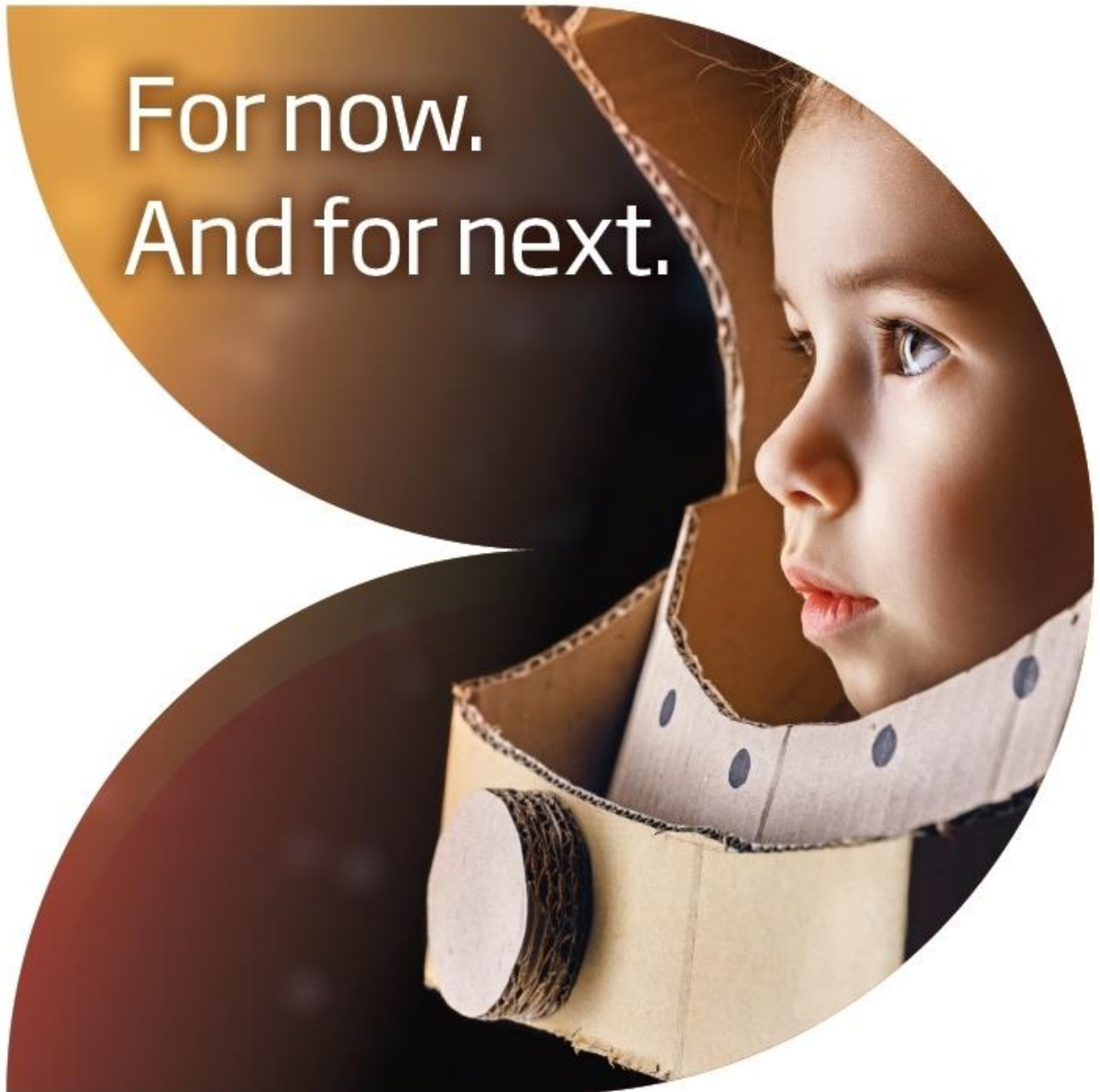




Green Finance Framework
11th April 2022

For now.
And for next.



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1. Introduction

Our Purpose is 'Redefining Packaging for a Changing World'. It's our reason for being. It's why we exist. It captures the value we bring to all our stakeholders and the wider world. We keep an eye on the future and recognise the changing world in which we operate. Towns, cities and entire populations are rapidly transforming. The growth in digital technology is revolutionising the way we shop, live and work. We increasingly expect to purchase products tailored for us, whenever we want them, delivered in a way that fits our busy lifestyles. We want more choice and convenience, but with less impact on the world around us.

We are different because we see the opportunity for packaging to play a powerful role in the world around us. We help our customers respond to changing shopping habits with sustainable packaging solutions that our society needs. Sustainability and the circular economy sit at the heart of our business and are core to our Purpose. As the pace of change in the world accelerates and consumers demand more of the products and services they buy, there is in parallel an expectation that organisations of all kinds must radically reduce their impact on the natural world. And, wherever possible, create a positive impact for people and planet.

This presents huge opportunities for all of us, but also requires new ways of thinking. How do we deliver more products, without more vehicles making our cities more congested? How do we deliver more to people's homes, without filling them with excess packaging? How can companies adapt to changing shopping habits, while running their operations smoothly and efficiently? How can we make products available across borders, while ensuring consistency everywhere, every time? There's a need for a new approach to packaging. And a need for strong leadership in our industry. This is what drives us and why we have a shared purpose of Redefining Packaging for a Changing World.

1.1 For now. And for next.

Sustainability sits at the heart of our business model and is core to our Purpose of 'Redefining Packaging for a Changing World'. We are already keeping valuable resources in use, designing waste out of customer supply chains and protecting natural resources too. This is why we launched our ambitious Now and Next Sustainability Strategy. It will tackle the sustainability challenges facing us today, together with those that will impact on our future generations.

Our Now and Next Sustainability Strategy focuses on closing the loop through better design, protecting natural resources by making the most of every fibre, reducing waste and pollution through circular solutions and equipping people to lead the transition to a circular economy.

We have also committed to align our global operations to a 1.5°C scenario as set out in the Paris Climate Agreement. The roadmap to 1.5°C has been submitted for verification by the Science Based Targets initiative (SBTi), committing DS Smith to reduce absolute Scope 1, 2

and 3 Green House Gas (GHG) emissions by 46% by 2030, compared to 2019. We will also engage with all our strategic suppliers to encourage them to adopt science-based targets by 2027. These targets will keep us, a member of the UN's Race to Zero initiative, in line with our commitment to reach Net Zero carbon emissions by 2050. Supporting the delivery of these commitments is an ambitious Net Zero transition plan which will set out the key strategic actions and milestones that will define our transition to Net Zero.

We are in a strong position already

Circular solutions are built into all our activities and operations and we are already taking a leading role in our industry, including our partnership with the Ellen MacArthur Foundation.

Our relationship has challenged us to do even more, to think differently and to find new ways of delivering sustainable packaging solutions for our customers at a time when supply chains and consumer behaviours are being rapidly transformed and our planet is under increasing stress.

- We are a leading international packaging company, delivering recyclable corrugated solutions
- We are Europe's largest cardboard and paper recycler, managing around 6 million tonnes of material for recycling every year
- We already operate a circular business model, supporting our customers to close the loop
- We use 100% recycled and chain of custody certified papers to protect natural resources
- We are one of only 16 Strategic Partners of the Ellen MacArthur Foundation – the recognised global authority on the circular economy

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 we will manufacture 100% reusable or recyclable packaging
- By 2025 we will optimise fibre use for individual supply chains in 100% of our new packaging solutions
- By 2025 we will take 1 billion pieces of problem plastics off supermarket shelves, and work with partners to find solutions for 'hard to recycle' packaging
- By 2025 we will engage 100% 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.

- It is our aim that by 2030 all of our packaging will be recycled or reused
- By 2030 we are aiming to optimize every fibre for every supply chain
- By 2030 our aim is to use packaging and recycling to enable the circular economy by replacing problem plastics, reducing customer carbon and eliminating consumer packaging waste
- By 2030 we will engage 5 million people on the circular economy and circular lifestyles

We will also continue to drive carbon reduction and care for forests and their biodiversity.

- By 2025 we will protect forests and enhance biodiversity wherever we operate
- A science-based target for 2030, which will require at least a 46% reduction in CO₂e emissions on an absolute basis compared to 2019 and to reach Net Zero emissions by 2050

Always...

And, as always, People are the foundation of our success and we prioritise their health, safety and wellbeing and contribute to our communities.

ESG Ratings

We value the opportunity to have our performance assessed by ESG ratings agencies and other benchmarks.

We continue to submit to a wide range of highly reputable third-party platforms in order to demonstrate our continued strong performance to a range of stakeholders. Through good disclosure, we seek to maximise the recognition of our sustainability actions and strategy by these agencies.

Our ESG and Sustainability Performance Benchmarks can be found on our [website](#).

As we Redefine Packaging for a Changing World and accelerate the transition to a circular economy, we are committed to sharing our progress with our suite of sustainability reports, which are updated annually. Our Sustainability Report is prepared in accordance with the GRI Standards: Core option. Aligned to the relevant targets of the UN Sustainable Development Goals (SDGs), disclosures can be located in our Sustainability Report and Annual Report. We have implemented the SASB Containers & Packaging industry standard, providing investors with consistent, comparable and reliable information on the ESG factors most relevant to financial performance and enterprise value. Disclosures can be located in our Sustainability Report and Sustainability Databook.

We undertake independent verification of a range of the key performance indicators used in our reporting, demonstrating that our disclosures are a true reflection of our performance.

1.2 Rationale for Green Finance Framework

As part of our commitment to sustainability, we have designed this Green Finance Framework under which DS Smith can issue green funding instruments to finance or refinance projects enabling the Group to meet its environmental objectives.

The creation of this Framework is a consistent and tangible step to further our commitment to sustainability, and to mobilise all of our stakeholders around this objective. The Framework covers Green Financing and allows for the alignment of our funding instruments with our material sustainability topics, related investments and targets. By further promoting our sustainability ambitions (both internally and externally) and reinforcing engagement with investors and other stakeholders, we believe any issuance will accelerate our journey towards our sustainability ambition.

2. Green Finance Framework

In line with the ICMA's Green Bond Principles ("GBP") 2021, and the Loan Market Association 2021 Green Loan Principles ("GLP"), DS Smith's Green Finance Framework is presented through the following four core components:

- Use of Proceeds
- Process for Project Evaluation and Selection
- Management of Proceeds
- Reporting

DS Smith will also follow the GBP recommendation of external review of the Framework.

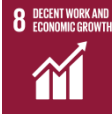

The Framework is applicable for the issuance of Green Finance Instruments including Green Bonds, Green Hybrid Bonds, Green Commercial Papers, Green Loans, or Green Private Placements, and other types of debt instruments where the net proceeds will be exclusively applied to finance or refinance, in part or in full, new and/or existing eligible green projects with clear environmental benefits.



As the GBP, GLP and the green financing market overall are evolving rapidly, this Green Finance Framework may be updated or expanded in the future. Any future updated versions of this Framework will maintain or improve upon the current levels of transparency and reporting disclosures and will undergo review by a Second Party Opinion provider.

2.1 Use of Proceeds

DS Smith intends to allocate an amount at least equal to the net proceeds of green financing instruments issued under this Framework to finance and/or refinance a portfolio of eligible assets and expenditures ("Eligible Green Projects") in the eligible project categories defined by the GBP and GLP outlined below ("Eligible Green Project Portfolio").

For refinancing eligible capital and operating expenditures, DS Smith intends to apply a look-forward period of two years and a look-back period of no longer than three years from the year of issuance. Green assets shall qualify without a specific look-back period provided that at the time of issuance and throughout the life of the instrument they follow the eligibility criteria outlined below. The Green Finance Committee will regularly monitor and validate that Eligible Green Projects continue to meet the eligibility criteria defined in the Framework and are aligned with relevant market best practices and standards.

ICMA GBP/GLP Project Category	Description of Projects	DS Smith Now and Next Sustainability Strategy	UN SDGs	UN SDG target
<p>Circular economy adapted products, production technologies and processes and/or certified eco-efficient products</p>	<p>Assets and expenditures associated with the sustainable and responsible production of circular paper-based packaging products through circular processes, including:</p> <ul style="list-style-type: none"> • Collection and recycling • Paper/corrugated manufacturing • Conversion • Packing 	<p>Closing the loop through better design</p> <p>Reducing waste and pollution through circular solutions</p>	 	<p>8.4: Improve progressively, through 2030, global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation, in accordance with the 10-Year Framework of Programmes on Sustainable Consumption and Production, with developed countries taking the lead</p> <p>12.2: By 2030, achieve the sustainable management and efficient use of natural resources</p> <p>12.5: By 2030, substantially reduce waste generation through prevention, reduction,</p>

				recycling and reuse
Environmentally sustainable management of living natural resources and land use	<p>Assets and expenditures associated with certified sustainable forests and procurement of responsibly sourced raw materials (such as wood, pulp, paper, recovered paper)</p> <p>Forests and raw materials certified in accordance with:</p> <ul style="list-style-type: none"> • Forest Stewardship Council (FSC) standards • Sustainable Forestry Initiative (SFI) • Programme for the Endorsement of Forest Certification (PEFC) 	Protecting Natural Resources	 	<p>12.2: By 2030, achieve the sustainable management and efficient use of natural resources</p> <p>15.2: By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally</p>

2.2 Project Evaluation and Selection Process

DS Smith’s Green Finance Committee includes representatives from treasury, finance and sustainability, who are jointly responsible for the evaluation and selection of projects in line with the eligibility criteria.

The Green Finance Committee is responsible for:

- Designating, reviewing and updating the Eligible Green Project Portfolio;
- To the extent feasible, removing or replacing assets and expenditures that no longer comply with the Eligibility Criteria or for which the Green Finance Committee has otherwise determined should not be funded under this Framework;

- To the extent feasible, reviewing and updating the content of the Green Finance Framework and managing any future updates of this document to reflect relevant changes in the Group's corporate strategy, technology and market developments;
- Preparing annual reporting for investors.

The Green Finance Committee will meet at least on an annual basis.

DS Smith strives to ensure that its activities are subject to continuous improvements in environmental performance, across the spectrum of issues that are material to its business model. DS Smith also strives to ensure that its company's activities do no significant harm to the wider environment. In this context DS Smith focusses on the circular economy, water and climate change.

Circular economy

The production of paper based packaging products which forms the basis of eligibility for green financing, takes the following aspects of circularity into account:

- DS Smith's 700 designers and innovators understand our customers' needs and apply Circular Design Principles to design the right packaging for customers' business.
- Our smart packaging designs save resources by requiring less packaging material, reduce CO₂ emissions across the supply chain and boosts our customers' environmental performance and credentials.
- We make storage and logistics more efficient by optimizing both the packaging material and the packaging design.
- Our packaging designs are fully recyclable and customized to our customers' needs.
- Cardboard is made of wood fibre that is easily recyclable and already widely recycled today.
- By only using the amount of fibre that is necessary to create packaging there will be less material used and less waste to be recycled.

Water

As a water-intensive business, it is important that we consume, recycle and treat the water we use responsibly and efficiently so that we minimise our impact when we return water to the natural environment and that we comply with all legislative requirements.

- Our primary water stewardship priority is quality. At DS Smith, over 80 per cent of the water we extract for our own purposes is returned to be treated via our own or municipal effluent treatment. The remaining water is lost by evaporation during the paper making process or through starch dilution. The largest consumer of water in our business is our Paper division, where we use wastewater treatment systems to ensure that the effluent we discharge is purified, ecologically safe and meets all regulatory requirements.
- Our second water stewardship priority is to manage our facilities that are in areas of high water stress. Our assessment of water-related risks in our operations continues to suggest that the majority of our sites are located in regions where fresh water is a

relatively abundant resource, with the exception of Lucca. We manage this site closely to ensure that we remain within extraction limits, and have specific localised risk identification, mitigation and management plans in place to use water more sustainably and efficiently.

- Finally, our third priority is to reduce total water consumption. Predominantly, our water is sourced from boreholes (53%) and surface water (42%). This is the most difficult area to tackle as water is crucial to our business and our production levels continue to increase. There is also a delicate and highly technical balance to be maintained, as reducing water use leads to an increase in energy consumption. Based on industry benchmarks, we have identified an optimum level of water use of 6.5m³/tonne of production.

Climate

Our materiality assessment ranked climate change as a high priority for our stakeholders, who increasingly expect companies to help prevent the worst effects of climate change. Although we have achieved a reduction of 31% over the past ten years whilst significantly growing our business, we recognise the opportunity to go further and faster.

In January 2022 DS Smith announced the ambitious commitment to align our global operations to a 1.5°C scenario as set out in the Paris Climate Agreement. To achieve this, we are accelerating the reduction of carbon emissions for our own operations, as well as those of our partners and suppliers, by committing to reducing our Scope 1, 2 and 3 Green House Gas (GHG) emissions by 46% on an absolute basis by 2030, compared to 2019 levels. These targets will keep us, a member of the UN's Race to Zero initiative, in line with our prior commitment to reach Net Zero carbon emissions by 2050.

To deliver on this commitment, we will invest consistently over the next 28 years in our own operations. Investment will be made into the adoption of next generation engineering solutions, such as biomethane boiler technology. We will also harness self-generated renewable energy sources, such as wind and solar, and power purchasing agreements to replace grid electricity.

We will also engage with all our strategic suppliers to encourage them 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. As part of this approach, we will work closely with partners, suppliers, customers and policymakers to collectively tackle climate change through the circular economy in line with our ambitious goals.

DS Smith takes care that all selected assets and expenditures comply with official national and international environmental and social standards, local laws and regulations to the extent feasible. Furthermore, DS Smith's Sustainability Policies¹ and Accreditations & Certifications define minimum standards for the business processes, including those financed

¹ <https://www.dssmith.com/sustainability/reporting-hub/policies>

with the proceeds of Green Finance Instruments under this Framework. DS Smith also applies risk management measures in its capital allocation decisions which are supported by company-wide planning, reporting and controlling systems.

2.3 Management of Proceeds

The proceeds will be allocated and managed by DS Smith's Green Finance Committee on a portfolio basis. Proceeds from Green Finance instruments will be allocated to the Eligible Green Project Portfolio, selected in accordance with the use of proceeds criteria and evaluation and selection process presented above.

DS Smith will strive, over time, to achieve a level of allocation for the Eligible Green Project Portfolio which matches or exceeds the balance of net proceeds from our outstanding Green Finance Instruments. There may be periods where the net proceeds of the Green Finance Instruments temporarily exceed the value of the eligible Green Project Portfolio. Whilst any proceeds from Green Finance Instruments remain unallocated such proceeds will be held in accordance with DS Smith's liquidity management policy.

2.4 Reporting

DS Smith will report annually or until full allocation, on the allocation and impact of Green Finance Instruments issued under this Framework.² Where relevant DS Smith will seek to align the reporting with the latest standards and practices publicised by the ICMA, such as the "Harmonised Framework for Impact Reporting".³ The report will include updates on the allocation of proceeds and an impact evaluation of the funded assets and expenditures.

Allocation reporting

DS Smith will report on the:

- percentage of proceeds allocated to the Eligible Green Project Portfolio;
- outstanding volume of Green Finance Instruments;
- balance of unallocated proceeds; and
- the relative share of new financing and refinancing.

Impact reporting

In order to give a comprehensive view on the impact of the Eligible Green Project Portfolio, the impact reporting may vary by Use of Proceeds category as defined in this Green Finance Framework.

²Reporting will be available on DS Smith's website at: <https://www.dssmith.com/investors/investor-information/debt-investors/>

³<https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Handbook-Harmonised-Framework-for-Impact-Reporting-June-2021-100621.pdf>

The impact metrics selected may include any of the following:

Circular economy adapted products, production technologies and processes and/or certified eco-efficient products

- Percentage of raw materials from: (1) recycled content, (2) renewable resources, and (3) renewable and recycled content
- Revenue from products that are reusable, recyclable and/or compostable
- Absolute CO₂e
- CO₂e per tonne of production
- Energy consumption per tonne of production
- Total water withdrawn
- Total water consumed⁴

Environmentally Sustainable Management of Living Natural Resources and Land Use

- Total wood fibre procured, percentage from certified sources
- Type of certification

The impact reporting occurs on a portfolio basis, but certain projects may be highlighted to provide examples. DS Smith will, to the extent feasible, include a section on the methodology used to calculate the impact metrics.

2.5 External review

Second party opinion

This DS Smith Green Finance Framework has been reviewed by ISS ESG who has issued a Second Party Opinion. The Second Party Opinion as well as the Green Finance Framework will be made available to investors on the DS Smith [website](#).

Post issuance limited assurance on reporting

DS Smith intends to request, annually or until full allocation, a third party to review the allocation of the Green Finance Instrument proceeds to the Eligible Green Project Portfolio, and provide a limited assurance report, which may also be made available on the DS Smith [website](#).

⁴ Including percentage of each in regions with High or Extremely High Baseline Water Stress.

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While it is the intention of DS Smith to apply an amount equal to the proceeds of any Green Finance Instrument so specified for Eligible Green Projects, there can be no assurance that the relevant project or asset(s) related to any Eligible Green Projects will be capable of being implemented in, or substantially in, such manner and/or in accordance with any timing

schedule and that accordingly such amount equal to such proceeds will be totally or partially disbursed for or towards such Eligible Green Projects. Nor can there be any assurance that such Eligible Green Projects will be completed within any specified period or at all or with the results or outcome as originally expected or anticipated by DS Smith. Any such event or failure by DS Smith will not constitute an event of default under the Green Finance Instruments.

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