

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Green Finance Framework

DS Smith plc
11 April 2022

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	<ul style="list-style-type: none">Green Financial Instruments
Relevant standards	<ul style="list-style-type: none">Green Bond Principles, as administered by the ICMA (as of June 2021)Green Loan Principles, as administered by the LMA (as of February 2021)
Scope of verification	<ul style="list-style-type: none">DS Smith plc Green Finance Framework (as of April 11, 2022)DS Smith plc Selection Criteria (as of April 11, 2022)
Lifecycle	<ul style="list-style-type: none">Pre-issuance verification
Validity	<ul style="list-style-type: none">Until there are material changes to the Green Finance Framework and Selection Criteria

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SCOPE OF WORK

DS Smith plc (“DS Smith” or “the issuer” or “the company”) commissioned ISS ESG to assist with its Green Financial Instruments by assessing three core elements to determine the sustainability quality of the instrument:

1. Green Financial Instruments’ link to DS Smith’s sustainability strategy – drawing on DS Smith’s overall sustainability profile and issuance-specific Use of Proceeds categories.
2. DS Smith’s Green Finance Framework (March 28, 2022 version) – benchmarked against the International Capital Market Association’s (ICMA) Green Bond Principles (GBP) and Loan Market Association’s (LMA) Green Loan Principles (GLP).
3. The Selection Criteria – whether the projects contribute positively to the UN SDGs and perform against ISS ESG’s issue-specific key performance indicators (KPIs) (See Annex 2).

DS SMITH BUSINESS OVERVIEW

DS Smith plc provides packaging solutions, paper products, and recycling services worldwide.

In the packaging segment, the company offers transit and transport, consumer, retail and shelf ready, online and e-retail, industrial, hazardous, multi-material, inserts and cushioning, and electrostatic discharge packaging products, as well as wrap arounds, trays, and bag-in-boxes.

In the paper products segment, the company is specialized in manufacturing corrugated case material (CCM), a paper used for conversion into corrugated board, as well as specialty papers, kraft papers, and other related technical and supply chain services. Its overall operations in paper products are directed towards its packaging requirements.

It also provides various recycling and waste management services, including total waste management, paper and cardboard recycling, confidential shredding, and plastics recycling, as well as equipment for the retail, manufacturing, print and publishing, paper mills, automotive, and public sectors.

DS Smith plc was founded in 1940 and is headquartered in London, the United Kingdom. The company operates across Europe and in the United States, and has a total number of employees of 28864, as of 30 April 2021¹.

¹ DS Smith, DS Smith Annual Report 2021, https://www.dssmith.com/globalassets/corporate/annual-reports/ds-smith-annual-report-2021_single-pages.pdf

ISS ESG ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION ²
<p>Part 1:</p> <p>Green financing framework link to issuer's sustainability strategy</p>	<p>According to the ISS ESG Corporate Rating published on March 28, 2022, the issuer shows a high sustainability performance against the industry peer group on key ESG issues faced by the Paper and Packaging industry. The issuer ranks 4th out of 43 companies within its sector.</p> <p>The Use of Proceeds financed through this Financing Framework are consistent with the issuer's sustainability strategy and material ESG topics for the issuer's industry. The rationale for issuing Green Financing Framework is clearly described by the issuer.</p>	<p>Consistent issuer's sustainability Strategy</p>
<p>Part 2:</p> <p>Alignment with GBP</p>	<p>The issuer has defined a formal concept for its Green Financing Framework regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the ICMA Green Bonds Principles.</p>	<p>Aligned</p>
<p>Part 3:</p> <p>Sustainability quality of the Selection Criteria</p>	<p>The overall sustainability quality of the Selection Criteria in terms of sustainability contributions, risk avoidance and minimization is good based upon the ISS ESG assessment. The Green Financing Framework will (re-)finance eligible asset categories which include: Circular Economy and Land Use and Forestry</p> <p>Those use of proceeds categories have a significant contribution to SDG 12 'Responsible Consumption and Production' and SDG 15 'Life on Land'. The environmental and social risks associated with those use of proceeds categories have been well managed.</p>	<p>Positive</p>

² ISS ESG's evaluation is based on the DS Smith's Green Finance Framework (February 2022 version), on the analysed Selection Criteria as received on the February 15, 2022, and on the ISS ESG Corporate Rating updated on the February 25, 2022 and applicable at the SPO delivery date.

PART I: GREEN FINANCE INSTRUMENTS LINK TO DS SMITH'S SUSTAINABILITY STRATEGY

A. ASSESSMENT OF DS SMITH'S ESG PERFORMANCE

The ISS ESG Corporate Rating provides material and forward-looking environmental, social and governance (ESG) data and performance assessments.

COMPANY	INDUSTRY	DECILE RANK	TRANSPARENCY LEVEL
DS SMITH	PACKAGING	1	VERY HIGH

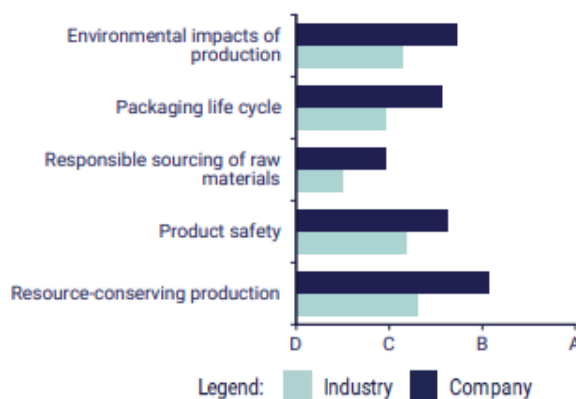
This means that the company currently shows a high sustainability performance against peers on key ESG issues faced by the Packaging industry and obtains a Decile Rank relative to its industry group of 1, given that a decile rank of 1 indicates highest relative ESG performance out of 10.

ESG performance

As of April 08, 2022, this rating places DS Smith 4th out of 43 companies rated by ISS ESG in the Packaging industry.

Key challenges faced by companies in this industry in terms of sustainability management are displayed in the chart on the right, as well as the issuer's performance against those key challenges in comparison to the average industry peers' performance.

Key Issue Performance



Sustainability Opportunities

DS Smith is a producer of corrugated packaging. By having a product portfolio that includes a high share of products made from recycled materials and by also operating recycling facilities that offer recycling services to its customers (estimated around 10% of net sales), DS Smith strongly contributes to the sustainable development goal of optimizing material use. The company sold its plastic division in 2019 and focuses now on wood fiber-based products only.

Furthermore, the company aims to manufacture 100 percent reusable or recyclable packaging by 2023. To achieve this goal, the company has implemented a comprehensive strategy to increase the recyclability of its products by, for example, developing clear recyclability guidance for its customers, collaboration with associations (e.g., The Ellen MacArthur Foundation) to find innovative solutions.

Sustainability Risks

For companies in the packaging industry, product safety constitutes a material sustainability issue in the social domain. In this regard, DS Smith has certified its operations in accordance with the quality management system ISO 9001 and conducts independent safety tests for its products. Regarding environmental risks management, DS Smith has implemented a group-wide environmental management system, with the majority of sites being certified to an international standard (e.g., ISO 14001). The company has set up a sound climate change strategy including a greenhouse gas emissions reduction target, which has been submitted for verification by the SBTi. The company manages the environmental risks in its supply chain on a general level only. Regarding the environmental impacts linked to the company's products, the company conducts life cycle assessments for its key products and reports on the results of the products' water and carbon footprint. Moreover, DS Smith is committed to increasing the material efficiency of products and in production processes. Furthermore, the company bans the use of various hazardous chemicals in its products, including all substances in Annex XIV of the REACH regulation.

Sustainability Opinion

DS Smith capitalizes on sustainability opportunities by providing products with a high share of recycled content as well as paper recycling services. In addition, the company has comprehensive measures in place to increase the recyclability and recycling rates of its products. Furthermore, the company manages both social and environmental risks on an adequate level.



Governance opinion

The majority of the company's board members, including the chair of the board (Geoffrey Drabble), are independent. The company has established entirely independent audit and remuneration board committees as well as a predominantly independent nomination committee. The company discloses its remuneration policy for executives, including long-term components, which could incentivize sustainable value creation.

Regarding the company's governance of sustainability, there is no evidence that a dedicated board committee that deals with sustainability issues have been set up. However, sustainability performance objectives are to some limited extent integrated into the variable remuneration of members of the executive management team. The company has established a code of ethics covering issues such as conflicts of interest, corruption and bribery, insider dealings, antitrust, and gifts and entertainment. Several measures to ensure ethical business conduct are clearly in place (e.g. provision of the code in local languages and whistleblower protection).

Sustainability impact of products and services portfolio

Using a proprietary methodology, ISS ESG assessed the contribution of DS Smith's current products and services portfolio to the Sustainable Development Goals defined by the United Nations (UN SDGs). This analysis is limited to the evaluation of final product characteristics and does not include practices along DS Smith's production process.

PRODUCT/SERVICES PORTFOLIO	ASSOCIATED PERCENTAGE OF REVENUE	DIRECTION OF IMPACT	UN SDGS
Recycling services	10%	CONTRIBUTION	
Products made from recycled material	76%	CONTRIBUTION	
Others	N/A	NO NET IMPACT	N/A

Breaches of international norms and ESG controversies

As of March 28, 2022, the company is not facing any severe controversy.

B. CONSISTENCY OF GREEN FINANCE FRAMEWORK WITH DS SMITH'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the issuer

In September 2020, DS Smith launched its new sustainability Strategy – 'Now and Next'³. Expanding on the company's continued commitment to reduce Scope 1, 2 and 3 Green House Gas emissions⁴ by 46% in 2030 against a 2019 base year and protection of its forests and biodiversity. The strategy sets out four key pillars:

1. By 2030, DS Smith aims for all of packaging to be recycled or reused and to pilot 20 new business models for improving post-consumer waste quality and recycling rates
2. By 2025, DS Smith aims to optimize fiber use for individual supply chains in 100% of its new packaging solutions and by 2030, it aims to optimize every fiber for all supply chains.
3. By 2025, DS Smith aims to take 1 billion pieces of problem plastics off store shelves, take 250,000 vehicles off the road and work with partners to find solutions for 'hard to recycle' packaging. Meanwhile, by 2030 it aims to use packaging and recycling to enable the circular economy by replacing problem plastics, reducing customer carbon and eliminating consumer packaging waste.
4. By 2025, DS Smith aims to engage 100% of its employees on the circular economy and by 2030 it will engage 5 million people on the circular economy and circular lifestyles.

The above defined priorities and targets complement DS Smith's business model which is focused on circularity.

The EU Commission has proposed a categorization system for the circular economy⁵. The proposed system includes 14 circular categories. Group 1 focuses on circular design and production models. Within this group the following categories are relevant to DS Smith's corporate strategy:

EU CATEGORIZATION FOR CIRCULAR ECONOMY	CIRCULARITY CRITERIA	DS SMITH'S BUSINESS MODEL/ STRATEGY
1.a Design and production of products and assets that enable circular economy strategies through e.g. (i) increased resource efficiency, durability, functionality, modularity, upgradability, easy disassembly, and repair; (ii) use of materials that	For activities under the circular categories 1.a, 1.b, and 1 c to substantially contribute to a circular economy, they must demonstrate that: 1. The activity results in significant overall net resource savings and impact reductions as compared to a benchmark	DS Smith ensures that the notion of closing the loop is embedded within its product development so that environmental impact of sustainable packaging solutions is reduced throughout the entire life cycle. DS Smith considers circular design criteria in the development of new products and services so that its customers are ready to

³ DS Smith, 2021, Sustainability Report 2021, https://www.dssmith.com/globalassets/corporate/sustainability/sustainability-report-2021-databook/sr_2021_pages.pdf

⁴ <https://www.dssmith.com/media/our-stories/2022/1/ds-smith-accelerates-carbon-reduction-plans-with-1.5c-temperature-alignment-commitment>

⁵ [Categorization system for the circular economy | European Commission \(europa.eu\)](https://ec.europa.eu/euro-observatory/circular-economy/categorization-system-for-the-circular-economy)

<p>are reusable, recyclable or compostable</p>	<p>asset/process that meets the current EU or international industry standards</p>	<p>compete in a circular economy that is regenerative by nature and sustainable in the long term.</p>
<p>1.b Development and deployment of process technologies that enable circular economy strategies;</p>	<p>2. The activity supports or enables circular value retention or recovery strategies</p>	<p>DS Smith continues to develop and produce new materials that are reusable, recyclable or compostable such as sustainable thermal insulation barrier for temperature sensitive goods (i.e. meal kits, perishable groceries and medical products) made from paper and bio-based materials, which can be easily recycled and help in reducing carbon emissions by around 65%. In addition, DS Smith ensures that 100% of their paper is recycled or Chain of Custody certified. This ensures that the bio-based materials used are demonstrably traceable.</p>
<p>1.c Development and sustainable production of new materials (including bio-based materials) that are reusable, recyclable or compostable;</p>	<p>3. The materials/products/assets produced have comparable or increased quality, properties, technical functionality and application areas as compared to a relevant benchmark that meets the current EU or international industry standards</p>	<p>98% of their packaging production waste is recycled thanks to corrugated manufacturing. The recyclable, renewable, bio gradable nature of corrugated paper packaging is also highly complementary to the EU “single-use plastics directive”</p>
<p>1.e Substitution of virgin materials with secondary raw materials and by-products.</p>	<p>4. Bio-based materials used are demonstrably traceable to sustainable biomass production</p> <p>AND (in addition only for circular category 1.e)</p> <p>1. Secondary raw materials used satisfy current EU or international or national industry specific standards and legislation</p> <p>2. Secondary raw materials used do not increase safety and health risks for users and the environment throughout value chains.</p>	<p>Through its leading packaging performance program, PACE (Performance, Assurance, Consistency and Environment), DS Smith continues to optimize pack designs that reduce fiber use, ensuring that whilst they use recycled fiber where they can, virgin fiber consumption is minimized as far as practicable. Currently 83% of papers used are recycled papers while the remaining are chain of custody certified.</p>

Next to designing and producing packaging solutions and paper products, DS Smith also operates recycling services to reduce waste and to increase recycling rates. These collection, sorting and recycling activities in part contribute towards the 3.a⁶ and 3.b⁷ categories of the EU categorization system.

Rationale for issuance

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

In creating this Framework, DS Smith aims to further DS Smith’s commitment to sustainability and to mobilize its stakeholders around this objective. The Framework covers Green Financing and allows for the alignment of its funding instruments with its material sustainability topics, related investments, and targets.

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.

Contribution of Use of Proceeds categories to sustainability objectives and priorities

ISS ESG mapped the Use of Proceeds categories financed under this Green Financial Instrument with the sustainability objectives defined by the issuer, and with the key ESG industry challenges as defined in the ISS ESG Corporate Rating methodology for the Packaging sector. Key ESG industry challenges are key issues that are highly relevant for a respective industry to tackle when it comes to sustainability; for example climate change and energy efficiency in the buildings sector. From this mapping, ISS ESG derived a level of contribution to the strategy of each Use of Proceeds categories.

USE OF PROCEEDS CATEGORY	SUSTAINABILITY OBJECTIVES FOR THE ISSUER	KEY ESG INDUSTRY CHALLENGES	CONTRIBUTION
Sustainable and responsible production of circular paper-based packaging products	✓	✓	Contribution to a material objective

⁶ Category 3.a includes the separate collection and reverse logistics of waste as well as redundant products, parts and materials enabling circular value retention and recovery strategies.

⁷ Category 3.b includes recovery of materials from waste in preparation for circular value retention and recovery strategies (excluding feedstock covered under 3.c)

<p>Certified sustainable forests and procurement of responsibly sourced raw materials (such as wood, pulp, paper, recovered paper)</p>	<p>✓</p>	<p>✓</p>	<p>Contribution to a material objective</p>
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Opinion: *ISS ESG finds that the Use of Proceeds financed through this bond are consistent with the issuer’s sustainability strategy and material ESG topics for the issuer’s industry. The rationale for issuing Green Bonds is clearly described by the issuer.*

PART II: ALIGNMENT WITH ICMA GREEN BONDS PRINCIPLES

1. Use of Proceeds

FROM ISSUER'S FRAMEWORK

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.

ELIGIBLE GREEN PROJECT CATEGORY	ELIGIBILITY CRITERIA
Circular economy adapted products, production technologies and processes and/or certified eco-efficient products	Assets and expenditures associated with the sustainable and responsible production of circular paper-based packaging products through circular processes, including: <ul style="list-style-type: none"> ▪ Collection and recycling ▪ Paper/corrugated manufacturing ▪ Conversion ▪ Packing
Environmentally sustainable management of living natural resources and land use	Assets and expenditures associated with certified sustainable forests and procurement of responsibly sourced raw materials (such as wood, pulp, paper, recovered paper) <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) ▪ Program for the Endorsement of Forest Certification (PEFC)

Opinion: ISS ESG considers the Use of Proceeds description provided by DS Smith's Green Finance Framework as aligned with the Green Bond and Loan Principles.

2. Process for Project Evaluation and Selection

FROM ISSUER'S FRAMEWORK

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

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 Policies⁸ and Accreditations & Certifications⁹ define minimum standards for the business processes, including those financed 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.

Opinion: ISS ESG considers the Process for Project Evaluation and Selection description provided by DS Smith's Green Finance Framework as aligned with the Green Bond and Loan Principles. Moreover, the projects selected show alignment with the sustainability strategy of the issuer. The issuer clearly defines responsibilities while involving various stakeholders in the process for project evaluation and selection and is transparent about it, which is in line with best market practice.

⁸ <https://www.dssmith.com/sustainability/reporting-hub/policies>

⁹ <https://www.dssmith.com/china/compliance/accreditations-certifications>

3. Management of Proceeds

FROM ISSUER'S FRAMEWORK

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.

Opinion: ISS ESG finds that Management of Proceeds proposed by DS Smith's Green Finance Framework as aligned with the Green Bond and Loan Principles. The issuer is transparent with regards to temporarily unallocated proceeds.

4. Reporting

FROM ISSUER'S FRAMEWORK

DS Smith will report annually or until full allocation on the allocation and impact of Green Finance Instruments issued under this framework.¹⁰ Where relevant DS Smith will seek to align the reporting with the latest standards and practices publicized by the ICMA, such as the "Harmonized Framework for Impact Reporting".¹¹ 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 Framework.

¹⁰ Reporting will be available on DS Smith's website at: <https://www.dssmith.com/investors/investor-information/debt-investors/>

¹¹ <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
- CO2e per tonne of production Energy consumption per tonne of production 1) Total water withdrawn, (2) total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress

Environmentally Sustainable Management of Living Natural Resources and Land Use

- Total wood fiber 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

Opinion: ISS ESG finds that the reporting proposed by DS Smith's Green Finance Framework as aligned with the Green Bond and Loan Principles. In line with best market practice, the issuer commits to report not only on the allocation of proceeds, but also on the impact of financed projects, using category specific KPIs.

5. External review

FROM ISSUER'S FRAMEWORK

Second party opinion

The Second Party Opinion as well as the Green Finance Framework will be made available to investors on the DS Smith website¹².

Post issuance limited assurance on reporting

DS Smith intends to request, annually or until full allocation, a third party to audit 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.

¹² DS Smith website, <https://www.dssmith.com/>

PART III: SUSTAINABILITY QUALITY OF THE ISSUANCE



A. CONTRIBUTION OF THE GREEN FINANCE INSTRUMENTS TO THE UN SDGs

Based on the assessment of the sustainability quality of the Green Finance Selection criteria and using a proprietary methodology, ISS ESG assessed the contribution of the DS Smith's Green Finance Instruments to the Sustainable Development Goals defined by the United Nations (UN SDGs).

This assessment is displayed on 5-point scale (see Annex 2 for methodology):

Significant Obstruction	Limited Obstruction	No Net Impact	Limited Contribution	Significant Contribution
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Each of the Green Finance Instruments' Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
<p>Circular economy adapted products, production technologies and processes and/or certified eco-efficient products</p> <ul style="list-style-type: none"> ▪ Collection and recycling ▪ Paper/corrugated manufacturing ▪ Conversion ▪ Packing 	Significant Contribution	
<p>Environmentally sustainable management of living natural resources and land use</p> <ul style="list-style-type: none"> ▪ Forests and Products certified in accordance with FSC, PEFC, SFI 	Limited Contribution	

B. MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS ASSOCIATED WITH THE SELECTION CRITERIA

Circular economy adapted products, production technologies and processes and/or certified eco-efficient products and environmentally sustainable management of living natural resources and land use

As a Use of Proceeds category, circular economy adapted products, production technologies and processes and/or certified eco-efficient products has a significant contribution to the SDG 12 “Responsible Consumption and Production” and environmentally sustainable management of living natural resources and land use has a limited contribution the SDG 15 “Life on Land”.

The table below presents the findings of an ISS ESG assessment of the selection criteria against ISS ESG KPIs.

ASSESSMENT AGAINST ISS ESG KPI

Biodiversity

- ✓ The issuer has policies to ensure that assets are not located in key biodiversity areas. It also has a policy of conducting environmental impact assessments for significant projects, and has ISO 14001 certification in place at the majority of its sites (i.e., all sites except for one paper mill).

Circular Economy/Waste management

- ✓ The issuer has ISO 14001 certification in place at the majority of its sites (i.e., all sites except for one paper mill), and ISO 14001 certification covers circular economy/waste management. The ISO 14001 requires certified organizations to ensure all their products and services consider a life cycle perspective. The issuer also has a ‘Zero Waste to Landfill’ policy in place, with the target of sending zero waste to landfill by 2030. Currently, the majority of the issuer’s packaging facilities are equipped with underfloor conveyor belts or waste handling systems, which recycle cuts and trim back to their paper mills. Similarly, all its plastics sites are equipped with regrinders which can recycle off-cuts to recycle damaged products and samples.
- ✓ The issuer follows the Global Supplier Standard¹³. This standard clarifies certain hazardous substances, associated restrictions, and where exceptions can be considered. The issuer clarifies that it has not intentionally used these substances in its manufacturing process.
- ✓ The issuer adheres to the International Generic Indicators of the FSC (Forest Stewardship Council) management certification, which requires that certified organizations mitigate the impact of natural hazards. Fire risk is classified as a natural hazard under this certificate.

¹³ DS Smith, Global Supplier Standard, https://www.dssmith.com/globalassets/corporate/global-supplier-standards-pdf/global-supplier-standard_april-2021.pdf

Water

- ✓ The issuer has a water stewardship policy. The issuer has standards in place for water treatment, withdrawal and supply. The issuer has conducted assessment to ensure water related risks have been reduced and that the good management of water has been ensured. More specifically, the issuer has a goal of achieving zero water impact by 2030, which it aims to accomplish by ensuring that all its sites in water-stressed areas have a mitigation plan in place, ensuring that the quality of the effluent water it returns to the environment meets its effluent discharge consent limits, and ensuring all its paper mills consume less than the European best-practice 6.5m³ of water per tonne of production (mills producing recycled papers only).

Dialogue with local communities

- ✓ The issuer adheres to the FSC International Standards that feature community dialogue as an integral part of the planning process, thereby ensuring that forestry related assets provide for high standards regarding human rights and community relations.

Labor, Health and Safety

- ✓ The issuer operates across Europe and in the United States. Based on the current distribution of the issuer's workforce, over 90% of employees are based in countries that have ratified the ILO core conventions implying robust standards to protect workers. Should the distribution of the workforce shift significantly to countries lacking a strong regulatory framework related to labor, health and safety standards, the KPI may no longer be satisfied.

Certification

- ✓ Assets and expenditures associated with forestry activities and the procurement of fresh and used fibers are qualified as sustainable through the use of certification schemes and corporate commitments.

DISCLAIMER

1. Validity of the SPO: As long as no material changes are undertaken by DS Smith to its Green Bond Framework as of April 11, 2022.
2. ISS ESG uses a scientifically based rating concept to analyze and evaluate the environmental and social performance of companies and countries. In doing so, we adhere to the highest quality standards which are customary in responsibility research worldwide. In addition, we create a Second Party Opinion (SPO) on bonds based on data from the issuer.
3. We would, however, point out that we do not warrant that the information presented in this SPO is complete, accurate or up to date. Any liability on the part of ISS ESG in connection with the use of these SPO, the information provided in them and the use thereof shall be excluded. In particular, we point out that the verification of the compliance with the selection criteria is based solely on random samples and documents submitted by the issuer.
4. All statements of opinion and value judgements given by us do not in any way constitute purchase or investment recommendations. In particular, the SPO is no assessment of the economic profitability and credit worthiness of a bond but refers exclusively to the social and environmental criteria mentioned above.
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ANNEX 1: Methodology

ISS ESG Green KPIs

The ISS ESG Green Bond KPIs serve as a structure for evaluating the sustainability quality – i.e., the social and environmental added value – of the use of proceeds of DS Smith’s Selection Criteria.

It comprises firstly the definition of the use of proceeds category offering added social and/or environmental value, and secondly the specific sustainability criteria by means of which this added value and therefore the sustainability performance of the assets can be clearly identified and described.

The sustainability criteria are complemented by specific indicators, which enable quantitative measurement of the sustainability performance of the assets and which can also be used for reporting. If a majority of assets fulfill the requirement of an indicator, this indicator is then assessed positively. Those indicators may be tailor-made to capture the context-specific environmental and social risks.

Environmental and social risks assessment methodology

ISS ESG evaluates whether the assets included in the asset pool match the eligible project category and criteria listed in the Green Bond KPIs.

All percentages refer to the amount of assets within one category (e.g. wind power). Additionally, the assessment “no or limited information is available” either indicates that no information was made available to ISS ESG or that the information provided did not fulfil the requirements of the ISS ESG Green Bond KPIs.

The evaluation was carried out using information and documents provided to ISS ESG on a confidential basis by DS Smith (e.g. Due Diligence Reports). Further, national legislation and standards, depending on the asset location, were drawn on to complement the information provided by the issuer.

Assessment of the contribution and association to the SDG

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method, ISS ESG identifies the extent to which DS Smith’s Selection Criteria contributes to related SDGs.

ANNEX 2: ISS ESG Corporate Rating Methodology

The following pages contain methodology description of the ISS ESG Corporate Rating.

Methodology - Overview

The ESG Corporate Rating methodology was originally developed by Institutional Shareholder Services Germany (formerly oekom research) and has been consistently updated for more than 25 years.

ESG Corporate Rating - The ESG Corporate Rating universe, which is currently expanding from more than 8,000 corporate issuers to a targeted 10,000 issuers in 2020, covers important national and international indices as well as additional companies from sectors with direct links to sustainability and the most important bond issuers that are not publicly listed companies.

The assessment of a company's social & governance and environmental performance is based on approximately 100 environmental, social and governance indicators per sector, selected from a pool of 800+ proprietary indicators. All indicators are evaluated independently based on clearly defined performance expectations and the results are aggregated, taking into account each indicator's and each topic's materiality-oriented weight, to yield an overall score (rating). If no relevant or up-to-date company information with regard to a certain indicator is available, and no assumptions can be made based on predefined standards and expertise, e.g., known and already classified country standards, the indicator is assessed with a D-

In order to obtain a comprehensive and balanced picture of each company, our analysts assess relevant information reported or directly provided by the company as well as information from reputable independent sources. In addition, our analysts actively seek a dialogue with the assessed companies during the rating process and companies are regularly given the opportunity to comment on the results and provide additional information.

Analyst Opinion - Qualitative summary and explanation of the central rating results in three dimensions:

- (1) Opportunities - assessment of the quality and the current and future share of sales of a company's products and services, which positively or negatively contribute to the management of principal sustainability challenges.
- (2) Risks - summary assessment of how proactively and successfully the company addresses specific sustainability challenges found in its business activity and value chain, thus reducing its individual risks, in particular regarding its sector's key issues.
- (3) Governance - overview of the company's governance structures and measures as well as of the quality and efficacy of policies regarding its ethical business conduct.

Norm-Based Research - Severity Indicator - The assessment of companies' sustainability performance in the ESG Corporate Rating is informed by a systematic and comprehensive evaluation of companies' ability to prevent and mitigate ESG controversies. ISS ESG conducts research and analysis on corporate involvement in verified or alleged failures to respect recognized standards for responsible business conduct through Norm-Based Research.

Norm-Based Research is based on authoritative standards for responsible business conduct such as the UN Global Compact, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles for Business and Human Rights and the Sustainable Development Goals.

As a stress-test of corporate disclosure, Norm-Based Research assesses the following:

- Companies' ability to address grievances and remediate negative impacts
- Degree of verification of allegations and claims
- Severity of impact on people and the environment, and systematic or systemic nature of malpractices

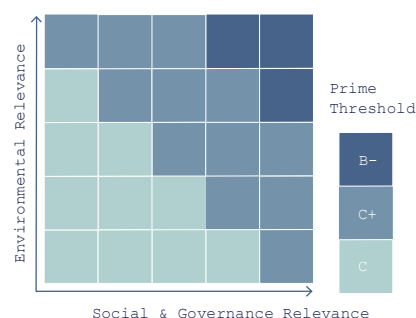
Severity of impact is categorized as Potential, Moderate, Severe, Very severe. This informs the ESG Corporate Rating.

Decile Rank - The Decile Rank indicates in which decile (tenth part of total) the individual Corporate Rating ranks within its industry from 1 (best – company's rating is in the first decile within its industry) to 10 (lowest – company's rating is in the tenth decile within its industry). The Decile Rank is determined based on the underlying numerical score of the rating. If the total number of companies within an industry cannot be evenly divided by ten, the surplus company ratings are distributed from the top (1 decile) to the bottom. If there are Corporate Ratings with identical absolute scores that span a division in decile ranks, all ratings with an equal decile score are classified in the higher decile, resulting in a smaller number of Corporate Ratings in the decile below.

Distribution of Ratings - Overview of the distribution of the ratings of all companies from the respective industry that are included in the ESG Corporate Rating universe (company portrayed in this report: dark blue).

Industry Classification - The social and environmental impacts of industries differ. Therefore, based on its relevance, each industry analyzed is classified in a Sustainability Matrix.

Depending on this classification, the two dimensions of the ESG Corporate Rating, the Social Rating and the Environmental Rating, are weighted and the sector-specific minimum requirements for the ISS ESG Prime Status (Prime threshold) are defined (absolute best-in-class approach).



Industry Leaders - List (in alphabetical order) of the top three companies in an industry from the ESG Corporate Rating universe at the time of generation of this report.

Key Issue Performance - Overview of the company's performance with regard to the key social and environmental issues in the industry, compared to the industry average.

Performance Score - The ESG Performance Score allows for cross-industry comparisons using a standardized best-in-class threshold that is valid across all industries. It is the numerical representation of the alphabetic ratings (D- to A+) on a scale of 0 to 100 with 50 representing the prime threshold. All companies with values greater than 50 are Prime, while companies with values less than 50 are Not Prime. As a result, intervals are of varying size depending on the original industry-specific prime thresholds.

Rating History - Development of the company's rating over time and comparison to the average rating in the industry.

Rating Scale - Companies are rated on a twelve-point scale from A+ to D-:

A+: the company shows excellent performance.

D-: the company shows poor performance (or fails to demonstrate any commitment to appropriately address the topic).

Overview of the range of scores achieved in the industry (light blue) and indication of the grade of the company evaluated in this report (dark blue).

Sources of Information - A selection of sources used for this report is illustrated in the annex.

Status & Prime Threshold - Companies are categorized as Prime if they achieve/exceed the sustainability performance requirements (Prime threshold) defined by ISS ESG for a specific industry (absolute best-in-class approach) in the ESG Corporate Rating. Prime companies are sustainability leaders in their industry and are better positioned to cope with material ESG challenges and risks, as well as to seize opportunities, than their Not Prime peers. The financial materiality of the Prime Status has been confirmed by performance studies, showing a continuous outperformance of the Prime portfolio when compared to conventional indices over more than 14 years.

Transparency Level - The Transparency Level indicates the company's materiality-adjusted disclosure level regarding the environmental and social performance indicators defined in the ESG Corporate Rating. It takes into consideration whether the company has disclosed relevant information regarding a specific indicator, either in its public ESG disclosures or as part of the rating feedback process, as well as the indicator's materiality reflected in its absolute weight in the rating. The calculated percentage is classified in five transparency levels following the scale below.

0% - < 20%: very low

20% - < 40%: low

40% - < 60%: medium

60% - < 80%: high

80% - 100%: very high

For example, if a company discloses information for indicators with a cumulated absolute weight in the rating of 23 percent, then its Transparency Level is "low". A company's failure to disclose, or lack of transparency, will impact a company's ESG performance rating negatively.

ANNEX 3: Quality management processes

SCOPE

DS Smith commissioned ISS ESG to compile a Green Financing Framework SPO. The Second Party Opinion process includes verifying whether the Green Finance Framework aligns with the ICMA Green Bonds Framework and to assess the sustainability credentials of its Selection Criteria, as well as the issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA Green Bond Principles and LMA Green Loan Principles
- ISS ESG Key Performance Indicators relevant for Use of Proceeds categories selected by the issuer

ISSUER'S RESPONSIBILITY

DS Smith's responsibility was to provide information and documentation on:

- Framework
- Eligibility criteria
- Documentation of ESG risks management

ISS ESG'S VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG has built up a reputation as a highly reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

ISS ESG has conducted this independent Second Party Opinion of the Green Financing Framework to be issued by DS Smith based on ISS ESG methodology and in line with the ICMA Green Bond Principles.

The engagement with DS Smith took place in February 2022.

ISS ESG'S BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behavior and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

About ISS ESG SPO

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

As part of our Sustainable (Green & Social) Bond Services, we provide support for companies and institutions issuing sustainable bonds, advise them on the selection of categories of projects to be financed and help them to define ambitious criteria.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: <https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

For more information on SPO services, please contact: SPOsales@isscorporatesolutions.com

For more information on this specific Green Financing Framework SPO, please contact: SPOOperations@iss-esg.com

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