

# Corporate Responsibility Review

**Safety performance has improved significantly over the past year. The safety of our employees is our principal concern and the Group is committed to achieving further improvements.**

## OUR CORPORATE RESPONSIBILITY APPROACH

	AIMS	2009/10 ACTIONS AND PROGRESS
<b>HEALTH AND SAFETY</b>	<ul style="list-style-type: none"> <li>• Ensure the safety of our staff and others affected by our operations – our top priority</li> <li>• Reduce the number of accidents</li> </ul>	<ul style="list-style-type: none"> <li>• Group-wide 'Think Safe, Be Safe' campaign and local initiatives targeted at key safety issues achieved substantial reduction in accidents</li> <li>• Lost-time accidents down 35%</li> <li>• Accident frequency rate down 30%</li> <li>• Accident severity rate down 28%</li> <li>• Businesses use audits and benchmarking processes to measure performance and highlight areas for improvement</li> <li>• Extensive training programmes undertaken aimed at analysing and reducing risks and changing attitudes and behaviour</li> </ul>
<b>ENVIRONMENT</b>	<ul style="list-style-type: none"> <li>• Reduce the impact of our operations on the environment</li> <li>• Contribute to optimising resource usage and waste throughout our supply chains</li> </ul>	<ul style="list-style-type: none"> <li>• Developed further our services to provide the optimum packaging solutions for the end-use</li> <li>• Life-cycle analysis of bag-in-box format confirmed green credentials</li> <li>• Reduced environmental impact due to improved performance as activity levels began to increase</li> <li>• Own energy usage up 0.5%, offset by fall in energy bought in</li> <li>• CO<sub>2</sub> emissions down 1.5%</li> <li>• Water usage down 4.5%</li> <li>• Waste sent to landfill down 1.4%</li> </ul>
<b>EMPLOYEES</b>	<ul style="list-style-type: none"> <li>• Attract, retain and motivate good people</li> <li>• Enable our employees to fulfil their potential</li> </ul>	<ul style="list-style-type: none"> <li>• New Management Development programme initiated in partnership with Warwick Business School</li> <li>• Increased level of communication to ensure awareness of business plans and objectives</li> <li>• Employee surveys in parts of the Group</li> <li>• Training and development programmes to meet businesses' and employees' specific needs</li> </ul>
<b>COMMUNITY INVOLVEMENT</b>	<ul style="list-style-type: none"> <li>• Develop and maintain good relations with our local communities</li> </ul>	<ul style="list-style-type: none"> <li>• Businesses work closely with local schools and colleges</li> <li>• Involvement in a range of community activities</li> <li>• Participate in liaison groups and hold open days</li> <li>• Support good causes in local communities</li> </ul>

## OUR PRINCIPLES AND APPROACH TO CORPORATE RESPONSIBILITY

DS Smith is committed to providing good sustainable returns for its investors while maintaining high standards in the way we conduct our business. The safety of our 10,500 employees, working at over 100 locations worldwide, is our principal concern. We also pay close attention to the fulfilment of our responsibilities towards the environment and to how we interact with our employees and local communities. This review presents information on these high priority aspects of corporate responsibility (CR) for the Group.

The Board considers risks to the Group's short- and long-term value arising from CR matters as part of its regular review of the key risks to the Group's operations. It ensures that the Group has in place effective policies and systems for managing any significant CR risks and it receives regular reports on performance. The Group Chief Executive is the Director responsible for CR matters and he reports to the Board on these. It is the responsibility of the Divisional Chief Executives and General Managers of the individual businesses to communicate and to apply the policies, to ensure compliance and to review procedures, taking account of local legislation and potential risks. Divisional Chief Executives are required annually to attest that the companies for which they are responsible have complied with relevant Group and divisional policies.

The Group's Key Corporate Values define the way in which we require our people and businesses to operate. In summary, all employees are expected at all times to act ethically and with integrity, to treat their colleagues fairly, equitably and with

respect, to work safely and to protect the environment. Our Key Corporate Values statement is reinforced by more detailed policies on health and safety, the environment and other relevant topics; these documents may be viewed on the Group's website at: [www.dssmith.uk.com/pages/Policies.asp](http://www.dssmith.uk.com/pages/Policies.asp). The Group has a Workplace Malpractice Policy, under which employees may report in confidence any perceived wrongdoing within the Group on matters relating to safety, the environment, unethical business conduct or breaches of Group policies, the law or other regulations. This policy is reinforced by a confidential Employee Concern Helpline and e-mail facility which we aim to make available to our employees worldwide as local legal and regulatory issues are resolved; to date, it has been extended to over 70% of our employees, located in nine countries. Any concerns reported are appropriately investigated.

DS Smith continues to be selected as a constituent of the FTSE4Good UK Index of companies deemed to meet globally recognised corporate responsibility standards. DS Smith is also a constituent of the Kempen/SNS Smaller Europe SRI Index for smaller companies deemed to have high social responsibility standards and practice.

## HEALTH AND SAFETY

DS Smith is committed to ensuring that throughout the Group the safety of our staff and others affected by our operations receives the highest priority. Accordingly, safety at work is the first fixed agenda item at all main Board, executive committee and divisional review meetings. Providing a safe workplace and ensuring safe

working practices are not only legal and ethical responsibilities for the Group but are also essential elements for achieving our aims of attracting and retaining a high-quality and well motivated workforce and in carrying out our operations productively and cost-effectively. Responsibility for the safety of our people is regarded as a key aspect of the role of management at all levels. Managers are provided with training to assist them in fulfilling this responsibility.

The Group's safety record continues to improve. Our businesses benchmark their performance on safety against other Group businesses and through the use of external data. This process enables them to identify areas that require further attention as well as areas of strength which can be spread across the Group. Site health and safety audits by internal specialists and external consultants are also used to measure performance and to highlight important issues. All accidents and situations that might have resulted in an accident are investigated to ensure that we learn from these incidents and take steps to prevent a recurrence. In addition to focusing on specific risks, through techniques of risk assessment and root cause analysis, the Group also undertakes extensive safety training programmes at all levels of the organisation.

The Group has a well-established safety communications programme, first launched in 2006 under the slogan 'Think Safe, Be Safe', which aims to raise awareness of key issues; to challenge unsafe attitudes and behaviour; and to promote a collective responsibility for maintaining a safe working environment. In the past year, we have also implemented measures to help communicate best practice more effectively across the Group's management cadre.

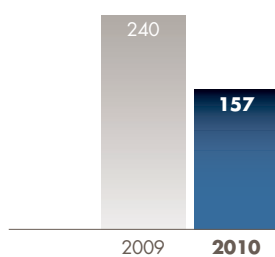
## SAFETY PERFORMANCE INDICATORS

### Lost time accidents

Number of accidents resulting in lost time of one shift or more.

**157**

2009: 240

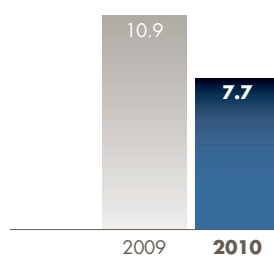


### Accident frequency rate

Number of hours of lost time due to accidents per million hours worked.

**7.7**

2009: 10.9

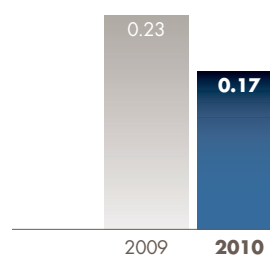


### Accident severity rate

Working hours lost as a result of accidents as a percentage of hours worked.

**0.17**

2009: 0.23





**Our 'Think Safe, Be Safe' campaign has helped us reduce the number of accidents significantly.**

Information on safety performance, including statistics related to our key performance indicators (KPIs), is reported to the Board quarterly. The overall goal is to achieve zero accidents and our divisions set interim targets against the KPIs, which reflect the nature of their business and their previous performance. In 2009/10, our continuing emphasis on safety was reflected in a 35% reduction in the number of accidents that resulted in one shift or more of working time being lost and a 30% reduction in the accident frequency rate, which measures all accidents in proportion to the number of hours worked. There was a 28% improvement in the accident severity rate, which measures the hours lost as a result of accidents as a percentage of the total hours worked. The improvements in the Group's safety record reflect the leadership shown by the Group's managers and the ongoing commitment of our employees to working safely. As a Group we remain resolute in our determination to realise a zero accident culture and to continue to build on the progress we have made to date.

## ENVIRONMENT

Protecting the environment is an important feature of DS Smith's business. We continually seek to reduce the impact of our own operations on the environment and to contribute to reducing energy usage, greenhouse gas emissions and waste throughout our supply chains. The Group's leading UK position in recycling of paper and packaging makes a major contribution to conserving resources and reducing landfill waste. Our Packaging products are made from recycled raw materials wherever it is practicable and our Packaging businesses use their expertise in packaging design to assist customers and retailers in optimising the use of resources and reducing waste in their supply chains. In corrugated packaging, which is fully recyclable, we are at the forefront of the trend to use lightweight

paper to lower the weight of packaging used. Spicers offers its customers an increasingly large selection of products which are made from recycled materials, are recyclable or have other environmentally beneficial features. We continue to carry out work to evaluate not only the carbon footprint of our own packaging products but to better understand the role of our packaging in the total lifecycle of the product for which it is used.

## Recycling

The Group's operations make a major contribution to the corrugated packaging recycling process. In the UK, Severnside Recycling is the largest collector of waste paper and an increasingly significant collector of plastic and other materials for recycling. It sources waste paper and other recoverable materials from major supermarkets, other retailers and industrial operations. Severnside's growth into the integrated recycling and waste management market has been further underlined by a contract with Marks & Spencer, in line with its Plan A principles, to deliver waste and recycling services across their retail and distribution estate (see feature on page 4).

All of the paper produced by the Group is made from recycled waste paper. St Regis is the UK's leading recycler of packaging waste and largest producer of recycled paper, while DS Smith Kayzersberg is a significant recycler of waste paper in France; in total the Group recycled 1.5 million tonnes of paper in 2009/10. 78% of the paper used by the Group's corrugated packaging operations in 2009/10 was 100% recycled paper. The remainder was made from virgin wood pulp, sourced from producers who obtain their wood pulp from sustainable forestry sources, and is required by certain customers for its particular strength and appearance characteristics.

The Group's paper collection and recycling operations play an important role in meeting the EU and UK government objectives for recycling of packaging waste, as prescribed in the EU Packaging and Packaging Waste Directive and the UK Packaging Waste Regulations. Under the Directive, the UK is required to recycle at least 60% of all paper packaging; it is well ahead of this target, with over 80% of paper packaging being recycled in 2009, and DS Smith is the largest contributor to this reprocessing.

## Packaging and the environment

The conservation of resources and the lowering of the amount of waste being disposed of in landfill are important aspects of caring for our environment. As a result of this, there is increasing pressure from society and government to reduce the overall quantity of packaging in use and to increase the proportion of packaging that is recycled. The Group recognises its responsibility

to contribute to the conservation of resources and we are fulfilling this responsibility through both the provision of packaging products which enable our customers to meet their environmental objectives and the development of our recycling services.

Although packaging receives a lot of attention in the media, it plays an important part in making modern lifestyles possible and its significance should be seen in perspective. Packaging is just one, often relatively minor, aspect of the total environmental impact of a product; ten times more energy goes into the production of the food and goods that it contains than into the packaging itself. In the UK, packaging of all types accounts for less than 5% of total landfill waste and approximately 20% of household dustbin waste<sup>1</sup>; approximately 60% of the packaging of all types used in the UK is recycled<sup>2</sup>.

Our packaging businesses work with their customers to develop packaging of the optimum specification for the required end-use. Most packaging performs the valuable functions of protecting products, reducing product wastage, enabling more efficient and lower-cost handling and transportation and, in many cases, contributes to lowering the environmental impact of the supply of goods. The choice of the most appropriate packaging material and pack design for a particular product depends upon a wide range of factors including the nature of the product itself, how the total supply chain for the product operates and the requirements of retailers and consumers.

Corrugated packaging, the Group's principal packaging product, is 100% recyclable and in the UK over 80% of all corrugated packaging is recycled<sup>3</sup>. Although corrugated packaging is not generally re-used, it is a fully recyclable packaging material that is produced predominantly from recycled paper in what is essentially a loop system, which is described in more detail on page 23. Used corrugated boxes are recycled into paper; this paper is converted into boxes which are packed with goods; retailers or consumers discard the used boxes which are then collected for recycling and delivered to the paper mill to be turned into paper once again. Corrugated products are playing an increasingly important role in the pursuit of sustainable, environmentally-friendly packaging. The Group has been at the forefront of the trend to lower the weight of corrugated packaging used through the use of lightweight paper and improved box design. DS Smith Packaging's suite of PackRight

<sup>1</sup> Source: Industry Council for Packaging and the Environment (INCPEN)

<sup>2</sup> Source: Department for Environment, Food and Rural Affairs (DEFRA)

<sup>3</sup> Source: Confederation of Paper Industries (CPI)

tools enables the analysis of all the factors relating to a particular pack to ensure that it is fit for purpose, makes the supply chain efficient and reduces environmental impact. In many instances our design and technical expertise enables the customer to reduce the weight of raw materials used in a pack as well as to pack the goods more efficiently; this reduces transport costs and thereby the carbon emissions per unit.

In circumstances where packaging is designed to be re-used many times, plastic returnable transit packaging may be required by customers if the packaging can be readily recovered, transported and cleaned for re-use. Plastic bag-in-box packaging is increasingly being used to contain liquids in bulk as well as for consumer use. It has significant benefits for storing and transporting beverages and other liquids hygienically and securely, and can substantially extend the storage life of products, thus reducing product wastage. Bag-in-box packs are, in many instances, environmentally superior to alternative packaging formats; they use space efficiently and are relatively lightweight compared with bottles or drums so they may reduce the overall energy usage in the supply chain because they can be transported and stored more efficiently.

Rapak, our bag-in-box manufacturer, has launched an initiative to promote the environmental benefits of the format among end consumers. The business has developed a logo which can be printed on both the bag and the box to convey the message that 'bag-in-box technology is green'. The logo has been introduced to help companies who use bag-in-box provide valuable reassurance to their customer while at the same time contributing to an enhanced brand image for their products. The basis for the introduction of the logo is the independent Life Cycle Assessment of bag-in-box packaging, commissioned by Rapak from PIRA (the Paper and Board, Printing and Packaging Association), which was completed last year. The PIRA report assessed and compared the potential life cycle environmental impacts of bag-in-box technology with alternative liquid packaging formats in key markets including wine, postmix syrup, dairy, edible oils, chemicals, industrial products, aseptic and bulk packaging. The overall findings, which are published at [www.rapak.com/pages/environment.asp](http://www.rapak.com/pages/environment.asp), confirmed that bag-in-box has excellent environmental credentials that are at least competitive with, and in many cases superior to, alternative packaging formats.

Our Packaging businesses continue to carry out work to evaluate the carbon footprint of their products. This work is enabling us to collaborate with other companies in our supply chain on analyses of the total environmental impact of products that use our packaging. DS Smith Packaging and Severnside Recycling are

working together to help large supermarket chains and other businesses to reduce the amount of waste they send to landfill and improve their environmental performance with regard to packaging.

#### Environmental management and regulation

The environmental performance and activities of the divisions are reviewed at the Group Environment Committee, which meets three times a year and is chaired by the Group Chief Executive. Under the terms of the Group's Environment Policy, which may be viewed on the Group's website, [www.dssmith.uk.com/CorporateResponsibility.asp](http://www.dssmith.uk.com/CorporateResponsibility.asp) each of our sites is required to implement an environmental management system (EMS) which is appropriate to its activity. Of our total operations, 57 sites have been identified as having higher potential environmental impact, due to their size or type of activity and all 57 are accredited under the internationally recognised ISO 14001 EMS standard. The Group's other 47 sites are required to have in place a simplified EMS, appropriate to their lower level of potential environmental impact, and to review and improve these systems regularly, often with the assistance of external auditors. A single smaller site, acquired during the year is in the process of having a simplified EMS put in place. As part of their EMS, many Group businesses have procedures in place for assessing their suppliers' environmental policies and management systems, as appropriate.

The Group had a number of minor environmental incidents during the year, following which prompt corrective action and steps to prevent any recurrence were taken and, where necessary, the appropriate agencies were informed. As reported last year, the Environment Agency has brought a case against St Regis Paper Company Ltd in relation to alleged breaches of Higher Kings Mill's Pollution Prevention and Control (PPC) permit that occurred between December 2005 and March 2008. The charges primarily relate to the training of staff, record keeping and the operation of the plant; an independent investigation has indicated that these breaches did not result in any significant environmental impact. The outcome of the case is unlikely to be known before the end of calendar year 2010. The circumstances surrounding all environmental incidents are investigated immediately and, when appropriate, the findings and lessons learnt are communicated throughout the Group as part of our drive to reduce such incidents.

The Group's paper manufacturing operations account for over 80% of the Group's environmental impact, particularly because their manufacturing process uses large quantities of energy and water. The UK paper mills are regulated through PPC permits under which they each have specific improvement programmes

and targets. St Regis' overall compliance with its environmental permits rose to 94% in 2009/10 (2008/09: 93%, restated from 94% to include an additional permit) principally due to better performance of the effluent treatment plant at Higher Kings Mill. St Regis is a key participant in the UK paper sector Climate Change Levy (CCL) Agreement with the Department of Environment, Food and Rural Affairs under which the industry has undertaken to achieve energy consumption reduction targets. St Regis met its previous targets and remains on course to meet its next target for the year to September 2010.

The Group's UK and French paper operations are subject to the terms of their respective national schemes for implementing the EU Emissions Trading Directive. We expect the Group's emissions to be slightly below our emissions allocations during EU ETS Phase 2. The effects of subsequent phases from 2013 onwards are likely to be more onerous, being dependent upon the details of the emissions allocations and the market price of carbon under future phases of the scheme.

#### Environmental performance

Our businesses continue to take action and invest in order to reduce their environmental impact. During the year, we again employed independent consultants, Bureau Veritas, to review our environmental data collection and reporting process in order to ensure the robustness and accuracy of the Group's environmental performance indicators. This review concluded that overall there was a good level of process control and reporting at the sites but identified some areas for improvement, particularly in relation to the conversion factors being used for converting energy usage into carbon emissions. The recommendations of Bureau Veritas have been implemented. The Group's overall environmental performance in 2009/10 is shown in the table on page 38. A fuller report on our environmental performance is available in the Corporate Responsibility section of our website.

The Group consumed 0.5% more energy in 2009/10 compared with the previous year. This increase was principally due to higher activity levels at the speciality paper mills in the UK and the recommissioning of a CHP plant at one of the mills. The Group's paper mills reduced their energy usage per tonne of paper produced by 0.8%, partly due to the closure of a less energy-efficient paper machine in early 2009. The increase in own use of energy was offset by a reduction in energy purchased by the Group, such that a reduction of 1.5% in total emissions of CO<sub>2</sub> was achieved in the year. The Group's total water usage was 4.5% lower than in 2008/09, principally as a result of the closure of the paper machine mentioned above. The total amount of

waste generated by our businesses increased by 8.9% partly due to an increase in the proportion of more complex corrugated boxes which give rise to more off-cut waste. Waste sent to landfill was 1.4% lower and the proportion of waste sent to landfill fell to 15% compared with 16% in the previous year.

#### Energy efficiency

Our two largest paper mills, at Kemsley in the UK and Kaysersberg in France, which account for approximately 65% of the Group's energy usage, have on-site CHP plants. These CHP facilities provide energy more efficiently, with lower carbon dioxide (CO<sub>2</sub>) emissions and at significantly lower cost than if it were to be sourced from the external grid. In addition, Kemsley Mill recycles, in the form of energy recovery, a substantial proportion of the reject material, such as plastic and polystyrene, which enters its process mixed in with the waste paper and is separated out during paper manufacture; the mill's own waste-to-energy plant efficiently recovers the energy to produce steam for use in the mill's operations. We are investigating the potential for installing a sustainable energy plant at Kemsley Mill to reduce the mill's reliance on fossil fuels and applied for planning permission for this in April 2010. The proposed fuel for this plant is hard-to-recycle materials, sourced and pre-treated offsite, which might otherwise go to landfill.

DS Smith Packaging, which in 2008 became the first UK corrugated packaging producer to be accredited under the UK's Energy Efficiency Accreditation Scheme, lowered its energy usage per square metre by 1.4%. This was achieved through its division-wide energy management system and a wide range of energy reduction projects. Both DS Smith Packaging and DS Smith Kaysersberg have achieved substantial improvements in their energy efficiency through programmes of process improvements on their corrugator machines (see feature on page 9).

#### EMPLOYEES

We aim to create a working environment which will attract, retain and motivate good people, and enable them to fulfil their potential. The Group ensures that the divisions have in place appropriate structures, procedures and resources to implement the employee-related aspects of the Group's Key Corporate Values, which include: providing fair opportunities for employment to all; treating everyone with dignity and respect; not tolerating any form of harassment or discrimination; ensuring advancement is based on merit; and providing appropriate training and development opportunities. Our businesses carry out training and implement various initiatives aimed at reinforcing our values and policies in this area.

#### ENVIRONMENTAL PERFORMANCE INDICATORS<sup>1</sup>

	2009/10	2008/09
<b>Energy consumption<sup>1</sup></b>		
Gigawatt hours	<b>3,264</b>	3,247
Megawatt hours/£'000 revenue	<b>1.58</b>	1.54
<b>Carbon dioxide (CO<sub>2</sub>) emissions<sup>2</sup></b>		
Scope 1 (direct) emissions – '000 tonnes	<b>277</b>	274
Scope 2 (indirect) emissions – '000 tonnes	<b>643</b>	653
Total Scopes 1 and 2 emissions – '000 tonnes	<b>920</b>	927
Kilograms/£'000 revenue	<b>444</b>	440
<b>Water usage</b>		
Million cubic metres	<b>10.9</b>	11.4
'000 cubic metres/£'000 revenue	<b>5.2</b>	5.4
<b>Waste management<sup>3</sup></b>		
<b>Waste recycled</b> – '000 tonnes	<b>158</b>	135
<b>Waste sent to landspread</b> – '000 tonnes	<b>144</b>	130
<b>Waste-to-Energy</b> – '000 tonnes	<b>105</b>	102
<b>Waste sent to landfill</b> – '000 tonnes	<b>70</b>	71
<b>Total waste generated</b>	<b>477</b>	438
<b>Kilograms/£'000 revenue</b>	<b>230</b>	208
<b>% of total waste sent to landfill</b>	<b>15%</b>	16%

Methodology: The Group aims to collect and report its environmental data in accordance with the guidelines specified by the Global Reporting Initiative and the Greenhouse Gas Protocol (GHGP), to the extent that this is currently practicable. The figures reported above include data from all of the Group's wholly-owned or majority-owned operations and sites worldwide. The methodology used is consistent for 2008/09 and 2009/10.

1 The energy figures relate to the usage of all fuels used in fixed installations on the Group's sites plus the diesel fuel used for freight transport.

2 The CO<sub>2</sub> emissions have been calculated using the energy data, as defined above. The factors used for converting gas, coal, fuel oil and diesel usage into CO<sub>2</sub> emissions are the latest factors for each year as published by the UK Department for the Environment and Rural Affairs (DEFRA) in the Guidelines to DEFRA's GHG Conversion Factors; the factor used for converting gas usage changed from 0.19 tonnes of CO<sub>2</sub> per megawatt hour in 2008/09 to 0.18 tonnes of CO<sub>2</sub> per megawatt hour in 2009/10. The factors used for converting electricity usage are the national figures for each country in which the Group operates sourced from the International Energy Agency Data Services via the UK Carbon Trust; these factors therefore reflect the mix of fuels used for electricity generation in each country. As required by the GHGP, Scope 1 and Scope 2 CO<sub>2</sub> emissions are reported separately. Scope 1 (direct) emissions are those arising from combustion of fuel in installations or vehicles owned by the Group; Scope 2 (indirect) emissions are those arising from bought-in energy (i.e. electricity or steam) where the combustion has been carried out by another company. The 2009/10 Scope 1 emissions included 57,000 tonnes (2008/09: 61,000 tonnes) of CO<sub>2</sub> which were associated with the production of electricity which was sold to the grid from one of our CHP plants. Scope 3 emissions from sources external to DS Smith but involved in the supply chains for the Group's products and services are not included.

3 The waste figures relate to waste generated by our operations; they do not include waste that is collected from external sources for recycling within our paper and plastic packaging operations. The data on waste identifies separately: a) the amount of waste that is conventionally recycled in the manufacture of other products, b) the quantity of waste cellulose fibre, generated in the paper-making operations, which is recycled through agricultural use as landspread, c) the quantity of waste that is used for energy recovery at our waste-to-energy plant, and d) the waste that goes to landfill.

#### VERIFICATION STATEMENT FROM BUREAU VERITAS UK LTD



For the second year we have worked with DS Smith Plc to provide an independent opinion on the Environmental Performance Indicators presented on this page of its 2010 Annual Report. Having completed a process incorporating site visits, document review and interrogation of associated management and reporting systems, it is our opinion that the presented performance indicators provide a fair and accurate representation of DS Smith Plc's performance.

DS Smith Plc should be commended on its approach to data collection, which remains consistent across the divisions with a clear understanding of required processes demonstrated by those with responsibilities in this regard at both divisional and site level. It is clear that DS Smith Plc is constantly looking to improve these processes; both via internal mechanisms, and as demonstrated in the proactive manner in which the company has continued to engage Bureau Veritas on this project, as well as its consideration of recommendations arising from the previous year's verification.

Bureau Veritas encourages DS Smith Plc to further define and document its environmental reporting responsibilities and data collection procedures, to continue to improve the monitoring of its performance by initiating a half-yearly review of consolidated performance data, and to explore the feasibility of extending performance data to stakeholders by increasing the scope of its reported greenhouse gas emissions.

A full verification statement including our methodology, basis for our opinion, additional recommendations, limitations and a statement of Bureau Veritas independence can be found on the DS Smith Plc website ([www.dsmith.uk.com/pages/CorporateResponsibility.asp](http://www.dsmith.uk.com/pages/CorporateResponsibility.asp)).

June 2010  
Bureau Veritas UK Ltd  
London

The Group is committed to applying equal opportunities in all recruitment and employment practices. It is also committed, as a minimum, to meeting the labour rights and legislation requirements in each of the countries in which it operates; in practice the Group often exceeds the local and international requirements. As DS Smith's operations are almost entirely located in member countries of the OECD, human rights matters are not perceived as a significant Group risk.

Recruitment and retention of employees is not a significant issue for most of the Group's operations but the situation varies depending upon the alternative employment opportunities in any particular location and the skills required.

Our divisions and businesses communicate with, and consult, their people through newsletters, intranets, briefing meetings, local works councils, national employee forums and a European Works Council. Many of our businesses have increased the level of internal communications in light of the present difficult economic environment to ensure that employees are aware of the business's plans and objectives. Employee surveys have been carried out in a number of parts of the Group. Generally the results of these have been positive; action has been taken to address any particular issues that have been highlighted.

Training and development programmes are carried out by the Group's businesses to meet their specific needs for raising operational performance and career development. The individual training and development needs of employees are met through a variety of schemes including: management development programmes, which in some cases involve external accreditation; support for study for external vocational and professional qualifications; and schemes for coaching and mentoring managers, using external and internal resources.

In 2009, DS Smith initiated a three-year development programme for its senior business leaders. The programme has been designed and run in partnership with Warwick Business School. This has enabled the Group to develop bespoke content which combines the latest academic thinking with practical application to the Group's businesses.

The principal aim of the programme is to enhance managers' understanding of the strategic issues facing the Group and to build the leadership capabilities needed to meet these challenges.

The programme also offers managers an opportunity to reflect on their personal leadership style and to consider their performance against external benchmarks. To date, 60 senior managers have participated in the programme and it has been exceptionally well received.

Over the coming year, the Management Development Programme will be extended to cover a wider range of topics and will be supported by external coaching schemes. In 2010, DS Smith will also begin a development programme for the Group's high potential employees; this will be a further demonstration of the Group's commitment to developing its talent pool.

#### **COMMUNITY INVOLVEMENT**

We seek to develop and maintain good relations in the local communities in which we operate; this is particularly important as in many of the locations where we operate we are one of the largest employers. As well as providing significant employment opportunities, we aim to make positive contributions to our communities and build a reputation as a good neighbour and employer. Our businesses work closely with local schools and colleges providing training, mentoring, work experience placements and other opportunities for pupils to learn about industry and business. The Group is involved in a wide range of other local community activities including sponsorship of community projects or sports teams and provision of adult skills training. Our businesses participate in liaison groups with local residents, particularly at locations where there is a need to review ways in which we can reduce any inconvenience to neighbours from our operations as a result of traffic movements, odour or noise. Some sites hold open days to foster relationships with their local communities. The Group supports charitable fund-raising activities through cash contributions and in the form of products and services or staff time. The majority of the modest amount of money donated by the Group is given by individual operating units, principally to good causes in their local communities. Donations by the Group headquarters are principally focused on helping young disadvantaged people become involved in business and working life.