



Procurement

Supplier Management

Policy

The Power of Less[®]



Group Supplier Management Policy

Doc number	Version No	Owner	Approval Date	Page 2
GR_PR_0001	V1.0	Alex Jennings	Policy Board 30 June 2021	

Table of contents

1. Purpose and scope	3
2. Our management approach	4
1.1 Non-compliance to GSS	4
1.2 Strategic and critical suppliers	5
1.3 Requirements for EcoVadis assessment	5
1.4 Suppliers refuse the EcoVadis assessment	6
1.5 SMETA Audit process	7
3. Escalation	8
4. Modern Slavery Response	9
4.1 Child Labour	10
5. Key Related Documents	12
6. Document Change Record	13
Appendix	14

Doc number	Version No	Owner	Approval Date	Page 3
GR_PR_0001	V1.0	Alex Jennings	Policy Board 30 June 2021	

1. Purpose and scope

This policy outlines how we manage suppliers to ensure we are compliant with DS Smith environmental, social and governance (ESG) targets and modern slavery commitments.

In line with our sustainability strategy and our corporate goal “to lead the way in sustainability”, we have a corporate target to make sure 100% of our suppliers comply with our sustainability standards by 2025 by complying with our Global Supplier Standard (GSS). We classify our suppliers and those identified as strategic and critical suppliers are expected to complete an EcoVadis assessment.

In relation to our Corporate sustainability target we classify suppliers in the following ways:

- Our suppliers:
 - Suppliers invoiced in last financial year with spend above £10k and all new suppliers; all vendors that supply us good and services. Exceptions are regulatory required payments including VAT and Councils who don't offer a service.
- Critical suppliers:
 - Supplier identified as high risk through our risk profiling tool.
 - Currently identified through EcoVadis IQ.
 - Supply goods and services that have a sustainability classification of high risk.
 - Palm oil, wood & conflict mineral suppliers in our primary product.
- Strategic suppliers:
 - Should have long-term, mutually co-operative relationship with mutual commitment & mutual value operational capabilities of individual participating companies to achieve significant on-going benefits to each party.
 - These alliances continue as long as significant value accrues to both parties
 - Successful partnerships require very high levels of co-ordination, trust, information sharing, innovation, creativity, and senior management support to fully exploit joint opportunities.
 - As an indication, DS Smith should spend at least £1.5m per annum with strategic suppliers. For key raw materials, spend should be significantly higher.

This policy applies to all of the DS Smith Group.

Doc number	Version No	Owner	Approval Date	Page 4
GR_PR_0001	V1.0	Alex Jennings	Policy Board 30 June 2021	

2. Our management approach

At DS Smith the responsibility for our sustainability performance is governed at the highest levels in line with our strategic goal to “lead the way in sustainability.” In working towards our commitments, we have developed clear guidelines in the following section on the methodology and assessment of the strategic and critical suppliers.

We expect our suppliers to comply with our Global Supplier Standards (GSS). Suppliers required to comply with the GSS can comply in the following ways:

- Signing a declaration and sending it back to DS Smith.
- Including the terms of the GSS within the contract.
- Including the terms of the GSS within DS Smith’s terms and conditions.
- Sending their own code of conduct / standard – which we accept if it meets our minimum standards.

1.1 Non-compliance to GSS

Suppliers must respond to our request to comply with our GSS within 6 months of our request. If a supplier disputes anything within our GSS, we can work with the supplier to understand the reasoning.

If a supplier sends their code of conduct, and it doesn’t meet our minimum expectations, we will give the supplier 12 months to update their policy.

If the supplier refuses to comply with our GSS within a 12 month period of our initial request, we will start to work on an exit strategy to remove the supplier from our supply base. We will not raise a PO for a supplier in scope from May 1st 2025 if they have not complied with our GSS. No new supplier can join the business from May 1st 2021 if they have not complied with our GSS.

Doc number	Version No	Owner	Approval Date	Page 5
GR_PR_0001	V1.0	Alex Jennings	Policy Board 30 June 2021	

1.2 Strategic and critical suppliers

All strategic and critical suppliers must comply with the GSS and complete an EcoVadis assessment.

- Suppliers must score a minimum of 45/100.
- As the owner of a strategic supplier, you must develop improvement plans with your suppliers.
- DS Smith category manager responsible for the supplier, must check the supplier scoring to verify and identify areas of improvement (if applicable).
- DS Smith category manager responsible for the supplier must communicate with the supplier, share feedback and scoring card indicating what our expectations are (as outlined in the following section).
- The supplier must comply with the GSS and complete the EcoVadis assessment within 6 months from our request.

1.3 Requirements for EcoVadis assessment

Strategic and critical suppliers will be reviewed every April, with relevant suppliers being asked to complete an EcoVadis assessment in May. We expect that our strategic and critical suppliers complete an assessment when asked within 3 months. If suppliers do not complete the assessment within 6 months of DS Smith's request, the supplier will be treated as a supplier who has refused to be assessed by EcoVadis.

- **The supplier must score a minimum of 45/100**
 - DS Smith category manager responsible for the supplier must check the areas of improvement and flag it/discuss it with the supplier.
 - The supplier must develop corrective actions within 3 months from the assessment to share with DS Smith category manager and to improve within 12 months from the assessment.
 - DS Smith category manager responsible for the supplier must track this and establish relationship with the supplier/ provide guidelines if needed.
- **If the supplier does not score 45 or above within 12 months of their first assessment, they will be audited (SMETA audit* - see appendix for definition)**
 - If business critical and critical non-compliances (NCs)*(check Appendix for definitions) are identified during the audit, the supplier needs to provide an action plan immediately and has three months to close the NCs.

Doc number	Version No	Owner	Approval Date	Page 6
GR_PR_0001	V1.0	Alex Jennings	Policy Board 30 June 2021	

- If major and minor NCs* (check Appendix for definitions) are identified during the audit, the supplier has three months to provide action plan and additional three months to close the NCs.
- If the supplier refuses the internal audit or doesn't close the NCs in a timely manner we will inform the supplier we cannot continue to work with them and work on an exit strategy.
- **If the supplier scores a minimum of 45 on their EcoVadis assessment**
 - Initiate improvement plans with strategic supplier so they are scoring a minimum of silver on EcoVadis
 - DS Smith category manager responsible for the supplier is expected to check the assessment, flag and track any critical areas e.g. human rights violations or activities in high-risk countries.
- The default position is to reassess suppliers every 2 years. If a supplier is to be assessed on a more infrequent basis, this must be approved by the Procurement or Paper Sourcing Leadership Team and the Sustainability Leadership Team

1.4 Suppliers refuse the EcoVadis assessment

- **Strategic suppliers must participate in EcoVadis assessment.**
 - If they refuse, then they will not be invited to the next tender process and will be audited via SMETA if the tender renewal is more than 6 months away.
- **If a critical supplier refuses to participate to the EcoVadis assessment** (usually because of the cost of the assessment or the lack of internal resources),
 - we can accept a SEDEX SAQ with 100% completion rate.
 - The Category Manager should review the SEDEX SAQ by using SEDEX SAQ guidelines and if not satisfied with request an internal audit (SMETA).

Doc number	Version No	Owner	Approval Date	Page 7
GR_PR_0001	V1.0	Alex Jennings	Policy Board 30 June 2021	

1.5 SMETA Audit process

The SMETA audit process is defined within the appendix to this policy.

- **If the supplier has non-compliance (NC)s**
 - If business critical and critical NCs are identified during the audit, the supplier needs to provide action plan immediately and has three months to close the NCs.
 - If major and minor NCs are identified during the audit, the supplier has three months to provide action plan and additional six months to close the NCs.
 - If the supplier refuses the internal audit or doesn't close the NCs in a timely manner we will inform the supplier we cannot continue to work with them and work on an exit strategy, until audit is complete or NCs have been actioned.

- **The supplier must meet our standards**
 - DS Smith category manager responsible for the supplier must check the NCs, check the action plan and track improvement and closure of NCs.



Group Supplier Management Policy

Doc number	Version No	Owner	Approval Date	Page 8
GR_PR_0001	V1.0	Alex Jennings	Policy Board 30 June 2021	

3. Escalation

DS Smith will produce an exit strategy for any supplier who does not comply with our minimum standards mentioned in this policy. An exit strategy is not time bound, but as soon as a category manager is aware that a supplier is non-compliant, then an exit strategy needs to be developed and shared with relevant leadership team.

Leaderships teams must be informed if an exit strategy for a supplier has a significant impact on their part of the business, whether at Group, Packaging or Supply Engine.

In extreme cases where an exit strategy includes removing a supplier from the business which could immediately impact our production facilities, the GOC has overall decision when we stop working with a supplier.

Doc number	Version No	Owner	Approval Date	Page 9
GR_PR_0001	V1.0	Alex Jennings	Policy Board 30 June 2021	

4. Modern Slavery Response

In extreme cases where modern slavery including child labour are involved, DS Smith has a process for managing these incidents. We ensure swift action and the right senior people within the organisation are informed. The below chart helps us to make a judgement on our next steps depending on the severity of the modern slavery breach.

Indicator	Clarification	Incidental	Minor	Moderate	Major
Seriousness of incident	What type of incident was involved?	An "honest" breach of modern slavery laws where a family member close to the legal working age i.e. 15 was "helping out"	A breach where the victims are paid a fair wage, but poor labour practices are involved such as forced over time	A serious modern slavery breach where the victims involved are paid under the legal minimum wage and/or perhaps do not have control over their property such as passport during their working hours	A serious modern slavery breach where the victims involved are children and/or have been illegally trafficked, abused, threatened or forced to work
Reputational Risk	What is the probability of reputational damage to the company resulting in lost revenue, capital or regulatory costs; or reduction of shareholder value?	Breach would have no reputational impact business to DS Smith.	Breach may result in loss of reputation for the supplier, but not for DS Smith.	Breach unlikely to result in media attention for DS Smith, but will adversely impact the perception of the supplier involved.	Impact of breach could result in coverage in the media, questions by investors and customers.
Timing of the incident	When did the incident happen?	Over 5 years ago	The incident happened over 1 year ago, but within last 5 years	From 4 weeks to the last 12 months	Within the last 4 weeks.

The modern slavery incident process flow is included within section 5.

Doc number	Version No	Owner	Approval Date	Page 10
GR_PR_0001	V1.0	Alex Jennings	Policy Board 30 June 2021	

4.1 Child Labour

The DS Smith Global Supplier Standard states that all suppliers to DS Smith must 'ensure that child labour is not used'.

Suppliers must have documentation verifying their ethical sourcing and purchasing activities and may use the Ethical Trading Initiative (ETI) Base Code or any other similar standard as a guideline for implementing ethical sourcing and purchasing. Suppliers must provide this information to DS Smith upon request.

Throughout the process the ETI Based Code guidance will be referenced, this process is to accompany the ETI Base Code 'Child Labour' guidance.

All suppliers must comply with the DS Smith Global Supplier Standards for child labour and act in accordance with national and international laws governing child labour.

Where child labour is identified or suspected all measures taken managing the incident with the supplier must first look to protect the wellbeing and interests of the child.

Where child labour is discovered at a suppliers location DS Smith will require the supplier to carry out corrective and preventative actions that will ensure the wellbeing of the child and prevent any future incidents from occurring.

DS Smith will continue to monitor and audit the supplier in line with the DS Smith incident process, DS Smith Global Supplier Standard & ETI Base Code to ensure that all corrective and preventative actions have been accomplished to ensure the wellbeing of the child.

Key principles

- **The protection of the child and his/her interests comes first.**
- **A child should not be dismissed without due regard for what happens to him/her.**
- **Any solution must improve the child's situation and not make the child more vulnerable to abuse.**
- **Consult the child and his/her family or guardian.**
- **Involve relevant professionals and other trusted stakeholders as needed.**

Doc number	Version No	Owner	Approval Date	Page 11
GR_PR_0001	V1.0	Alex Jennings	Policy Board 30 June 2021	

- **Once the child has been removed in the safest way from the workplace, support the child to get into education.**

The business needs to balance an approach on engaging with the supplier to ensure remediation and improve systems so that it does not happen again, against the risk that a supplier may try to remove the children and avoid responsibility.

Each situation needs to be assessed on its own merits, the relationship with the supplier, the nature of the issue (an adolescent worker employed with poor supervision would be different to a child in bonded labour for example) and in accordance with relevant best practice.

Where a supplier is using child labour intentionally or engaging in other illegal activities, a different approach is needed. In such cases, the company will need to involve police, labour inspectors or other officials, but should be mindful that in some places law enforcement officials are corrupt and may collude with local criminals or turn a blind eye.



Group Supplier Management Policy

Doc number	Version No	Owner	Approval Date	Page 12
GR_PR_0001	V1.0	Alex Jennings	Policy Board 30 June 2021	

5. Key Related Documents

Ref Number	Title
1	ETI Base Code
2	Global Supplier Standards (GSS)
3	SMETA Audit
4	SEDEX SAQ Guideline
5	Modern slavery incident process flow



Group Supplier Management Policy

Doc number	Version No	Owner	Approval Date	Page 13
GR_PR_0001	V1.0	Alex Jennings	Policy Board 30 June 2021	

6. Document Change Record

The policy will be reviewed annually and the change record is sent out below:

Version:	Date:	Change Description:	Author:	Approver:
1.0	30 June 2021	Initial policy	Andy Lewis	Policy Board

Doc number	Version No	Owner	Approval Date	Page 14
GR_PR_0001	V1.0	Alex Jennings	Policy Board 30 June 2021	

Appendix

- **SMETA audit**

- **SMETA (Sedex Members Ethical Trade Audit)** is an ethical audit methodology which encompasses all aspects of responsible business practice. As a multi-stakeholder initiative, SMETA was designed to minimize duplication of effort and provide members and suppliers with an audit format they could easily share. SMETA reports are published in the SEDEX system, ensuring transparency and efficient information sharing.
- The SMETA Audit Methodology. SMETA audits use the **ETI Base Code**, founded on the conventions of the International Labour Organization, as well as relevant local laws. SMETA audits will be conducted against **two auditing pillars**. The two pillars mandatory for any SMETA audit are Labour Standards and Health & Safety.

- **Definition of non-compliance**

- Non-Compliance: An instance where the practices of the site of employment do not meet the requirements of either the law or the ETI Base Code. Since the Sedex system encourages audit sharing it is very important that the standard procedure is followed and that non-compliances are recorded where the site practice does not meet EITHER the law OR the ETI Base Code OR both. A non-compliance can be raised where either there is no system in place, the system is not effective in ensuring compliance or where a lapse in the system puts workers at a disadvantage.

- **Business critical non-compliance**

- A critical breach of a code item or local law resulting in an issue which presents a critical or imminent risk to worker's safety / critical risk to life and limb or which constitutes a critical breach of workers' human rights. This may put either new business or ongoing business at risk and is therefore likely to require immediate correction or improvement.
- Or a critical non-compliance that has not been addressed over time. This is likely to require immediate action and may put business relationships at risk.

Doc number	Version No	Owner	Approval Date	Page 15
GR_PR_0001	V1.0	Alex Jennings	Policy Board 30 June 2021	

- **Critical non-compliance**

- A severe breach which represents a danger to workers / those on site, or which constitutes a severe breach of workers' human rights.
- A severe material breach of a code requirement / law. A systematic and deliberate breaking of a code requirement / law.
- An attempt to pervert the course of the audit through fraud, coercion, deception, interference or deliberate damage to brand reputation.
- Or a major non-compliance that has not been addressed over time, or for which no significant improvement has been made.

- **Major non-compliance**

- A material breach of a code item or local law which represents a danger to workers / those on site.
- Or any breach which constitutes an infringement of workers' human rights.
- Or a minor non-compliance that has not been addressed over time, or for which no significant improvement has been made.

- **Minor non-compliance**

- An occasional or isolated problem.
- An issue which represents low risk to workers / those on site.
- A policy issue or misunderstanding where there is no evidence of a material breach.

- **An example timeline**

- Agree corrective actions and time frames day 0 (date of audit).
- Site starts corrective actions day 1 (audit date +1).
- Site uploads corrective action plans to Sedex day 1-5 (audit date (1-5)).
- Site uploads its corrective action evidence for verification (audit date + specified completion timescales e.g. audit date +30, 60, 90 days).