

## F0. Introduction

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### F0.1

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**(F0.1) Give a general description of and introduction to your organization.**

Smurfit Kappa Group plc ('SKG plc' or 'the Company') and its subsidiaries (together 'SKG' or 'the Group'), a FTSE 100 company, is one of the leading providers of paper-based packaging solutions in the world, with approximately 46,000 employees in 352 production sites across 35 countries and with revenue of products, with operations in Europe, Latin America, the United States and Canada. It manufactures, distributes and sells containerboard, corrugated containers and other paper-based packaging products such as solidboard, graphicboard and bag-in-box.

In Europe our business is highly integrated and includes a system of mills and plants that primarily produces a full line of containerboard that is converted into corrugated containers. In addition to other types of paper, such as solidboard and sack kraft paper, and paper-based packaging, such as solidboard packaging and folding cartons, this segment includes the Group's bag-in-box operations. The Group is the largest pan-regional producer of containerboard and corrugated containers in Latin America.

We use sustainability as a lens through which to focus our innovation, our strategy and our processes. The transparency and detail we offer our stakeholders is industry-leading.

With our pro-active team we relentlessly use our extensive experience and expertise, supported by our scale, to open up opportunities for our customers. We collaborate with forward thinking customers by sharing superior product knowledge, market understanding and insights in packaging trends to ensure business success in their markets. We have an unrivalled portfolio of paper-packaging solutions, which is constantly updated with our market-leading innovations. This is enhanced through the benefits of our integration, with optimal paper design, logistics, timeliness of service, and our packaging plants sourcing most of their raw materials from our own paper mills.

Our paper-based products improve the environmental footprint of our customers as their raw material is 100% renewable and the products itself are 100% recyclable.

What we do: Paper - we manufacture a wide range of papers mainly used for packaging purposed. Our total global paper and board capacity is approximately 7 million tonnes per annum. Packaging - we design, manufacture and supply paper-based packaging to package, promote and protect our customers' products. We manufacture over 10.5 billion square metres of corrugated packaging and have key supply positions in solid board, folding carton and tube markets.

The Group operates in 23 countries in Europe and is the European leader in corrugated packaging, containerboard and solidboard with key positions in several other packaging and paper market segments. We also have three bag-in-box facilities, located in Argentina, Canada and Mexico, which are managed as part of our European bag-in-box operations. The Group operates in 12 countries in the Americas and is the largest pan-regional producer of containerboard and corrugated containers in Latin America. In terms of world market positions, the Group is the one of the largest producer of corrugated packaging.

Given the high degree of integration between the mills and its conversion plants, particularly in terms of containerboard, the Group's end customers are primarily in the corrugated packaging market, which uses the packaging for product protection and product merchandising purposes. The Group's large manufacturing footprint provides it with a competitive advantage because the corrugated packaging market is a localised market and corrugated box plants need to be close to customers (generally 300 kilometres or less) due to the relatively high cost of transporting the product. Approximately 60% of the Group's corrugated customers are in the fast moving consumer goods sector, comprising food, beverage, and household consumables, the remainder being split across a wide range of different industries.

In 2019, the Group's Europe and Americas regions accounted for approximately 75% and 25% of revenue respectively.

At the date of this report, the Group owns 34 mills (29 of which produce containerboard), 245 converting plants (which convert containerboard into corrugated boxes), 40 recovered fibre facilities and two wood procurement operations (which together provide raw material for our mills) and 34 other production facilities carrying on other related activities. In addition, the Group owns 67100 hectares of forest plantations in Latin America and manages relatively small forest holdings totalling ca. 600 hectares in France and Spain.

### F0.2

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**(F0.2) State the start and end date of the year for which you are reporting data.**

	Start Date	End Date
Reporting year	January 1 2019	December 31 2019

### F0.3

(F0.3) Select the currency used for all financial information disclosed throughout your response.

EUR

### F0.4

(F0.4) Select the forest risk commodity(ies) that you are, or are not, disclosing on. For each forest risk commodity selected, identify the stages of the supply chain which best represents your organization's area of operation.

	Commodity disclosure	Stage of the value chain	Explanation if not disclosing
Timber products	Disclosing	Production Processing Trading Manufacturing	<Not Applicable>
Palm oil	<Not Applicable>	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Rubber	This commodity is not produced, sourced or used by our organization	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>	<Not Applicable>

### F0.5

(F0.5) Are there any parts of your direct operations or supply chain that are not included in your disclosure?

No

## F1. Current state

### F1.1

(F1.1) How does your organization produce, use or sell your disclosed commodity(ies)?

#### Timber products

##### Activity

Growing/production of raw materials  
Harvesting  
Refining & processing  
Exporting/trading  
Using as input into manufacturing process for power generation  
Using as input into product manufacturing  
Distributing/packaging

##### Form of commodity

Hardwood logs  
Softwood logs  
Sawn timber, veneer, chips  
Unprocessed wood fiber  
Pulp  
Paper  
Primary packaging  
Secondary packaging  
Tertiary packaging

##### Source

Owned/managed land  
Smallholders  
Single contracted producer  
Multiple contracted producers  
Trader/broker/commodity market  
Contracted suppliers (processors)  
Contracted suppliers (manufacturers)

**Country/Area of origin**

- Australia
- Austria
- Belarus
- Belgium
- Brazil
- Canada
- Chile
- Colombia
- Czechia
- Denmark
- Estonia
- Finland
- France
- Germany
- Hungary
- Indonesia
- Ireland
- Latvia
- Lithuania
- Luxembourg
- Mexico
- Netherlands
- Norway
- Poland
- Portugal
- Romania
- Russian Federation
- Slovakia
- Spain
- Sweden
- Ukraine
- United Kingdom of Great Britain and Northern Ireland
- United States of America
- Uruguay

**% of procurement spend**

11-20%

**Comment**

Promoting sustainable forest management involves managing supplies of sustainable, renewable fibre, while protecting biodiversity and ecosystems as well as creating employment in rural areas. Wood fibres can be recycled up to eight times when producing our paper-based packaging products. Working with a circular business model is our approach to delivering environmental sustainability. This means we involve our stakeholders at all stages, and add value to each one. Our Commitment to Sustainable Fibre We aim to source virgin fibres from certifiably well-managed forests, or at least of non-controversial origin, or Chain of Custody certified recycled fibres. All materials must be delivered through a third-party-verified Chain of Custody certified supply chain. We accept FSC, PEFC & SFI certified wood, and the Chain of Custody systems at our mills and plants also cover recycled-fibre sourcing We have committed to a complete Chain of Custody certified sourcing and manufacturing chain, from fibres to the packaging solutions: Commitment #1: All fibre produced and purchased is CoC certified under FSC, PEFC or SFI (Sustainable Forest Initiative). Progress made: We continued to produce and purchase 99.8% of our fibres under fibre origin management systems that are CoC certified in 2019. This is within our margin of 1% variation. Commitment #2: Over 90% of our packaging is labelled as CoC certified under FSC, PEFC or SFI. Progress made: We reached 92.1% in 2019. Commitment #3: All production sites using FSC, PEFC and/or SFI CoC standards. Progress made: Every newly acquired site has to comply with the CoC management system certification within two years from acquisition. All Forest plantations owned by SK are FSC or PEFC certified ( Colombia FSC, France and Spain PEFC) A total of 58% of the wood we use for virgin paper or pulp comes from forests certified under the FSC, PEFC and/or SFI schemes. The remaining 42% is of non-controversial origin, risk-assessed through our Chain of Custody system, and verified by a third party. At the end of 2019, 93% of our paper was produced as Chain of Custody certified, according to FSC, PEFC or SFI. The remaining 7% is from non-controversial fibres in accordance with FSC Controlled Wood standard, and managed through the mills' Chain of Custody certified risk assessment systems.

**F1.2**

**(F1.2) Indicate the percentage of your organization's revenue that was dependent on your disclosed forest risk commodity(ies) in the reporting year.**

	<b>% of revenue dependent on commodity</b>	<b>Comment</b>
Timber products	21-30%	Smurfit Kappa's final product is paper-based packaging solutions. Some 25% of our fibres are virgin fibres, the rest being recycled fibres from recovered paper. The products contain a mix of virgin and recycled fibres and therefore we use the same principle in calculating our share of revenue being dependent on the commodity.
Palm oil	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>

**(F1.3) Provide details on the land area you control and/or manage that is used for the production of your disclosed commodity(ies)?****Forest risk commodity**

Timber products

**Type of control**

Own land

**Country/Area**

Colombia

**Land type**

Tree plantations

**Area (Hectares)**

68000

**% Area certified**

100

**Certification scheme**

Other, please specify (Forest Stewardship Council® (FSC®))

**Conversion of natural ecosystems during the reporting year**

No

**Area converted during the reporting year (hectares)**

&lt;Not Applicable&gt;

**% covered by natural forests**

&lt;Not Applicable&gt;

**Please explain**

Forest and Plantation Management in Colombia Almost all the virgin wood fibre our Colombian plants need is supplied by 67,100 hectares (ha) of forests and plantations which we own and manage. We use protection programmes with the best sustainable development principles, promoting responsible use of natural resources along with economic development and social inclusiveness. We also conform to comprehensive legal, technical and environmental regulations set by local government and international bodies, subject to annual review. Our 67,100 ha of forests and plantations in Colombia include: • 42,000 ha of commercial plantations, of which 6,000 ha are partnerships with private landowners; • 22,000 ha of protected natural forest; and • 3,100 ha for infrastructure. In our commercial plantations, 58% of the land is pine, 35% eucalyptus, 6% is being replanted and 2% is dedicated to research. Our Colombian forest management programmes have been certified by FSC since 2003. Biodiversity and Ecosystem Conservation at SK Colombia A third of our Colombian forest land is dedicated to protecting forest sustainability, helping maintain the area's rich biodiversity and preserving watersheds, habitats and ecosystems. To maintain forest biodiversity and sustainability, our principles are to: • conserve them, by protecting and promoting species diversity, sustaining ecosystems, and protecting water sources and habitats; • identify appropriate species and practices that increase plantation yields whilst protecting the environment; and • develop research programmes to preserve and enhance soil productivity. Protecting and promoting natural habitats is important to our approach, so in Colombia we use our own research centre as well as third-party institutions. We do not convert natural forests into plantations, but we have rehabilitated land back to natural forest.

**Forest risk commodity**

Timber products

**Type of control**

Concession/lease

**Country/Area**

France

**Land type**

Tree plantations

**Area (Hectares)**

550

**% Area certified**

100

**Certification scheme**

PEFC Sustainable Forest Management certification

**Conversion of natural ecosystems during the reporting year**

No

**Area converted during the reporting year (hectares)**

&lt;Not Applicable&gt;

**% covered by natural forests**

&lt;Not Applicable&gt;

**Please explain**

In Europe, we offer forest management services through our wood supply companies in Spain and France, where we manage some 600 hectares of forest. In both, we follow local best practice for forest management, as certified by PEFC. Our wood-handling operations are Chain of Custody certified to FSC and PEFC standards.

**Forest risk commodity**

Timber products

**Type of control**

Own land

**Country/Area**

Spain

**Land type**

Managed natural forests

**Area (Hectares)**

50

**% Area certified**

100

**Certification scheme**

PEFC Sustainable Forest Management certification

**Conversion of natural ecosystems during the reporting year**

No

**Area converted during the reporting year (hectares)**

<Not Applicable>

**% covered by natural forests**

<Not Applicable>

**Please explain**

In Europe, we offer forest management service through our wood supply companies in Spain and France, where we manage some 600 hectares of forest. In both, we follow local best practice for forest management, as certified by PEFC. Our wood-handling operations are Chain of Custody certified to FSC and PEFC standards.

**F1.4**

**(F1.4) Provide details on the land you control and/or manage that was not used for the production of your disclosed commodity(ies) in the reporting year.**

**Forest risk commodity**

Timber products

**Country/Area**

Colombia

**Type of control**

Own land

**Land type**

Other land type, please specify (22,000 ha land set aside for protection or rehabilitated as natural forest set aside for conservation and research)

**Area (hectares)**

22000

**% covered by natural forests**

100

**Please explain**

A third of our Colombian forest land is dedicated to protecting forest sustainability, helping maintain the area's rich biodiversity and preserving watersheds, habitats and ecosystems. To maintain forest biodiversity and sustainability, our principles are to: • conserve them, by protecting and promoting species diversity, sustaining ecosystems, and protecting water sources and habitats; • identify appropriate species and practices that increase plantation yields whilst protecting the environment; and • develop research programmes to preserve and enhance soil productivity. Protecting and promoting natural habitats is important to our approach, so in Colombia we use our own research centre as well as third-party institutions. We do not convert natural forests into plantations, but we have rehabilitated land back to natural forest.

**F1.5**

**(F1.5) Does your organization collect production and/or consumption data for your disclosed commodity(ies)?**

	Data availability/Disclosure
Timber products	Consumption data available, disclosing
Palm oil	<Not Applicable>
Cattle products	<Not Applicable>
Soy	<Not Applicable>
Other - Rubber	<Not Applicable>
Other - Cocoa	<Not Applicable>
Other - Coffee	<Not Applicable>

**F1.5a**

**(F1.5a) Disclose your production and/or consumption data.**

**Forest risk commodity**

Timber products

**Data type**

Consumption data

**Volume**

8500000

**Metric**

Metric tons

**Data coverage**

Full commodity production/consumption

**Please explain**

<Not Applicable>

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**F1.5b**

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**(F1.5b) For your disclosed commodity(ies), indicate the percentage of the production/consumption volume sourced by national and/or sub-national jurisdiction of origin.**

**Forest risk commodity**

Timber products

**Country/Area of origin**

Australia

**State or equivalent jurisdiction**

Don't know

**% of total production/consumption volume**

0.1

**Please explain**

These fibres are part of our paper supplies from a third-party supplier that has supplies in Australia. The total of the papers represent less than 0.1% of our paper supplies and may not contain any fibres from Australia but are however covered by our Forest and Fibre Sourcing Policy and due-diligence risk assessment. Our Forest and Fibre Sourcing Policy stipulates that all virgin fibres supplied to Smurfit Kappa have to conform to our due-diligence and risk assessment procedures and be supplied to us through a traceable, FSC Chain of Custody certified supply chain and this applies to the papers with possible virgin fibres originating from Australia.

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**Forest risk commodity**

Timber products

**Country/Area of origin**

Brazil

**State or equivalent jurisdiction**

Specify state/equivalent jurisdiction (Sao Pulo, Mato Grosso do Sul, Guaibo)

**% of total production/consumption volume**

0.1

**Please explain**

These fibres are part of our market pulp and paper supplies from a third-party supplier that has supplies in Brazil. The total of the papers represent less than 0.1% of our paper supplies and may not contain any fibres from Brazil but are however covered by our Forest and Fibre Sourcing Policy and due-diligence risk assessment. Our Forest and Fibre Sourcing Policy stipulates that all virgin fibres supplied to Smurfit Kappa have to conform to our due-diligence and risk assessment procedures and be supplied to us through a traceable, FSC Chain of Custody certified supply chain and this applies to the papers with possible virgin fibres originating from Brazil.

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**Forest risk commodity**

Timber products

**Country/Area of origin**

Colombia

**State or equivalent jurisdiction**

Specify state/equivalent jurisdiction (Cauca, Caldas, Quindio, Tolima, Valle)

**% of total production/consumption volume**

3

**Please explain**

Smurfit Kappa owns 67,100 ha of plantations in Colombia in the Cauca, Caldas, Quindio, Tolima and Valle regions. 42,000 ha is dedicated for tree plantations, 22,000 ha for forest conservation and 3,100h ha for infrastructure. We follow our Forest and Fibre Sourcing Policy at our tree plantations in Colombia and according to our policy all the plantations are FSC certified and their management and logging follow the FSC Chain of Custody principles. Because all of our Colombian fibres are sourced at our own FSC certified plantations we consider them as low risk.

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**Forest risk commodity**

Timber products

**Country/Area of origin**

Indonesia

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**State or equivalent jurisdiction**

Don't know

**% of total production/consumption volume**

0.1

**Please explain**

These fibres are part of our paper supplies from a third-party supplier that has supplies in Indonesia. The total of the papers represent less than 0.1% of our paper supplies and may not contain any fibres from Indonesia but are however covered by our Forest and Fibre Sourcing Policy and due-diligence risk assessment. Our Forest and Fibre Sourcing Policy stipulates that all virgin fibres supplied to Smurfit Kappa have to conform to our due-diligence and risk assessment procedures and be supplied to us through a traceable, FSC Chain of Custody certified supply chain and this applies to the papers with possible virgin fibres originating from Indonesia.

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**Forest risk commodity**

Timber products

**Country/Area of origin**

Mexico

**State or equivalent jurisdiction**

Please select

**% of total production/consumption volume**

0.1

**Please explain**

These fibres are part of our paper supplies from a third-party supplier that has supplies in Mexico. The total of the papers represent less than 0.1% of our paper supplies and may not contain any fibres from Mexico but are however covered by our Forest and Fibre Sourcing Policy and due-diligence risk assessment. Our Forest and Fibre Sourcing Policy stipulates that all virgin fibres supplied to Smurfit Kappa have to conform to our due-diligence and risk assessment procedures and be supplied to us through a traceable, FSC Chain of Custody certified supply chain and this applies to the papers with possible virgin fibres originating from Mexico.

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F1.6

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**(F1.6) Has your organization experienced any detrimental forests-related impacts?**

No

F2. Procedures

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F2.1

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**(F2.1) Does your organization undertake a forests-related risk assessment?**

Yes, forests-related risks are assessed

F2.1a

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**(F2.1a) Select the options that best describe your procedures for identifying and assessing forests-related risks.**

**Timber products**

**Value chain stage**

- Direct operations
- Supply chain
- Other parts of the value chain

**Coverage**

- Full

**Risk assessment procedure**

- Assessed as part of an established enterprise risk management framework

**Frequency of assessment**

- Every two years

**How far into the future are risks considered?**

- 1 to 3 years

**Tools and methods used**

- Internal company methods
- External consultants
- NEPCon Sourcing Hub
- FSC Global Forest Registry
- National specific tools and databases

**Please explain**

As part of our obligations under the EU Timber Regulation and US Lacey Act, as well as our chain of custody certified management systems, we have a due diligence system in place for all of our fibre sourcing. We use the risk assessment tools and methods for items including management of origin, tree species, local risk factors and valid documentation. As part of the risk assessment, we evaluate our processes group-wide and at different operational levels. Risk assessment is a critical part of any Due Diligence system. NEPCon is a recognized expert for assessing risk of illegal practices in the forest sector on country and sub-national level. With Nepcon, Smurfit Kappa performed an assessment and gap analysis to measure the impact of Smurfit Kappa Chain of Custody and related due diligence systems during 2018/2019, and used this to strengthen our 2019 forestry and fibre sourcing policy. In 2020 we updated our risk assessment and have sourced wood fibres from 35 countries among which seven are classified as potential high risk: Argentina, Belarus, Brazil, Chile, Colombia, Russia and Ukraine. In Colombia, we only source from our own FSC certified plantations, but fibres sourced from the other six countries require additional due diligence before purchasing. Case study to our NEPCon-led risk assessment: This risk assessment contains NEPCon's evaluation, against their LegalSource standard-1, of the due diligence procedures and implementation of these by Smurfit Kappa. NEPCon conducted an on-site and desk review of Smurfit Kappa's due diligence system on Group level. In addition NEPCon conducted in-country evaluation visits of a number of Smurfit Kappa sites and external suppliers in order to further specify the level of risk in sourcing and reliability of information collected as part of the due diligence system. As a result the Sustainability Forestry and fibres sourcing policy have been updated and now additional due diligence have to be done for purchases of wood-fibre based products coming from high-risk country. Together with Nepcon we will update our risk assessment yearly and we have made these changes easy accessible for all relevant internal stakeholders to make sure that relevant data are always up to date. In addition Nepcon will do a gap analysis every 2-years in order to be sure that at all levels our DDS is adequately implemented.

**F2.1b**

**(F2.1b) Which of the following issues are considered in your organization's forests-related risk assessment(s)?**

**Availability of forest risk commodities**

**Relevance & inclusion**

- Relevant, always included

**Please explain**

We include the availability of forest risk commodities in our risk assessment because it is business critical to us: 25% of Smurfit Kappa's raw material is virgin fibre. We do this through assessing the competition for the use of land and the use of renewable raw materials to tackle climate change. We also look at related policies and market dynamics that may impact the availability of this forest risk commodity. In addition the availability of sufficient sustainable virgin fibres can have a cost impact that we need to monitor as part of our sourcing procedures. We are the leading paper-based packaging company with our full value chain covered by certified chain of custody system. This means that we have a management system in place looking into multiple factors related to the sustainable sourcing of virgin wood fibres. Using chain of custody certified wood fibre material may be more costly than non-certified material but it also provides an important guarantee to our customers who require FSC, PEFC or SFI certified packaging. This commitment makes the issue relevant for the sourcing of raw materials, production of our intermediate and final products, their sales and the monitoring of the commitment at the executive committee and board levels. This is a continuous issue for us.

## Quality of forest risk commodities

### Relevance & inclusion

Relevant, sometimes included

### Please explain

We include information on timber quality in our risk assessments when needed as sometimes wide storm damages may impact the wood quality for paper making as well. This issue is part of the availability and climate change related risks and covered in those assessments. Understanding the quality of forest risk commodities is used internally in the decision making in the pulping process planning. The issue is mainly relevant for our virgin paper mills' planning processes where it impacts their process when issues in quality for example due to storm damage appear. We assess our suppliers through our Sustainable Sourcing Audit process. Quality management is part of our supplier audits. Suppliers are scored based on their audit performance and we follow up the results with corrective actions, education or, if the supplier doesn't commit to corrective actions, by ending the supplier relationship. Sourcing materials, goods and services represents the single largest cost item for Smurfit Kappa. As such, sustainable sourcing is an integral part of our sustainability vision and strategy. We want to sustainably grow our business and value chain. That means our materials, goods and services not only have the right quality and cost, but also should be sourced securely and responsibly. By developing more sustainable supply chains in collaboration with our suppliers, we can manage risks and costs, develop new revenue streams, and add value to our brands. We have a sustainable sourcing programme, which helps us deliver against our seven pillars. These are: quality, hygiene and safety, business continuity, operations, continual improvement, service and technical support, environmental and sustainable development. Each one has a strong sustainability implication, namely: assessing supplier risks; focusing on relevant supplier processes (especially regarding business continuity); mitigating risks related to environmental, social and equality issues; and reducing waste by meeting food safety requirements. Sustainable sourcing of wood and recovered paper is vital for our fibre-based products. Wood, pulp, paper and recovered-paper sourcing, as well as our own forestry operations, is controlled by our Forestry and Fibre Sourcing Policy.

## Impact of activity on the status of ecosystems and habitats

### Relevance & inclusion

Relevant, always included

### Please explain

We include activity impact assessments in our risk assessment because wood harvesting impacts forest ecosystems and habitats. Due to deforestation and forest degradation, we have a high reputational risk related to them. Assessing our impact in the ecosystem and habitat status is done within the forest management practices according to the FSC, PEFC or SFI standards. According to our Forest and Fibre Sourcing Policy, we only source Chain of Custody certified materials. This means that our supply chain is covering the topic where relevant and related documentation is always shared downstream in the supply chain accordingly. We use this information internally in our purchasing decisions that need to follow our Forestry and Fibre Sourcing Policy and is a continuous issue for us. We delivered over 92% of our final products to customers as FSC Chain of Custody certified in 2019. It is a Smurfit Kappa Group Key performance Indicator for sustainability to sell more than 90% of our packaging to customers with chain of custody certification. 100% of all wood fibres used by our own paper mills are FSC conform (certified or FSC controlled wood). 99.9% of all internal produced and external purchased consumed paper is Chain of custody conform (FSC/PEFC or SFI certified or controlled source). A minimum requirement for all of our wood supplies is to adhere to the FSC Controlled Wood standard. Along with legality requirements, the standard sets minimum criteria for ecosystem protection. As part of our due diligence systems, required by the FSC, PEFC Chain of Custody standards, and then checked against e.g. national or regional risk maps and CITES endangered species lists. A failure to supply required information and documentation or if so required to agree on a third party audit, the supplier will not be able to supply to Smurfit Kappa.

## Regulation

### Relevance & inclusion

Relevant, always included

### Please explain

Smurfit Kappa's Sustainable Forestry and fibre sourcing policy states that SK suppliers guarantee a non-controversial origin of the fibrous materials delivered to SK. The non-controversial origin covers the concept of legality of harvested wood. A due diligence system (DDS) is required from companies operating in the EU Single Market area or in the US as part of the compliance with regulations on timber legality, namely EU Timber Regulation (EUTR) and US Lacey Act in the case of Smurfit Kappa. Smurfit Kappa's approach is to extend this to cover all fibrous material sourcing through its certified chain of custody management systems of which our due diligence system is part of. Our DDS covers data collection of: total quantities delivered as FSC, PEFC or SFI Chain of Custody Certified or Controlled Wood; country and/or region of harvest and tree species used. Regulation is included in our risk assessment because in our key market areas, the EU, as well as the US, legal origin of timber is of high importance and also covered by regulations regarding wood imports. We are subject to prove due diligence of our timber origin and therefore assess these issues by following regulatory developments and adjusting our way of sourcing materials accordingly. Origin of timber information is the responsibility of the entity that places the product/raw material on the market for the first time, so our or our suppliers' activities cover these for the whole value chain. We use this information internally in our purchasing decisions that need to follow our Forest and Fibre Sourcing Policy and is a continuous issue for us. All paper we import to EU market and place it first time are FSC or PEFC certified or all least have a FSC Controlled wood status, which are accepted as risk mitigation in the due diligence system according to the EUTR. Only comparable small amounts of our consumed paper supplies are on scope of the EUTR requirements. When we act as so called "operators" according to the EU Timber Regulation we use the DDS of accredited monitoring organisations to make sure that we meet all requirements. Our EUTR due diligence systems are reviewed and audited by a third party monitoring organisation once year.

## Climate change

### Relevance & inclusion

Relevant, always included

### Please explain

We include this information because long-term, climate change forms a risk to forests in multiple ways and therefore can create additional risk to the supply of the wood materials we need for our manufacturing processes chains. There can be changes in climate patterns effecting timber growth as well as increased risks for storms damaging the forest stock. Both potential changes impact our forestry operations as well as our timber availability planning. We do this through assessing the competition for the use of land and the use of renewable raw materials to tackle climate change. We also look at related policies and market dynamics that may impact the availability of this forest risk commodity. In addition the availability of sufficient sustainable virgin fibres may have a cost impact that we need to monitor as part of our sourcing procedures. The risk assessment covers our full value chain and is relevant because 25% of our raw material is virgin fibre. The issue is mainly relevant for our virgin paper mills' planning processes where it impacts their process quality when issues in quality for example due to storm damage appear.

## Impact on water security

### Relevance & inclusion

Relevant, always included

### Please explain

Water is a critical element in pulping wood and recovered-paper fibres, in the formation of paper and in drying it with steam-driven dryers. Without water, we cannot produce paper. Our 34 paper and board operations used 134 million m<sup>3</sup> of water in 2019, of which 125 million m<sup>3</sup> was discharged in good condition, making us a processor of water rather than a consumer. We also reuse water several times, after which it is processed in our water treatment facilities and returned to public water bodies. Of the water discharged, 75 million m<sup>3</sup> was used for processing and 49 million m<sup>3</sup> for cooling. Since 2014, we have carried out water risk assessments across all our paper mills. Our products need to meet hygiene standards, and our paper-making technologies require good-quality water. This means that with our neighbours and stakeholders, we have a common interest in good water stewardship. Only 12% of our paper and board production is in areas of water scarcity, representing 3% of our water intake. Nevertheless, we always use water sustainably – many of our stakeholders are concerned with local quality and expect good water management practices. In 2018, we showed our commitment to water stewardship by becoming a signatory to the CEO Water Mandate. Water treatment is part of the bioeconomy. We use bacteria to clean the water, and the resultant biogas fuels our Combined Heat and Power plants. The water-cleaning sludges can be used for other water treatment processes, or in agriculture. Forests play a role in local water cycles and in Smurfit Kappa's case, their growth is dependent on sufficient natural rain fall. Measures to mitigate water security related risks are included in sustainable forest management practices and Smurfit Kappa applies third-party, voluntary, certified forest management by FSC in Colombia and PEFC in Europe. We also require Chain of Custody certification from all fibrous materials that we source. This means that our supply chain is covering the topic where relevant and related documentation is always shared downstream in the supply chain accordingly. We use this information internally in our purchasing decisions that need to follow our Forest and Fibre Sourcing Policy and is a continuous issue for us.

## Tariffs or price increases

### Relevance & inclusion

Relevant, always included

### Please explain

We include this information in our risk assessments. Virgin wood represents 25% of our fibrous raw material and any (significant) price or tariff increase has a significant impact in our cost structure. These costs cumulate through our value chain and it may not be possible to transfer these into our final product prices, leading possibly changes of suppliers or substituting materials by our customers. Therefore we monitor changes in tariffs and price increases as part of our sourcing process and procedures. The information is used in the overall pricing of our products as part of our cost structure. We have a target to deliver over 90% of our products to customers as Chain of Custody certified. This commitment makes the issue relevant for the sourcing of raw materials, production of our intermediate and final products, their sales and the monitoring of the commitment at the executive committee and board levels. This is a continuous issue for us.

## Loss of markets

### Relevance & inclusion

Relevant, always included

### Please explain

We include the loss of markets in our risk assessment because sustainable virgin fibres play a role in maintaining our market position for certain products. Therefore this step in our value chain risk mapping is relevant and always included for example through gathering information from tenders in which we participate. We have a target to deliver over 90% of our products to customers as Chain of Custody certified. This commitment makes the issue relevant for the sourcing of raw materials, production of our intermediate and final products, their sales and the monitoring of the commitment at the executive committee and board levels. This is a continuous issue for us.

## Brand damage related to forest risk commodities

### Relevance & inclusion

Relevant, always included

### Please explain

The use of unsustainable raw materials may lead to significant reputational brand damage. This has occurred in our industry in the past. Therefore it is an important element in our risk mapping but also opportunity mapping for example through gathering information from the tenders in which we participate. We have a target to deliver over 90% of our products to customers as Chain of Custody certified. This commitment makes the issue relevant for the sourcing of raw materials, production of our intermediate and final products, their sales and the monitoring of the commitment at the executive committee and board levels. This is a continuous issue for us.

## Corruption

### Relevance & inclusion

Relevant, always included

### Please explain

Corruption is part of the mandatory due diligence process for any timber products. We are subject to prove we did proper due diligence on the origin of our timber and therefore assess these issues by following regulatory developments and adjusting our way of sourcing materials accordingly. Timber origin information is the responsibility for the entity who places the product/raw material on the market for the first time, so our or our suppliers' activities cover these for the whole value chain. We use this information internally in our purchasing decisions that need to follow our Forest and Fibre Sourcing Policy and this is a continuous issues for us.

## Social impacts

### Relevance & inclusion

Relevant, always included

### Please explain

We are committed to managing our employees in accordance with our values. We recognise that good social citizenship, shown in our interactions with employees, business partners and host communities, is essential to creating a sustainable future. We believe that ethical business conduct must be promoted from the most senior levels of the business, and fostered through the whole organisation. We expect the same standards of conduct from our suppliers: Reducing Supply Chain Risk To meet the requirements of our vision and strategy, our suppliers must adhere to the Smurfit Kappa Suppliers' Code of Conduct. Those who do not sign up to it must be committed to a compatible code in compliance with the UN Declaration of Human Rights and the ILO Principles and Rights at Work covering: freedom of association, prohibiting child labour and forced labour, treating employees humanely, respecting employee contributions, fair compensation, encouragement of continuous training and development, health and safety at work, nondiscrimination, and promoting community involvement. Suppliers are also required to follow our Sustainable Sourcing Policy, and all other relevant policies which also cover the safeguarding of the natural environment. We monitor our suppliers' compliance through our sustainable sourcing The social impacts related risks are included in sustainable forest management practices as well as certified chain of custody management systems. We also require chain of custody certification from all fibrous materials that we source. This means that our supply chain is covering the topic where relevant and related documentation is always shared downstream in the supply chain accordingly. We use this information internally in our purchasing decisions that need to follow our Forest and Fibre Sourcing Policy and this is a continuous issue for us.

Other, please specify

**Relevance & inclusion**

Please select

**Please explain**

F2.1c

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**(F2.1c) Which of the following stakeholders are considered in your organization's forests-related risk assessments?**

**Customers**

**Relevance & inclusion**

Relevant, always included

**Please explain**

We consider the customers in our forest related risk assessments because it is important for them to have confidence in their supply chains related to deforestation risks and damage to their brands. Therefore our task is to understand this customer pain and react to it. We have identified as our key stakeholders: customers and our holistic approach ensures: • **Relevance:** Constant dialogue to understand their sustainable business drivers and help expand their capabilities; • **Influence:** Valuing their opinion, and sharing experience and best practice from working with a wide range of suppliers and customers; • **Value:** Ensuring we deliver maximum sustainability value by understanding the sustainability drivers throughout our value chain; and • **Affect:** Sharing knowledge and expertise to increase understanding and find sustainable solutions. We do this through training courses, round-table discussions and meetings – including awards and partnership debates. We know which issues are important to our customers through continual multi-level engagement that includes: - organising meetings and round-table discussions on sustainability with our stakeholders; - participating in discussions within and outside our industry through our membership of CEPI and the World Business Council for Sustainable Development (WBCSD); - participating in CDP, EcoVadis, FTSE4Good and SEDEX surveys, and benchmarking against UN Sustainable Development Goals; - participating in the development of Forest Certification as a member of FSC and PEFC. - regular business meetings at our Experience Centres - Customer conferences - WBCSD membership - Awards and competitions run by customers

**Employees**

**Relevance & inclusion**

Relevant, always included

**Please explain**

Our employees are the ones that implement our policies which is why they are always considered in our risk assessments. Therefore it is important to understand where we could have gaps and risks for human error and understand how we can cover them, including training and tools. We have identified as our key stakeholders employees and our holistic approach ensures: • **Relevance:** Constant dialogue to understand their sustainable business drivers and help expand their capabilities; • **Influence:** Valuing their opinion, and sharing experience and best practice from working with a wide range of suppliers and customers; • **Value:** Ensuring we deliver maximum sustainability value by understanding the sustainability drivers throughout our value chain; and • **Affect:** Sharing knowledge and expertise to increase understanding and find sustainable solutions. We do this through training courses, round-table discussions and meetings – including awards and partnership debates. We know which issues are important to our employees through continual multi-level engagement that includes: - MyVoice engagement surveys - Day-to-day interactions - Works Councils - Social committees

**Investors**

**Relevance & inclusion**

Relevant, always included

**Please explain**

We consider investors in our risk assessments because our investors have specific deforestation risk programmes on place for the subjects of their investments. They require compliance with their policies through company policies as well as assessments, ratings and disclosures. We have identified as our key stakeholders: investors and our holistic approach ensures. • **Relevance:** Constant dialogue to understand their sustainable business drivers and help expand their capabilities; • **Influence:** Valuing their opinion, and sharing experience and best practice from working with a wide range of suppliers and customers; • **Value:** Ensuring we deliver maximum sustainability value by understanding the sustainability drivers throughout our value chain; and • **Affect:** Sharing knowledge and expertise to increase understanding and find sustainable solutions. We do this through training courses, round-table discussions and meetings – including awards and partnership debates. We know which issues are important to our investors through continual multi-level engagement that includes: - Investor days and conferences - One-to-one meetings - ESG ratings by rating agencies - Feedback from sustainability analysts at asset management companies - Queries directly from investors

**Local communities**

**Relevance & inclusion**

Relevant, always included

**Please explain**

As part of sustainable forest management practices and chain of custody management, local communities are automatically always included in our risk mapping. Their role in our stakeholder engagement is however wider as Smurfit Kappa is committed to the communities in which we operate, while our Foundation empowers people to improve their lives. We have identified as our key stakeholders: local communities and our holistic approach ensures: • **Relevance:** Constant dialogue to understand their sustainable business drivers and help expand their capabilities; • **Influence:** Valuing their opinion, and sharing experience and best practice from working with a wide range of suppliers and customers; • **Value:** Ensuring we deliver maximum sustainability value by understanding the sustainability drivers throughout our value chain; and • **Affect:** Sharing knowledge and expertise to increase understanding and find sustainable solutions. We do this through training courses, round-table discussions and meetings – including awards and partnership debates. We know which issues are important to our communities through continual multi-level engagement that includes: - Participation in local initiatives - Supporting social investment projects - Careful research and creating win-win solutions through closed material loops - Support local business ecosystems - Encourage employee volunteering - Cross-industry collaboration helps to deliver financial and environmental benefits, such as reducing waste to landfill

## NGOs

### Relevance & inclusion

Relevant, always included

### Please explain

NGOs play an important role as watch organisations for sustainable forest management. Their actions and points of interest are a natural part of our risk mapping and improvement plans. We have identified as our key stakeholders: NGO's and our holistic approach ensures: • Relevance: Constant dialogue to understand their sustainable business drivers and help expand their capabilities; • Influence: Valuing their opinion, and sharing experience and best practice from working with a wide range of suppliers and customers; • Value: Ensuring we deliver maximum sustainability value by understanding the sustainability drivers throughout our value chain; and • Affect: Sharing knowledge and expertise to increase understanding and find sustainable solutions. We do this through training courses, round-table discussions and meetings – including awards and partnership debates. The NGOs are considered to be part of the wider stakeholder group Communities. We know which issues are important to our NGOs through continual multi-level engagement that includes: - Participation in local initiatives - Supporting social investment projects - Encourage employee volunteering - Cross-industry collaboration helps to deliver financial and environmental benefits

## Other forest risk commodity users/producers at a local level

### Relevance & inclusion

Relevant, sometimes included

### Please explain

Due to our sourcing structures, we are relatively shielded from competition of other timber users and producers of other commodities on a landscape level. However, the competition for the use of land and especially the increased interest in bio-energy production is important to us in long-term planning and risk assessments. The engagement takes place through our engagement with communities and suppliers: - Participation in local initiatives - Supporting social investment projects - Careful research and creating win-win solutions through closed material loops - Support local business ecosystems - Encourage employee volunteering - Cross-industry collaboration helps to deliver financial and environmental benefits, such as reducing waste to landfill - Supplier sustainability audits - Participating in the development of Forest Certification as members of the Forest Stewardship Council (FSC) and the Programme for the Endorsement of Forest certification (PEFC) - WBCSD membership

## Regulators

### Relevance & inclusion

Relevant, always included

### Please explain

The regulators take decisions that often impact cross policy sectors. Therefore it is important for us to be aware of policy developments and make sure that the regulators understand our position in the cross-sectoral regulative environment. We have identified as our key stakeholders: Regulators and our holistic approach ensures: • Relevance: Constant dialogue to understand their sustainable business drivers and help expand their capabilities; • Influence: Valuing their opinion, and sharing experience and best practice from working with a wide range of suppliers and customers; • Value: Ensuring we deliver maximum sustainability value by understanding the sustainability drivers throughout our value chain; and • Affect: Sharing knowledge and expertise to increase understanding and find sustainable solutions. We do this through training courses, round-table discussions and meetings – including awards and partnership debates. We know which issues are important to the relevant authorities through continual multi-level engagement that includes: - Continuous contact with relevant local authorities - Membership and active participation in relevant industry association committees that assess existing and developing regulatory frameworks at local, national and supra-national levels -Through our own expert employees maintain the relevant knowledge for the regulatory frameworks at local, national and supra-national levels -Leadership in self-governing industry standards on regulatory issues such as on the definition of sustainable forestry management

## Suppliers

### Relevance & inclusion

Relevant, always included

### Please explain

Our suppliers must be able to meet our Forestry and fibre sourcing policy requirements. This is the way to ensure that we can manage the risks of our customers and investors and therefore they are an important part of our risk-mapping. We have identified as our key stakeholders: suppliers with whom we have an established engagement approach and our holistic approach ensures: • Relevance: Constant dialogue to understand their sustainable business drivers and help expand their capabilities; • Influence: Valuing their opinion, and sharing experience and best practice from working with a wide range of suppliers and customers; • Value: Ensuring we deliver maximum sustainability value by understanding the sustainability drivers throughout our value chain; and • Affect: Sharing knowledge and expertise to increase understanding and find sustainable solutions. We do this through training courses, round-table discussions and meetings – including awards and partnership debates. We know which issues are important to our suppliers through continual multi-level engagement that includes: - Supplier sustainability audits - Participating in the development of Forest Certification as members of the Forest Stewardship Council (FSC) and the Programme for the Endorsement of Forest certification (PEFC) - WBCSD membership

## Other stakeholders, please specify

### Relevance & inclusion

Please select

### Please explain

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## F3. Risks and opportunities

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### F3.1

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**(F3.1) Have you identified any inherent forests-related risks with the potential to have a substantive financial or strategic impact on your business?**

	Risk identified?
Timber products	Yes
Palm oil	<Not Applicable>
Cattle products	<Not Applicable>
Soy	<Not Applicable>
Other - Rubber	<Not Applicable>
Other - Cocoa	<Not Applicable>
Other - Coffee	<Not Applicable>

**F3.1a**

**(F3.1a) How does your organization define substantive financial or strategic impact on your business?**

SKG defines substantive impact as significant financial, strategic or reputational damage that forces us to change our business strategy significantly either locally or as a Group. This definition applies to both our direct operations and our supply chain. The Group's risk process is based upon a standardised approach to risk identification, assessment and review with a clear focus on mitigating factors and assignment of responsibility to risk owners. Each individual risk identified is assessed based upon potential impact and likelihood of occurrence criteria. The likelihood of occurrence categories are based upon the probability of the risk occurring using percentage thresholds from remote up to probable. The impact of risk on cost is measured based upon applicable percentage thresholds of the Group's pre-exceptional EBITDA which for 2019 was €1,650m and reputational impact is also considered.

**F3.1b**

**(F3.1b) For your disclosed forest risk commodity(ies), provide details of risks identified with the potential to have a substantive financial or strategic impact on your business, and your response to those risks.**

**Forest risk commodity**

Timber products

**Type of risk**

Physical

**Geographical scale**

Global

**Where in your value chain does the risk driver occur?**

Supply chain

**Primary risk driver**

Increased ecosystem vulnerability

**Primary potential impact**

Supply chain disruption

**Company-specific description**

Extreme weather conditions may lead to increased risk for forest damage typically due to storms or forest diseases/insect damage. Storm damages can become more extreme due to increased winds but also drought or flooding that lead to the overall forest ecosystem resilience degradation. These can lead to disruptions in one or more of our regional supply chains. Disruptions in regional supply chains may lead to production rearrangements or shortcuts of raw material supply, over supply of certain raw material and increased storage costs at certain sites. We estimate that with the increase of average temperatures due to climate change this risk increases over time and the likelihood selected >6 years. For example in 2010 a severe storm caused significant damage to the forests in (Aquitane) where one of our kraftliner mills is situated and from where this mill sources its wood requirements. After the storm raw material supply was disrupted initially, to be followed with a period of oversupply of timber damaged by the storm. This had to be stored before it could be processed and while stored had to be kept wet which increased storage costs. Typically operating conditions return to normal after 3-6 months. Events like this can be mitigated by increasing production at our other kraftliner mills. Also our stock of finished goods mitigated negative effects. Overall operational effects were limited to one site and the key cost impact was mainly related to additional storage costs.

**Timeframe**

>6 years

**Magnitude of potential impact**

Medium-low

**Likelihood**

About as likely as not

**Are you able to provide a potential financial impact figure?**

Yes, an estimated range

**Potential financial impact (currency)**

<Not Applicable>

**Potential financial impact figure - minimum (currency)**

0

**Potential financial impact figure - maximum (currency)**

13000000

**Explanation of financial**

The upper limit represents the loss in revenue for a two week production stop in one of our kraftliner mills due to interruption of wood supply resulting from a severe storm. This is highly theoretical as mitigating measures are available. Our kraftliner mills produce on average 525 ktonnes per year per mill (year 2019, page 74, Sustainable Development Report). Management have identified climate change as being an emerging risk. Changes in weather patterns resulting in a more regular flooding or water shortage could give rise to business interruptions in our operations and our supply chain and potential increase the cost of raw materials like wood where access to Forest is hampered or forest a made more vulnerable to pests and diseases due to unseasonable weather. While this is not yet considered as principal risk we are now integrating the assessment of climate related risk into our standard risk reporting process in order to assess the potential risk to our strategy and the need for investments to mitigate against risk. The Group ensures that all facilities have adequate insurance to mitigate the impact of significant interruptions. Operational contingency plans are in place for all mills and plants in the event of a shut down. In Europe the Group has a network of operations which can facilitate the significant transfer of volumes to other mills in an event of a shut down.

**Primary response to risk**

Promotion of sustainable forest management, including financial incentives

**Description of response**

Our plantations in Colombia are all certified against FSC sustainable forest management standard, and in Europe our forest holdings are PEFC certified. Sustainable forest management is an approach that aims to prevent degradation of forest and making forests more resilient against severe storms resulting from climate change: maintaining forest cover, and ensuring its quality through sustainable forest management, both belong on an effective climate change mitigation agenda. Sustainable forest management can maintain, or restore, the carbon sequestration function of a forest, and is essential for safeguarding the forest health that remains. With its certification scheme for forest management, its CoC control standard, and its outreach to consumers with its labels, FSC contributes to mitigating climate change by promoting sustainable forest management, and by promoting the recycling of wood materials. We invest in R&D at our forestry operations as well as in plantations to find more resilient ways for forest management. This R&D we do in collaboration with local universities and research centres. We also source our wood from a broad supplier base and stimulate CoC certification to the origin of timber and aim at long-term relationships with our suppliers which should provide preferential supply in periods of disruption. We show leadership by supporting suppliers to get certified such as in Spain where we work with smallholders towards FSC forest certification.

**Cost of response**

1000000

**Explanation of cost of response**

This costs is an estimation and includes the cost of certifying our own operations, promoting sustainable forest management among wood suppliers and paper suppliers and cost of specific R&D on how to create resilient forest conditions, we estimate this cost to be about 1,000,000 euro annually

**Forest risk commodity**

Timber products

**Type of risk**

Regulatory

**Geographical scale**

Global

**Where in your value chain does the risk driver occur?**

Supply chain

**Primary risk driver**

Non-compliance with international law and bilateral agreements

**Primary potential impact**

Fines, penalties or enforcement orders

**Company-specific description**

If our suppliers cannot comply with EU Timber Regulation Directive or the US Lacey Act, we may have disruptions in one or more of our supply chains. This may lead to increased operating costs especially in case where we need to set-up new supply chains to replace suppliers or pay fines. Less than 1% of the paper we consume in our operations is imported from outside the EU and placed first time on the EU market by us according to the EU Timber Regulation Directive. We do not import virgin paper into the US market which makes us compliant with the US Lacey Act requirements going forward We will perform additional due diligence in case we import wood material from countries with high risk as defined by EU regulation and FSC and PEFC guidelines. Current volumes from these markets are small and can be easily replaced by suppliers from non-high risk countries.

**Timeframe**

1-3 years

**Magnitude of potential impact**

Low

**Likelihood**

Unlikely

**Are you able to provide a potential financial impact figure?**

Yes, an estimated range

**Potential financial impact (currency)**

&lt;Not Applicable&gt;

**Potential financial impact figure - minimum (currency)**

0

**Potential financial impact figure - maximum (currency)**

100000

**Explanation of financial**

This is an estimation of an annual cost. We have assumed one fine per kraftliner mill every three years plus the cost of changing certain suppliers due to their sourcing practices that are not acceptable to us. We have not yet received any fine in relation to this risk to date and have not changed suppliers for this reason to date either.

**Primary response to risk**

Greater due diligence

### Description of response

Smurfit Kappa has established a mature due diligence system for its fibre raw material sourcing. To stay up to date with the process, we continuously work to improve our system. In 2017-2018 we commissioned a third party consultancy to make a gap assessment of our due diligence system and to be able to improve our performance. As part of the risk assessment, we run an evaluation of our processes group-wide and through different operational levels. Risk assessment is a critical part of any due diligence system. NEPCon is a recognized expert for assessing risk of illegal practices in the forest sector on country and sub-national level. With Nepcon, Smurfit kappa performed an assessment and gap analysis to measure the effectiveness of Smurfit Kappa's Chain of Custody and related due diligence systems during 2018/2019, and used this to strengthen its 2019 forestry and fibre sourcing policy. This risk assessment contains NEPCon's evaluation, against our LegalSource standard1, of the due diligence procedures and implementation of these by Smurfit Kappa. NEPCon conducted an on-site (at the Group's Headquarters in Amsterdam) and desk review of Smurfit Kappa's due diligence system on Group level. In addition NEPCon conducted in-country evaluation visits of a number of Smurfit Kappa sites and external suppliers in order to further specify the level of risk in sourcing and reliability of information collected as part of the due diligence system.

### Cost of response

75000

### Explanation of cost of response

The annual cost of 75,000€ is an estimation of a third party risk assessment in combination with internal risk assessment costs, development of sourcing policies and guidelines and training of local sourcing managers

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### Forest risk commodity

Timber products

### Type of risk

Reputational and markets

### Geographical scale

Global

### Where in your value chain does the risk driver occur?

Other parts of the value chain

### Primary risk driver

Increased stakeholder concern or negative stakeholder feedback

### Primary potential impact

Change in revenue mix and sources

### Company-specific description

Our customers and/or investors may be of the opinion that the way we source our wood materials is unsustainable. This may lead to customers turning to other suppliers and loss of revenue on our side. This may also lead to investors not willing to invest in us. Transparency throughout the supply chain is vital to delivering our sustainability commitments. We are committed to maintaining robust monitoring and third-party auditing of our supply chain, ensuring sourced fibre complies with our sustainability principles. Our manufacturing sites are Chain of Custody certified, and over 99% of our fibres are sourced through Chain of Custody certified supply chains. Our commitment is to deliver over 90% of our sold products as Chain of Custody certified. We are committed to securing our wood from sustainably managed forests, mainly from nearby regions, either from certified forests or from controlled sources. Forest certification plays a critical role in the preservation of high conservation value forests in countries where governance is poor.

### Timeframe

Current - up to 1 year

### Magnitude of potential impact

Low

### Likelihood

Exceptionally unlikely

### Are you able to provide a potential financial impact figure?

Yes, an estimated range

### Potential financial impact (currency)

<Not Applicable>

### Potential financial impact figure - minimum (currency)

0

### Potential financial impact figure - maximum (currency)

9000000

### Explanation of financial

Our turnover is euro 9,048 million euro and we have over 65,000 customers (Annual Report 2019). The average turnover per customer is approx. euro 140,000. In the case that 0,1% of customers would turn to alternative suppliers for the reason above the loss of turnover in a year would be approx. euro 9 million. In our view this scenario is exceptionally unlikely to happen.

### Primary response to risk

Promotion of certification, including financial incentives

### Description of response

The most efficient management method to mitigate deforestation risk in our supply-chain are certified chain of custody management systems at all of our operating facilities, sourcing of certified and non-controversial fibres and the ability to sell products as chain of custody certified. Smurfit Kappa has invested in certified chain of custody management systems covering all operations across our regions, as well as certified forest management at our forest holdings and plantations. These investments include certification costs, efficient IT systems to support processes as well as education of our personnel. Part of the process is to require certified timber, pulp and paper deliveries from our suppliers. Smurfit Kappa produces and purchases 99.9% of its fibres through certified chain of custody management systems, over 90% of its paper production is certified and 92,1% of its products were sold as chain of custody certified at the end of 2019. Another way to mitigate this risk is efficient use of fibres. With 75% of fibrous raw material coming from recycled paper sources, Smurfit Kappa has a balanced approach to sustainable use and sourcing of fibres.

### Cost of response

200000

### Explanation of cost of response

The management cost of 200,000€ is estimated including personnel costs, management system and other certification costs and maintenance and establishment of

F3.2

**(F3.2) Have you identified any forests-related opportunities with the potential to have a substantive financial or strategic impact on your business?**

	Have you identified opportunities?
Timber products	Yes
Palm oil	<Not Applicable>
Cattle products	<Not Applicable>
Soy	<Not Applicable>
Other - Rubber	<Not Applicable>
Other - Cocoa	<Not Applicable>
Other - Coffee	<Not Applicable>

F3.2a

**(F3.2a) For your selected forest risk commodity(ies), provide details of the identified opportunities with the potential to have a substantive financial or strategic impact on your business.**

**Forest risk commodity**

Timber products

**Type of opportunity**

Markets

**Where in your value chain does the opportunity occur?**

Direct operation

Supply chain

**Primary forests-related opportunity**

Increased demand for certified materials

**Company-specific description & strategy to realize opportunity**

Transparent and sustainable sourcing of its principal raw materials is a key pillar in Smurfit Kappa's sustainability strategy. By making sure that our packaging solutions are produced from sustainable, recyclable, renewable and biodegradable material that is also produced in a sustainable way we minimise the risk for our customers related to forest issues such as deforestation. Our customers value this approach and these tangible sustainability credentials can be used by our customers to the benefit of their own business. This may lead to increased brand value for our own business. Smurfit Kappa is a leading paper-based packaging provider and 92.1% of our products were sold as Chain of Custody certified by the end of 2019.

**Estimated timeframe for realization**

1-3 years

**Magnitude of potential impact**

Medium-high

**Likelihood**

Virtually certain

**Are you able to provide a potential financial impact figure?**

Yes, an estimated range

**Potential financial impact figure (currency)**

<Not Applicable>

**Potential financial impact figure – minimum (currency)**

0

**Potential financial impact figure – maximum (currency)**

9000000

**Explanation of financial impact figure**

In case this increased brand value generates 1% in additional revenue, the effect will add euro 9 million in revenue

**Forest risk commodity**

Timber products

**Type of opportunity**

Resilience

**Where in your value chain does the opportunity occur?**

Direct operation

**Primary forests-related opportunity**

Ensuring supply chain resilience

**Company-specific description & strategy to realize opportunity**

Applying sustainable forest management practices, combined with research and innovation in our nurseries and forestry operations, can increase our resilience to climate change related risks and will help to adapt better to future developments. Smurfit Kappa has balanced its fibre raw material sourcing between virgin fibres (25% of fibre

volumes) and recycled fibres (75%). We also have split our fibre sourcing to sourcing from our own forests and plantations as well as from third parties. A major part of our recovered paper needs is sourced by our recycling operations. By applying sustainable management practices in our own forests and plantations makes the virgin raw material from our own forests more resilient to climate change and other natural disruptions. Applying sustainable sourcing practices increases resilience within our complete supply chains of virgin fibres.

**Estimated timeframe for realization**

>6 years

**Magnitude of potential impact**

Medium

**Likelihood**

Virtually certain

**Are you able to provide a potential financial impact figure?**

Yes, an estimated range

**Potential financial impact figure (currency)**

<Not Applicable>

**Potential financial impact figure – minimum (currency)**

0

**Potential financial impact figure – maximum (currency)**

13000000

**Explanation of financial impact figure**

This opportunity is the counter effect of the good management of Risk 1. Therefore the potential impact is in the range of 0-13M€ avoided costs due to required resilience.

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**Forest risk commodity**

Timber products

**Type of opportunity**

Efficiency

**Where in your value chain does the opportunity occur?**

Direct operation

**Primary forests-related opportunity**

Cost savings

**Company-specific description & strategy to realize opportunity**

Use of a mix of virgin and recycled fibres gives Smurfit Kappa an opportunity to create more optimised packaging solutions for our customers, whilst using raw materials in the most efficient manner. Both virgin and recycled fibres are needed for sustainable fit-for-purpose packaging solutions. Smurfit Kappa's strategy is to optimise the complete packaging solution for its customer's packaged goods and through that increasing material efficiency in our own value chain and the supply chains of our customers'.

**Estimated timeframe for realization**

Current - up to 1 year

**Magnitude of potential impact**

High

**Likelihood**

Virtually certain

**Are you able to provide a potential financial impact figure?**

Yes, an estimated range

**Potential financial impact figure (currency)**

<Not Applicable>

**Potential financial impact figure – minimum (currency)**

0

**Potential financial impact figure – maximum (currency)**

500000

**Explanation of financial impact figure**

Our pulp and paper sourcing annually is some 500M€. If we would generate one percent higher efficiency in the use of raw materials the benefit would be euro 5 million.

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## F4. Governance

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### F4.1

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**(F4.1) Is there board-level oversight of forests-related issues within your organization?**

Yes

### F4.1a

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**(F4.1a) Identify the position(s) of the individual(s) (do not include any names) on the board with responsibility for forests-related issues.**

Position of individual	Please explain
Chief Sustainability Officer (CSO)	The Chief Sustainability Officer is a member of the SK Group Executive Committee and responsible for Smurfit Kappa's overall sustainability strategy and its implementation. This includes forest related issues. One of the non-financial key-performance indicators of the SK Group is the % of chain of custody certified packaging solutions we sell to third party customers. The target is to reach a threshold of 90% COC certified products. In 2019 we sold 92.1 % as FSC certified products. Smurfit Kappa board has an overall responsibility for ensuring the Group demonstrates leadership within the paper-based packaging sector, promoting an actionable sustainable development agenda. The Group CEO reports to the board as its member on any water related issue and those are discussed in minimum three times a year.
Chief Executive Officer (CEO)	The Group CEO is ultimately responsible for actions governing forest. The Chief Sustainability Officer reports directly to the Group CEO. The Group CEO is an executive director of the SKG Board.
Board-level committee	The Board Sustainability Committee has the responsibility to drive and provide overall strategic guidance of the Smurfit Kappa Group Sustainability strategy. The Committee consists of three non-executive directors of the company. Part of their responsibility is to drive and provide overall strategic guidance on forest related issues. The overall sustainability strategy will focus on the three key pillars: People; Planet; and Business. Forest related issues are part of Smurfit Kappa's sustainability strategy
Other, please specify (Executive Sustainability Committee)	The Executive Sustainability Committee consists of a number of Group Executive Committee members that have responsibilities that are directly connected to sustainability issues. Forest related issues will be governed by some of the members as part of their direct operational responsibilities

**F4.1b**

**(F4.1b) Provide further details on the board's oversight of forests-related issues.**

	Frequency that forests-related issues are a scheduled agenda item	Governance mechanisms into which forests-related issues are integrated	Please explain
Row 1	Scheduled - some meetings	Monitoring implementation and performance Overseeing acquisitions and divestiture Overseeing major capital expenditures Reviewing and guiding business plans Reviewing and guiding corporate responsibility strategy Reviewing and guiding major plans of action Reviewing and guiding risk management policies Reviewing and guiding strategy Setting performance objectives	Forest related issues are part of many governance mechanisms. In Smurfit Kappa's case forest related issues are focused on the availability of sustainable wood fibres as raw material at an affordable price. This is a strategic issue and part of operational review meetings, an element in certain major capital expenditure projects, an element in our overall corporate strategy and business plans of relevant units. It is also part of the CSR strategy and we have set a number of long term target related to forest issues. When relevant it is part of acquisitions and divestitures. For the relevant managers it is also part of their performance objectives.

**F4.2**

**(F4.2) Provide the highest management-level position(s) or committee(s) with responsibility for forests-related issues (do not include the names of individuals).**

Name of the position(s) and/or committee(s)	Responsibility	Frequency of reporting to the board on forests-related issues	Please explain
Chief Sustainability Officer (CSO)	Both assessing and managing forests-related risks and opportunities	Quarterly	The CSO is reporting to the Board Sustainability Committee on forest related issues. The CSO is part of the Group Executive Committee. The CSO is responsible for coordinating Group sustainability strategies, including forest related issues, internal and external target setting and reporting against these targets. The Board is informed through presentations on specific topics and also receives three times per year progress performance reports on forest related issues among which progress on the long term sustainability targets related to forest issues
Sustainability committee	Both assessing and managing forests-related risks and opportunities	Quarterly	Implementation level: The Sustainability Working group consists of 11 individuals with different expertise areas in sustainability. This group is responsible for supporting Group operations in implementing its sustainability/forest strategies, collecting and analysing data from the operations to the Group excom and it is led by CSO. The members of this working group coordinate sustainability roles in operations who are responsible for local implementation.
Other, please specify (The Group Chain of Custody manager)	Managing forests-related risks and opportunities	As important matters arise	The Group Chain of Custody Manager is a member of the Sustainable Working Group and reports to the CSO on forest and wood fiber chain of custody related issues. He also represents Smurft Kappa in external stakeholder groups, such as FSC, PEFC etc. on sustainable forest management and chain of custody related issues.

**F4.3**

**(F4.3) Do you provide incentives to C-suite employees or board members for the management of forests-related issues?**

	Provide incentives for management of forests-related issues	Comment
Row 1	Yes	

**F4.3a**

**(F4.3a) What incentives are provided to C-Suite employees or board members for the management of forests-related issues (do not include the names of individuals)?**

	Role(s) entitled to incentive?	Performance indicator	Please explain
Monetary reward	Chief Executive Officer (CEO) Chief Sustainability Officer (CSO)	Achievement of commitments and targets Other, please specify (Chain of custody certified deliveries to customers)	The incentive indicator is the % of deliveries to customers that are certified Chain of custody. We aim to deliver at least 90% of our products chain of custody certified. This requires us to only source wood products from sustainable FSC and or PEFC managed forests. It is measured as % of total deliveries to customers. Because of this target/incentive the Group has certified chain of custody all of its operations and requires all its suppliers to deliver wood from sustainable origin and chain of custody certified paper. Future benefits expected include increased brand value. For the CEO this incentive is part of his personal/strategic goals which collectively has a weight of 20% of his annual bonus scheme
Non-monetary reward	Please select	Please select	

**F4.4**

**(F4.4) Did your organization include information about its response to forests-related risks in its most recent mainstream financial report?**

No, but we plan to do so in the next two years

**F4.5**

**(F4.5) Does your organization have a policy that includes forests-related issues?**

Yes, we have a documented forests policy that is publicly available

**F4.5a**

**(F4.5a) Select the options to describe the scope and content of your policy.**

	Scope	Content	Please explain
Row 1	Company-wide	Commitment to eliminate deforestation Commitment to protect rights and livelihoods of local communities Commitments beyond regulatory compliance Commitment to transparency Commitment to stakeholder awareness and engagement Commitment to align with the SDGs Recognition of the overall importance of forests and other natural ecosystems Description of business dependency on forests Recognition of potential business impact on forests and other natural habitats Description of forest risk commodities, parts of the business, and stages of value-chain covered by the policy List of timebound milestones and targets Description of forests-related performance standards for direct operations Description of forests-related standards for procurement	Smurfit Kappa's publicly available Forest and Fibre Sourcing Policy describes the framework within which we work in our own forestry and plantation management and what we require from our suppliers. Our policy in short is to promote sustainable, certified forest management through having plantations certified to FSC in Colombia and PEFC in Spain. We require from our suppliers a full Chain of Custody and applicable Due Diligence of their fibre sourcing. We aim at purchasing all our fibre based materials as CoC certified according to FSC, PEFC or SFI. This policy is the key tool for our fibre sourcing and the basis for any customer relationship.

**F4.5b**

**(F4.5b) Do you have commodity specific sustainability policy(ies)? If yes, select the options that best describe their scope and content.**

Do you have a commodity specific sustainability policy?	Scope	Content	Please explain

	Do you have a commodity specific sustainability policy?	Scope	Content	Please explain
Timber products	Yes	Company-wide	<p>Commitment to eliminate deforestation</p> <p>Commitment to protect rights and livelihoods of local communities</p> <p>Commitments beyond regulatory compliance</p> <p>Commitment to transparency</p> <p>Commitment to stakeholder awareness and engagement</p> <p>Commitment to align with the SDGs</p> <p>Recognition of the overall importance of forests and other natural ecosystems</p> <p>Description of business dependency on forests</p> <p>Recognition of potential business impact on forests and other natural ecosystems</p> <p>Description of forest risk commodities, parts of the business, and stages of value-chain covered by the policy</p> <p>List of timebound commitments and targets</p> <p>Description of forests-related performance standards for direct operations</p> <p>Description of forests-related standards for procurement</p>	<p>Smurfit Kappa has a Forestry and fibre sourcing policy, available on our website that defines our approach to sustainable forest management and fibre sourcing and sets the principles on how we operate around timber commodity in general and long-term. The target setting is done through our sustainability Vision, published on 2018 and also available on our website. SK takes responsibility throughout its full value chain from managing its forests and plantations, sourcing of wood and fibre, and converting them into appropriate value added products. The policy sets a framework for all of the Group's forestry, wood, fibre, and paper sourcing operations including: - Forests and tree plantations owned, leased or managed - Timber purchases and exchanges, including imports and exports - Sourcing of pulp and paper from third parties as well as sales of paper to third parties - Other wood and wood fibre-based product purchases - Sourcing of recovered paper and board This sustainable forestry and fibre sourcing policy complements the SK Code of Business Conduct and other relevant policies supporting sustainable development. SK performs due diligence on the legality of all wood-fibre based materials in accordance with applicable timber sourcing regulations. The policy is updated if necessary due to changes of requirements otherwise every two years. All Smurfit kappa sites producing paper and packaging are FSC certified and trainings about this policy are executed for all regional and local FSC managers are regularly. The last year we have focused on to make all relevant local purchaser of our 240 corrugated board plants aware about this policy. Every 3 years Nepcon checks the implement level of all requirements listed in our Policy on SK Group and local site level. In 2017/2018 we have visited 11 plants in Europe and The Americas and based on the feedback of Nepcon we have increased our internal training program and have updated our Policy.</p>
Palm oil	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>

F4.6

**(F4.6) Has your organization made a public commitment to reduce or remove deforestation and/or forest degradation from its direct operations and/or supply chain?**

No

F5. Business strategy

F5.1

**(F5.1) Are forests-related issues integrated into any aspects of your long-term strategic business plan, and if so how?**

	Are forests-related issues integrated?	Long-term time horizon (years)	Please explain
Long-term business objectives	Yes, forests-related issues are integrated	21-30	Our key raw materials are virgin and recycled fibres and therefore their sustainable availability is an important factor in our long-term objectives, including cost, availability, production, sourcing etc. We own 103,000 ha of forests and plantations where we implement certified sustainable forest management standards and improve our way of working as these standards develop. We also run our own recycling operations and have 15 recovered paper depots in Europe and 33 in the Americas. FSC Certification of our Colombian plantation management as a case study We have certified our forest plantations in Colombia since 2003. This means that we are investing in sustainable forest management and do it in an ecologically, economically and socially viable way, including stakeholders to our processes. This is part of our long-term strategy in Colombia but also shows our commitment to sustainable forest management as a company.
Strategy for long-term objectives	Yes, forests-related issues are integrated	21-30	We focus on promoting sustainable forest management through voluntary, third-party verified systems. As a case study: we are the leading paper-based packaging company who has implemented chain of custody certified management systems throughout our operations. This means that we are able to sell our products as CoC certified from any of our production sites to any of our customers. It is a chosen strategy that differentiates us from competition.
Financial planning	Yes, forests-related issues are integrated	11-15	Forest and plantation management, forest and chain of custody certification as well as sustainable and responsible sourcing of wood and recycled fibres is part of our annual financial planning. As a case study: we are the leading paper-based packaging company who has implemented chain of custody certified management systems throughout our operations. This means that we are able to sell our products as CoC certified from any of our production sites to any of our customers. It is a chosen strategy that gives us a competitive advantage. The strategy shows willingness to invest in sustainable fibres but is also offering us a unique position on the market place.

F6. Implementation

F6.1

**(F6.1) Did you have any timebound and quantifiable targets for increasing sustainable production and/or consumption of your disclosed commodity(ies) that were active during the reporting year?**

Yes

F6.1a

**(F6.1a) Provide details of your timebound and quantifiable target(s) for increasing sustainable production and/or consumption of the disclosed commodity(ies), and progress made.**

**Target reference number**

Target 1

**Forest risk commodity**

Timber products

**Type of target**

Third-party certification

**Description of target**

Commitment #1: All fibre produced and purchased is CoC certified under FSC, PEFC or SFI (Sustainable Forest Initiative). Progress made: We continued to produce and purchase 99.8% of our fibres under fibre origin management systems that are CoC certified in 2019. This is within our margin of 1% variation. 100% of all Smurfit Kappa mills ( virgin & recycled) are FSC and party PEFC or SFI certified and have produced 100% of their output as FSC conform paper in 2019. 93% of all internal produced paper had been COC certified and the remaining 7% of internal produced papers had been FSC Controlled wood status. Allmost all of the consumed third party papers were FSC or PEFC or SFI conform as well. We are gathering the related information about the COC status of all our external purchased paper consumed by our own converting plants each quarter. The above mentioned figures are verified by a third party every year before they are published within our Sustainability report.

**Linked commitment**

Zero net/gross deforestation

**Traceability point**

<Not Applicable>

**Third-party certification scheme**

FSC Forest Management certification  
 FSC Chain of Custody  
 FSC Controlled Wood  
 FSC Recycled  
 PEFC Sustainable Forest Management certification  
 PEFC Chain of Custody  
 SFI Chain of Custody  
 SFI Fiber Sourcing certification

**Start year**

2005

**Target year**

2015

**Quantitative metric**

<Not Applicable>

**Target (number)**

<Not Applicable>

**Target (%)**

99

**% of target achieved**

100

**Please explain**

We continued to produce and purchase 99.8% of our fibres under fibre origin management systems that are CoC certified in 2019. This is within our margin of 1% variation. SK takes responsibility throughout its full value chain from managing its forests and plantations, sourcing of wood and fibre, and converting them into appropriate value added products. The policy sets a framework for all of the Group's forestry, wood, fibre, and paper sourcing operations including: - Forests and tree plantations owned, leased or managed - Timber purchases and exchanges, including imports and exports - Sourcing of pulp and paper from third parties as well as sales of paper to third parties - Other wood and wood fibre-based product purchases - Sourcing of recovered paper and board This sustainable forestry and fibre sourcing policy complements the SK Code of Business Conduct and other relevant policies supporting sustainable development. SK performs due diligence on the legality of all wood-fibre based materials in accordance with applicable timber sourcing regulations. Since 2015, all relevant SK operations have been Chain of Custody certified. For green-field operations or operations acquired or merged, SK applies a two-year integration policy within which the operations must obtain certified management systems. We only source paper that is FSC, PEFC or SFI certified or verified for FSC Controlled Wood, which includes no conversion of natural habitats, no conversion of high conservation value areas, no sourcing of illegally produced and/or traded wood, no sourcing of wood from unknown/controversial sources. Our annual due diligence risk assessment requires all our paperboard suppliers to inform about all regions and geographies from where wood is sourced for the production of paperboard and about every tree species. The information is compared with the CITES lists for endangered species and also with websites, risk maps such as the NepCon Global Risk Assessment or the public available FSC National Risk Assessments. NEPCON supports us to conduct these risk assessment. Smurfit kappa is a member of the Consumer Goods Forum (CGF) and a signatory to CGF's zero-net deforestation commitment by 2020.

**Target reference number**

Target 2

**Forest risk commodity**

Timber products

**Type of target**

Third-party certification

**Description of target**

Commitment 2: Over 90% of our packaging is labelled as CoC certified under FSC, PEFC or SFI. Progress made: We reached 92.1% in 2019. To be able to sell COC certified packaging to your customers all our relevant production sites (Paper mills, Corrugated sites) need to be FSC certified. In addition 100 % of the wood-fiber based raw materials ( mainly paper) need to be at least FSC conform to be able to be used in an FSC certified product group. In addition all used wood based minor components ( e.g. Paper labels, adhesive tapes, wood parts, paper handles..) also need to be FSC conform in order to be able to sell a product as FSC certified. It is not allowed to use any not FSC conform wood fibre in FSC certified product. Only FSC , PEFC or SFI certified products with certified content of minimum 70% are accepted as COC certified product in our FSC sales target calculations. The figures are verified by a third party (KPMG) before they are published in the SK yearly SDR report.

**Linked commitment**

Zero net/gross deforestation

**Traceability point**

<Not Applicable>

**Third-party certification scheme**

FSC Chain of Custody  
 PEFC Chain of Custody  
 SFI Chain of Custody

**Start year**

2014

**Target year**

2016

**Quantitative metric**

<Not Applicable>

**Target (number)**

<Not Applicable>

**Target (%)**

90

**% of target achieved**

**Please explain**

Smurfit Kappa has set itself an ambition to deliver all of its sold products as chain of custody certified to all of its customers. Our target was to reach 90% of deliveries to our customers as chain of custody certified by end of 2016. During 2019 we delivered 92,1% of our packaging products as chain of custody certified. In Q1 2020 we have reached a level 93,5% on SK Group level. The remaining 7,9% (6,5%) have partly a FSC controlled wood status, which cannot be sold with any FSC claim to the final consumers according FSC COC requirements ( FSC STD. 40-004 V3) or coming from low risk sources like 100% recycled materials or PEFC or SFI controlled sources. Smurfit Kappa have 245 FSC certified converting plants managed by local FSC managers, which are responsible to implement the FSC chain of custody requirements locally. These number of plants are assigned to 16 internal clusters of plants managed by a regional/country FSC managers, which need to perform internal on-site visits at each participating site annually according the FSC standard for Multisites FSC STD 40-003 V2.1, including a verification of the FSC sales figure calculation reported to SK Group each quarter. The 16 regional FSC managers are responsible to manage the Multisite FSC certification ( cluster of site managed by a so called central office) of their region and to report the FSC sales figures for all plants participating at their FSC Multisites . They are responsible to help the local FSc managers to increase the FSC sales figures and help to remove barriers of certification like old, local IT system or suppliers, which if e.g a local supplier cannot deliver FSC certified materials. Major problems are discussed with the Group Chain of custody manager, who report it to the CSO and Group sustaibailiyt working group. The FSC sales data need to be uploaded each quarter to the SK Group FSC dashboard and can be analyses and monitored via the SAP Analytical Cloud based IT system. Deviation to former reported figures can be dedected and need to be explained. Each year the correctness of all reported figures regarding the FSC sales calculation are verified accessed against strict criterias by KPMG before SK is allowed to publish these figures. e.g. KPMG perform audits a sample of SK site every year, including the a check if reported FSC sales figures are correct.

**Target reference number**

Target 3

**Forest risk commodity**

Timber products

**Type of target**

Third-party certification

**Description of target**

Commitment #3: All production sites using FSC, PEFC and/or SFI CoC standards. Progress made: Every newly acquired site has to comply with the CoC management system certification within two years from acquisition. All paper mills ( virgin & Recycled) and all Corrugated board sites has been FSC or partly PEFC or SFI certified. A new aquired mill or corrugated site have two years time to get FSC certified and to sell FSC certified products. You can find all certificates on our wep page or the FSC, PEFC, SFI certificate databanks.

**Linked commitment**

Zero net/gross deforestation

**Traceability point**

&lt;Not Applicable&gt;

**Third-party certification scheme**

FSC Forest Management certification

FSC Chain of Custody

FSC Recycled

PEFC Sustainable Forest Management certification

PEFC Chain of Custody

SFI Chain of Custody

**Start year**

2009

**Target year**

2015

**Quantitative metric**

&lt;Not Applicable&gt;

**Target (number)**

&lt;Not Applicable&gt;

**Target (%)**

100

**% of target achieved**

100

**Please explain**

All our paper mills and converting plants are FSC certified and partly in addition PEFC/SFI certified. Newly aquired mills or plants have a two years grace period to get FSC certified and partly PEFC certified. The complete European Smurfit Kappa paper and board mill system has been Chain of Custody certified under the FSC and PEFC schemes since 2010. Since January 2015, all our American paper mills have been certified by FSC and/or SFI standards. ( Recycled and virgin) Furthermore, all our converting operations are Chain of Custody certified since 2013 in Europe and since 2015 in the Americas.

**(F6.2) Do you have traceability system(s) in place to track and monitor the origin of your disclosed commodity(ies)?**

	Do you have system(s) in place?	Description of traceability system	Exclusions	Description of exclusion
Timber products	Yes	Every year we ask all our third party paper suppliers to deliver to us information about potential wood species and the country of origin of all wood fibers, which have been used to produce their paper. In addition we gather the same information from all our paper mills using any virgin wood fiber based raw materials ( wood, saw mill residue, market pulp) In addition we ask all our paper mills using virgin wood fibers each quarter via our sustainability questionnaire, to deliver to us information about wood species and country origin of the wood or market pulp they have used. Based on the gathered information about wood species and country of origin information Nepcon makes a risk assessment against the FSC national risk assessment and their legal source standard. The result of this risk assessment among other is a list with countries and suppliers we get wood directly or indirectly from including the risk to get controversial materials from high risk countries. In 2019 we sourced wood fibres from 35 countries among which seven are classified as potential high risk: Argentina, Belarus, Brazil, Chile, Colombia, Russia and Ukraine. In Colombia, we only source from our own FSC certified plantations, but fibres sourced from the other six countries require additional due diligence before purchasing. We make the result of Nepcons risk assessment internally available on an extra web page in order that all regional and local supplier are aware of the result of this risk assessments. We train regional and local FSC managers about the result of the risk assessments and make sure that all relevant purchaser of any wood based products are aware of this risk assessment. Any new supplier are asked to deliver information about wood species and country of origin information before they are allowed to deliver to Smurfit kappa.	Not applicable	<Not Applicable>
Palm oil	<Not Applicable >	<Not Applicable>	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable >	<Not Applicable>	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable >	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable >	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable >	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable >	<Not Applicable>	<Not Applicable>	<Not Applicable>

**F6.2a**

**(F6.2a) Provide details on the level of traceability your organization has for its disclosed commodity(ies).**

Forest risk commodity	Point to which commodity is traceable	% of total production/consumption volume traceable
Timber products	State or equivalent	100

**F6.3**

**(F6.3) Have you adopted any third-party certification scheme(s) for your disclosed commodity(ies)? Indicate the volume and percentage of your certified production and/or consumption.**

**Forest risk commodity**

Timber products

**Third-party certification scheme**

FSC (any type)

**Certification coverage**

Consumption volume

**% of total production/consumption volume certified**

99,9

**Form of commodity**

Paper

**Volume of production/ consumption certified**

9000000

**Metric**

Metric tons

**Please explain**

Transparency throughout the supply chain is vital to delivering our sustainability commitments. We are committed to maintaining robust monitoring and third-party auditing of our supply chain, ensuring sourced fibre complies with our sustainability principles. 99,9 % of all consumed paper consumed by our converting operations have been COC conform 2019. The remaining third party paper comes from non-controversial sources according our DDS. Our own mills only use FSC conform raw materials and all raw materials are checked before they enter the mill if they are FSC certified or have at least FSC controlled wood status. All non FSC conform wood used as input by our virgin mills are made to a controlled source by implementation a DDS according the FSC controlled wood standard FSC STD 40-005 by our own mills or Forest contractors organizations. All wood used by our own mills are at least conform with FSC Controlled wood requirements. Third party paper used at our SK converting plants are checked reel by reel if they are conform with FSC Chain of custody requirements at the reception of the paper. All non FSC certified paper are blocked and cannot be used to produce FSC certified packaging products. In Europe a central paper purchasing unit purchases all third party paper on behalf of nearly 200 converting plants. In the paper supply chain IT system ( SAP system) all paper reels owned by this trader carry an FSC claim. This FSC claim of a reel is linked to a physical reel delivered to our

converting plants. At the reception of third party paper, the FSC claim stated on the delivery notes are compared with the FSC claim of the same reel in the Paper supply chain system. Any mismatches have to be reported to the adequate purchasers. Third party suppliers are asked to clarify any deviations before reels are used. At SK Americas a central purchasing department and the country purchasers monitor the FSC status of all third party paper consumed. In addition FSC status of all consumed paper have to be uploaded on a Group wide FSC data upload portal and can be monitored and controlled. All converting plants are FSC certified as well and local responsible FSC manager at each plant control that only FSC conform materials are used.

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**Forest risk commodity**

Timber products

**Third-party certification scheme**

FSC Chain of Custody

**Certification coverage**

Production volume

**% of total production/consumption volume certified**

92.1

**Form of commodity**

Primary packaging

Secondary packaging

Tertiary packaging

**Volume of production/ consumption certified**

5900000

**Metric**

Metric tons

**Please explain**

We have set ourselves a target to sell 90% of our production as Chain of Custody certified by end of 2015. The target has been achieved in 2016 and at the end of 2019 we were at 92,1 %. The challenge now is to maintain an upward trend. The FSC sales figures are quarterly reported by each of the 240 converting plants either by local FSC managers or adequate regional responsible FSC managers. The FSC sales data have to be reported each quarter via a FSC sales upload portal. The reported figures are available on a Group FSC dashboard ( SAP- Analytical Cloud ) and can be monitored and controlled plant by plant. Any inconsistency and deviation from former provided figures can be detected and local people can be asked to check these figures in question. Each year the FSC sales figures and the related IT system a third party verified by KPMG. A sample of sites are visited by KPMG each year and local available FSC sales figures are checked and compared what have been reported and upload via the Smurfit kappa FSC upload portal. Each small deviation have to be explained and need to be adapted if necessary before KPMG except these figures and SK is allowed to report them in the sustainability report. To increase the FSC sales figures the Group FSC manager discuss with the 16 regional manager the situation of each plant and what needs to be done to increase the FSC sales figures further. In quarter one 2020 we have reached again a higher level with 93,5% FSC certified sales.

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**Forest risk commodity**

Timber products

**Third-party certification scheme**

FSC (any type)

**Certification coverage**

Production volume

**% of total production/consumption volume certified**

93

**Form of commodity**

Paper

**Volume of production/ consumption certified**

7218703

**Metric**

Metric tons

**Please explain**

Our target has been to produce 90% of our internal produced paper as chain of custody certified by 2015. The target has been achieved 2015 and is currently at a level 93% for all Recycled and virgin mills. A total of 58% of the wood we use for virgin paper or pulp comes from forests certified under the FSC, PEFC and/or SFI schemes. The remaining 42% is of non-controversial origin, risk-assessed through our FSC and/or PEFC Chain of Custody system, and verified by a third party. Our efforts in Spain to increase FSC certified wood supplies have started to have a positive impact on the Spanish certified wood volumes. We also had an increase in FSC certified wood supplies in Sweden. We continues try to produce more COC certified paper, but due to a lack of FSC certified or PEFC certified Forest in some countries, it is difficult to come to higher figures. FSC is working on to streamline their Smallholder Group certification requirements and try to find new ways of making FSC Forest certification more attractive especially for small Forestland owners. In the next coming years we expect that this will have a positive impact on the availability of FSC certified Forest around our virgin mills in order to increase our output of FSC certified virgin papers further.

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F6.4

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**(F6.4) For your disclosed commodity(ies), do you have a system to control, monitor, or verify compliance with no conversion and/or no deforestation commitments?**

	A system to control, monitor or verify compliance	Comment
Timber products	Yes, we have a system in place for our no conversion and/or deforestation commitments	<Not Applicable>
Palm oil	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>

**F6.4a**

**(F6.4a) Provide details on the system, the approaches used to monitor compliance, the quantitative progress, and the non-compliance protocols, to implement your no conversion and/or deforestation commitment(s).**

**Forest risk commodity**

Timber products

**Operational coverage**

Direct operations

Supply chain

**Description of control systems**

Independent, third-party certification is the most reliable means to promote sustainable forest management, including to avoid converting of natural Forest to Forest plantations or plantations to e.g. farm land or deforestation. Smurfit Kappa has the ambition to only source wood-based products from forests that are credibly certified as wellmanaged. We believe that FSC and PEFC is the best available forum for demonstrating this. We are therefore committed to both engage in and support the FSC & PEFC process as an active member, and to seek a continued increase in the share of FSC & PEFC certified forests used for the materials required to produce packaging. 92,1 % of all paper based packaging were FSC certified in 2019 and in Q1 2020 the level has been on 93,5%. 99,9 % of all consumed paper were FSC,PEFC or SFI conform during 2019. The yearly figures are checked and verified by KPMG before they are reported in the yearly sustainability report.

**Monitoring and verification approach**

Third-party verification

**% of total volume in compliance**

100%

**% of total suppliers in compliance**

91-99%

**Response to supplier non-compliance**

Retain & engage

**Procedures to address and resolve non-compliance with suppliers**

Assessing the efficacy and efforts of non-compliant supplier actions through consistent and quantified metrics

**Please explain**

We are committed to: • working with suppliers that adhere to our Sustainable Sourcing Policy, Supplier Code of Conduct, are Chain of Custody certified where applicable, and commit to our Modern Slavery Act statement; and • regularly auditing our preferred suppliers to ensure adherence with our key sustainable sourcing principles Sustainable sourcing of wood and recovered paper is vital for our fibre-based products. Wood, pulp, paper and recovered-paper sourcing, as well as our own forestry operations, is controlled by our Forestry and Fibre Sourcing Policy. Smurfit kappa has established long term relationships with most of its suppliers of paper & wood, including a contractual link. All suppliers have to deliver FSC conform paper according the specifications of SK. Almost all supplier of wood fiber are FSC certified or at least PEFC or SFI conform. The supplier list is quite stable for paper and Smurfit kappa only works together with well-known suppliers of paper. Nevertheless in the unlikely event that a supplier has delivered not FSC conform materials it will be locally detected at the mandatory 100% input checks at the reception at our paper mills or converting plants or in parallel due to the FSC related checks performed by our central purchasing units. The suppliers are contacted by our technical Service team or the responsible purchasing unit and the issue will be discussed and followed up until it will be tackled or supplier will be blocked.

**F6.5**

**(F6.5) For your disclosed commodity(ies), indicate if you collect data regarding your own compliance and/or the compliance of your suppliers with the Brazilian Forest Code.**

	Do you collect data regarding compliance with the Brazilian Forest Code?	Please explain
Timber products	Yes, from suppliers	Illegal logging in the Amazon is one of the main drivers of deforestation, accounting for almost 20% of trees felled this year 2020, according to data gathered by the DETER satellite monitoring system of Brazil's national space agency, INPE. To mitigate all business risks associated with illegal and unsustainable commodity production in Brasil, Smurfit kappa push for best practice, going beyond legal compliance towards zero conversion of native vegetation. According the risk assessment of Nepcon any FSC claim is sufficient prove in Brasil that the wood fibers are not coming from any controversial materials. According to our Forestry and fibre sourcing policy, all of our fibrous raw material has to be delivered to Smurfit Kappa through a certified chain of custody management system, FSC, PEFC or SFI. As part of our chain of custody due diligence process as well as EU Timber regulation and US Lacey Act, we require compliance with: - non-controversial origin ( FSC CW) - legal logging All our used wood, market pulp with country of origin Brasil are FSC certified or at least compliant with FSC controlled wood requirements. According the FSC controlled wood requirements all wood have to be compliant with national Forest laws like the Brazilian Forest code. According FSC CW requirements it controversial to use any: •illegally harvested wood •wood harvested in violation of traditional and human rights •wood harvested in forests in which high conservation values (HCVs) are threatened by management activities (HCVs are areas particularly worthy of protection) •wood harvested in forests being converted to plantations or non-forest use •wood from forests in which genetically modified trees are planted Smurfit Kappa have only paper mills in Brasil using Recycled wood fibre as raw materials to produce packaging papers. The SK converting operations located in Brasil use mainly Recycled paper from own SK mills to produce packaging. All third party virgin paper consumed by SK converting plants located in Brasil are FSC certified or at least compliant with FSC controlled requirements. The market pulp we use in Europe as minor component to produce our white virgin papers are all FSC certified.
Palm oil	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>

**F6.5b**

**(F6.5b) For your disclosed commodity(ies), indicate which Key Performance Indicators (KPIs) you use to measure the compliance of your suppliers with the Brazilian Forest Code and their performance against these indicator(s).**

**Forest risk commodity**

Timber products

**KPIs**

Other, please specify (Sourcing strictly FSC certified virgin fibres in Brazil)

**Performance against indicators**

100%

**Please explain**

According to our Forestry and Fibre Sourcing Policy, we only source FSC certified raw materials in high risk countries. This makes us compliant with the Brazilian Forest Code. The FSC system remains the most credible and robust sustainable forest certification system available in the paper sector as of today, and therefore Nepcons general recommendation is to keep supporting the FSC system. From the "very high-risk countries" as classified in the SK Country Risk Assessments by Nepcon it is recommended that Smurfit Kappa only accepts sources certified against the FSC standards. According Nepcons recommendation for wood fibers with country of origin Brazil no extra due diligence is required, other than confirming the FSC claim on sales document and that the supplier's FSC certificate is valid and the product included in their scope. Ensuring that only FSC certified material is accepted from Brazil should be Smurfit Kappa's priority.

**F6.6**

**(F6.6) For your disclosed commodity(ies), indicate if you assess your own compliance and/or the compliance of your suppliers with forest regulations and/or mandatory standards.**

	Assess legal compliance with forest regulations	Please explain
Timber products	Yes, from both suppliers and owned/managed land	<Not Applicable>
Palm oil	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>

**F6.6a**

**(F6.6a) For you disclosed commodity(ies), indicate how you ensure legal compliance with forest regulations and/or mandatory standards.**

**Timber products**

**Procedure to ensure legal compliance**

According our Sustainable Forestry and fiber sourcing policy Smurfit kappa do not place any illegal harvested timber and timber products to the EU market whether of domestic or imported origin. Smurfit kappa do not use any wood species, which are listed on the CITES list (Convention on International Trade in Endangered Species) . All mills and converting Units and traders are compliant to the EU timber regulation (995/2010 operational as of 3rd of March 2013.) Recycled fibers are not on scope of the EU TR and all recycled mills automatically conform with the EU timber regulation (75% of the paper) Most of relevant SK entities acting as "trader" according EU TR follow the obligation of traceability and are able to provide information about suppliers and customers to competent authorities of the EU member states and monitoring organizations during potentially executed audits. The European Smurfit Kappa virgin paper mills only acting as trader. The vast majority of all wood used by our virgin mills are harvested within EU. A comparable small amount of wood consumed have been imported to EU, but placed already by traders (our suppliers) on the EU market. On top as risk mitigation all imported wood need to be FSC certified. Market pulp imported to EU market and used by few mills are placed by traders as well on the EU market already and all is FSC certified. Most of the third party virgin paper consumed by our converting sites ( more than 99%) placed on EU market by our external suppliers already. External paper are purchased by only one legal entity on behalf of all converting plants ( Internal Trader). This entity is FSC certified and act as "operator" according EU TR. This legal entity uses a due diligence system of a monitoring organisation (They import virgin paper from US market ( FSC CW). The origin of all used fibers are known and that the risk that all used fiber material originate from a fiber source, which is not harvested according applicable legislation in the country of harvest, is negligible. Smurfit Kappa following Nepcon’s recommendation to trust in FSC certification to be compliant with legal requirements. Smurfit kappa use both internal & external auditing to monitor compliance to ensure legal compliancy. SK in USA do not import any virgin wood materials to USA and therefore are conform with USA Lacey Act.

**Country/Area of origin**

Please select

**Law and/or mandatory standard(s)**

- Brazilian Forest Code
- EU Timber Regulation
- USA Lacey Act

**Comment**

Smurfit kappa only import very few wood based products to EU market or do not import anything relevant to USA market. Moreover SK do not import any paper with fiber origin of countries listed in the drop down menu above. We do not harvest any trees in Brasil directly and all paper or market pulp which contains fiber with country of origin Brasil are FSC certified. All FSC certified products meet the requirement of the Brazilian Forest Code. When Smurfit kappa act as operator according EU TR requirements, Smurfit kappa always use the service of EU commision accredited monitoring organisations in order to avoid to take any risk to place any illegal harvested wood based material on EU market. Smurfit Kappa only import paper to EU market, if it is at least FSC conform.

**F6.7**

**(F6.7) Are you working with smallholders to support good agricultural practices and reduce deforestation and/or conversion of natural ecosystems?**

	Are you working with smallholders?	Type of smallholder engagement approach	Smallholder engagement approach	Number of smallholders engaged	Please explain
Timber products	Yes, working with smallholders	Capacity building	Offering on-site technical assistance and extension services		In Spain, and France Smurfit kappa works with Smurfit Kappa Forest contractors, which are responsible as internal trader to purchase round wood, saw mill residue on behalf of our virgin mills located in North Spain and south France. In these area’s the Forestland is mainly owned by small holders. These smallholders have gotten support by Smurfit kappa to be PEFC or FSC certified. In France we work together with 800 local smallholders ( Forestland owners, saw mills) Many smallholders get the necessary technical support from Smurfit kappa to be able to harvest the trees and to maintain the COC certification of their Forests. In Spain our Forest contractor has established and leading a FSC smallholder Group in order to increase the FSC certified input to our virgin mills in Spain. Both Smurfit kappa Forest contractors harvest on behalf of the small holder standing trees and transport them to our own mills, but also external customers In Austria and Czech Republic and Germany we have contracts with PEFC certified smallholder Groups managed by smallholder associations. The paper mill located in Austria has direct connectional link to smallholders ( Forestland owners, small saw mills and Forest traders). Our mill in Sweden gets most of their wood input from a third party trader of wood and wood chips and have not many direct contact with small holders. In Columbia we use only wood from our own Forest and do not work together with small Forest contractors. Our paper supply chain mainly consists of large companies and we have no direct access to smallholders ourselves. We build our approach on forest certification and related chain of custody certification.
Palm oil	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>

**F6.8**

**(F6.8) Are you working with your direct suppliers to support and improve their capacity to comply with your forests-related policies, commitments, and other requirements?**

	Are you working with direct suppliers?	Type of direct supplier engagement approach	Direct supplier engagement approach	% of suppliers engaged	Please explain
Timber products	Yes, working with direct suppliers	Capacity building	Offering on-site training and technical assistance	Please select	
Palm oil	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>

**F6.9**

**(F6.9) Are you working beyond your first-tier supplier(s) to manage and mitigate deforestation risks?**

	Are you working beyond first tier?	Type of engagement approach with indirect suppliers	Indirect supplier engagement approach	Please explain
Timber products	Yes, working beyond first tier	Capacity building	Offering on-site training and technical assistance	Due to FSC Controlled wood risk assessments and risk mitigation activities we train and support indirectly all parties of our complex supply chain until Forest level. Smurfit Kappa takes a value chain approach to sustainability and we actively work with our entire supply chain. For example, as part of global timber legality due diligence system, we require our suppliers to report on wood supply geographical origin and timber species to mitigate risks of unwanted wood fibres in our supply chain. In practice all cases this represents 2nd -tier information or beyond. Furthermore, we require all our paper supplier to have Chain of Custody certification throughout their supply chains, all the way back to the forest, and to only provide us with paperboard from certified forest and controlled sources. Our demands for chain of custody certification has an indirect impact on 2nd -tier supply chain. In 2019 98,9% of the paper we purchased came from FSC Chain of Custody certified suppliers, all of them are FSC certified.
Palm oil	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>

**F6.10**

**(F6.10) Do you participate in external activities and/or initiatives to promote the implementation of your forests-related policies and commitments?**

**Forest risk commodity**

Timber products

**Do you participate in activities/initiatives?**

Yes

**Activities**

Funding research organizations

**Initiatives**

<Not Applicable>

**Jurisdictional approaches**

<Not Applicable>

**Please explain**

Our goal is to be the most sustainable paperbased packaging solutions company globally. To achieve this, we believe it is important to share our sustainability experience with our customers, suppliers and the wider industry. As active members of FSC and PEFC certification schemes we promote the implementation of our forests-related policies and commitments. From time to time, FSC establishes working groups, committees, advisory panels and similar bodies to work on policy or technical issues. Smurfit Kappa was a member of the official FSC International "Technical working group" to revise the FSC Chain of custody standard FSC STD 40-004 V3 from 2012 until 2017 and consulted FSC during the revision process as technical expert. Smurfit Kappa is member of the FSC Consultative Forum, a self-selecting group of interested/affected members, certificate holders, certification bodies and other stakeholders interested in providing ongoing, direct and meaningful input into the process of the revision of the standards, policies.. Smurfit Kappa was a member of the PEFC international technical working Group to revise the PEFC Chain of custody of Forest and Tree Based Products PEFC ST 2002:2020 and the PEFC trademark standard PEFC ST 2001:2020 from 2012-2020. SK established a smallholder FSC certification Group in Spain 2018 -2020 ( ongoing project) Before 2015, there was no FSC certified wood in the area – at the end of 2018 there was over 76,000 m3. The increased supply of FSC certified virgin fibres has led to new customers. Currently the scheme has over 30 smallholder members and the number is growing. We are involved with selected trade bodies to influence understanding and share knowledge about embedding sustainability Confederation of European Paper Industries (CEPI) Smurfit Kappa's Group CEO is currently a board member • European Corrugated Packaging Association (FEFCO) Smurfit Kappa's CEO for Europe is a board member • International Corrugated Case Association (ICCA). Smurfit Kappa's CEO for Europe is a board member • Asociación de Corrugadores del Caribe Centro y Sur América (ACCCSA). Smurfit Kappa's CFO for the Americas is a board member In addition, we are active participants in • UN Global Compact • UN Global Compact's CEO Water Mandate • The Supplier Ethical Data Exchange (SEDEX) • World Business Council for Sustainable Development (WBCSD)

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**F6.11**

**(F6.11) Is your organization supporting or implementing project(s) focused on ecosystem restoration and protection?**

Yes

**F6.11a**

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**(F6.11a) Provide details on your project(s), including the extent, duration, and monitoring frequency. Please specify any measured outcome(s).**

**Project reference**

Project 1

**Project type**

Other ecosystem restoration

**Primary motivation**

Required by regulation

**Description of project**

As part of the plantation regulations in Colombia, a share of the land we own for plantations has been dedicated for habitat restoration.

**Start year**

2000

**Target year**

Indefinitely

**Project area to date (Hectares)**

22000

**Project area in the target year (Hectares)**

22000

**Country/Area**

Colombia

**Latitude**

4.624335

**Longitude**

-74.063644

**Monitoring frequency**

Annually

**Measured outcomes to date**

Biodiversity

Carbon sequestration

Soil

Water

Climate regulation

**Please explain**

As part of our plantation management, a part of our land has been set for conservation. This area has either been protected or has been restored for habitat and biodiversity. We monitor the progress with three universities (Cauca, Valle and Quindio) by measuring the existing flora and fauna on these sites. So far we have been able to identify 651 tree species, 494 bird species and 77 mammals by end of 2019. Out of these, 42 have been classified to some extent endangered, according to IUCN and CITES.

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## F7. Verification

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### F7.1

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**(F7.1) Do you verify any forests information reported in your CDP disclosure?**

Yes

### F7.1a

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**(F7.1a) Which data points within your CDP disclosure have been verified, and which standards were used?**

**Disclosure module**

F1. Current State

**Data points verified**

all

**Verification standard**

ISAE 3000

**Please explain**

Our complete sustainability report is verified through assurance process in line with GRI G4 standard. This covers all material metrics, data and other reporting.

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**Disclosure module**

F6. Implementation

**Data points verified**

all

**Verification standard**

ISAE3000

**Please explain**

Our complete sustainability report is verified through assurance process in line with GRI G4 standard. This covers all material metrics, data and other reporting.

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**F8. Barriers and challenges**

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**F8.1**

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**(F8.1) Describe the key barriers or challenges to eliminating deforestation and/or conversion of other natural ecosystems from your direct operations or from other parts of your value chain.**

**Forest risk commodity**

Timber products

**Coverage**

Direct operations  
Supply chain

**Primary barrier/challenge type**

Limited availability of certified materials

**Comment**

The sale of illegally or unsustainably harvested timber has been and continues to be a major issue that contributes to deforestation around the world. The idea of forest product certification by non-governmental bodies emerged in the 1990s as a means of tackling deforestation and forest degradation occurring in the tropics. FSC prohibits forest conversion in all but exceptional cases and PEFC endorses national standards that regulate forest conversion. Compliance with certification standards is in itself a useful output of zero-deforestation efforts. In general, forests under FSC certification seems to be better for the environment than a conventionally managed ones. Today, 210,957,462 hectares of forestland around the world have been certified by the Forest Stewardship Council (FSC) . UNECE-FAO Annual market report 2019: In 2018, the FSC reported that approximately 423 million m3 of wood is harvested in FSC-certified forests per year worldwide, which is 22.6% of global industrial roundwood production (FSC, 2018b). The FSC and the PEFC reported a combined total of 510 million ha of certified forest, as of mid-2018; after accounting for double-certification, however, the total net certified forest area globally was 424 million ha, a decrease of 7 million ha compared with the previous reporting period. WWF: "Perhaps 30 per cent of the world's production forest is certified, with around 13 per cent of this under the Forest Stewardship Council (FSC) – which WWF considers the only credible forest certification system in use today. => Certification needs to expand significantly in regions, particularly the tropics, where forests suffer most from destructive forestry."

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**Forest risk commodity**

Timber products

**Coverage**

Direct operations  
Supply chain

**Primary barrier/challenge type**

Limited public awareness and/or market demand

**Comment**

Forest certification has the potential to contribute to biodiversity conservation by reducing pressure on high conservation value forests, and while the global coverage of certification is not high, various studies have shown that compliance with certification standards has improved forest management practices. However, the capacity for certification to be effective at reducing deforestation and forest degradation on a broader scale is reliant on the demand for certified products. Third-party certification schemes are designed as voluntary standards for a given company to comply with. This kind of forest governance developed due to the lack of any international binding agreements regarding the protection of forests. Almost all demand is from markets in Europe and North America • These markets are mostly supplied from forests in Europe and North America • Almost no demand for tropical products from – Domestic markets – Subsistence use It is not enough just to source responsibly. Companies need to be rewarded for their efforts. We live and work in a market driven environment and thus it is crucial that we can work these issues through market driven solutions. In terms of sourcing sustainable wood products one of the main challenges relates to demand. Our latest environmental research shows that consumers don't think there is sufficient availability of sustainable products. At the same time there is low customer demand since the customers don't believe consumer is requesting these kinds of products. Companies must develop products and technologies that will allow customers to address diverse and shifting needs and meet rising expectations on sustainability.

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**Forest risk commodity**

Timber products

**Coverage**

Direct operations  
Supply chain

**Primary barrier/challenge type**

Complexity of certification requirements

**Comment**

We acknowledge that forest certification is a voluntary process, and it is too often too expensive/complicated for small forest holders to engage with. We also see that the current plethora of sustainability standards makes it both complex and expensive for companies to fully engage on the scale required to have real impacts. Many countries in Southeast Asia and Africa lack institutional and technical capacity to implement sustainability standards, apply for certification, and guide forest owners in the appropriate implementation of sustainable forest management practices. More support is needed to apply for FSC certification, especially for forests with indigenous and hardwood species with relatively long production and harvest cycles. • Some forest managers and businesses seeking FSC certification cite the cost of forest certification assessments and sustainable forest management plans as cost prohibitive. FSC certification costs vary depending on the scope of the audit and the certifying body. • Many countries have not adopted national standards for forest trade products sourced from sustainably managed forests. National standards requiring best practices in sustainable forest management can drive large-scale investment. It remains difficult in countries where the forestland is mainly owned by small holders to get FSC certified Forest. FSC certification scheme need to focus on continuing to deploy locally relevant solutions for smallholders and communities in specific geographic regions. FSC need to provide a range of validated new solutions like a better integration of forestry contractors into the FSC system, simplified standard and process for smallholder adapted to the need in specific geographic regions all over the world.

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**F8.2**

**(F8.2) Describe the main measures that would improve your organization's ability to manage its exposure to deforestation and/or conversion of other natural ecosystems.**

**Forest risk commodity**

Timber products

**Coverage**

Direct operations

Supply chain

**Main measure**

Increased demand for certified products

**Comment**

In many countries the demand for certified packaging is very low and only requested by huge brand owners facilities in these area's countries. FSC and all other Forests certification need to promote better their real impact on the ground and to raise the awareness of consumers about impact on deforestation and climate change topics. Chain of custody is a complex and often abstract topic and it is not easy to understand for non-experts which efforts are needed to maintain an COC certification and what engagement is necessary to keep the implementation up to date and fully compliant with changing requirements..

**F17 Signoff**

**F-FI**

**(F-FI) Use this field to provide any additional information or context that you feel is relevant to your organization's response. Please note that this field is optional and is not scored.**

n/a

**F17.1**

**(F17.1) Provide the following information for the person that has signed off (approved) your CDP forests response.**

	Job Title	Corresponding job category
Row 1	Group Chief Executive Officer	Chief Financial Officer (CFO)

