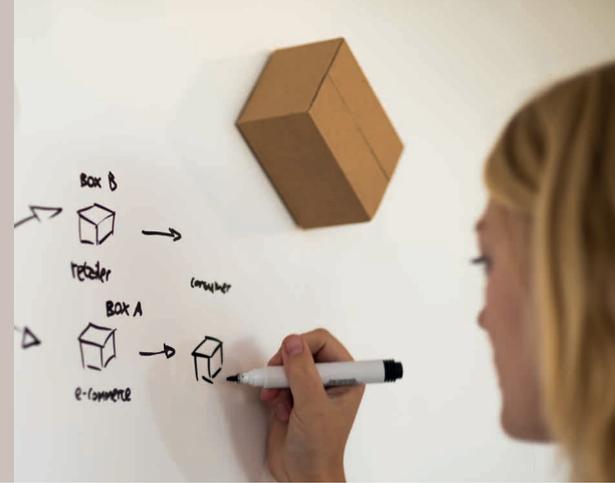


# Sustainability that is innovative, inclusive and circular

Sustainable Development Report | Summary 2016



**Tony Smurfit**  
Group Chief Executive Officer

**'As Smurfit Kappa's CEO, I'm determined that our company will play its part in creating a sustainable future by building a profitable business based on sustainable principles. Profitability is the engine that propels a company forward, and it is clearly linked to the prosperity of customers, employees, and communities around the world. The profitable companies of the future will be the ones that align business goals with the needs of the world around them.'**

## A 10-year milestone

Since Smurfit Kappa first started trading over 80 years ago, sustainability principles have been an important part of our business model. And over the past ten years, we have made sustainability an explicit element of our business strategy, including reporting about our impact areas and progress. Our priorities include sustainable sourcing, minimising operational impact helping customers and consumers shrink their environmental footprints, and support our people to reach their full potential.

Further positive sustainability notes in 2016 included our continued listing on the FTSE4Good index, Euronext Vigeo Europe 120 index and inclusion in Ethibel's sustainable investment register. We were also included for the first time in the STOXX® Global ESG Leaders index family – an innovative series of environmental, social, and governance (ESG) equity indices.

There is no doubt in my mind that environmental stewardship, circular business models and social responsibility are becoming core business imperatives. Our 'Open the Future' brand promise means we are committed to working with customers to find new solutions to their sustainability challenges. This includes using the circular economy as a trigger for innovation and actively looking for opportunities to embed sustainability in every fibre, right along the value chain.

## The world around us

Once again, 2016 was a year of significant change both for our company and for corporate sustainability. We joined the FTSE 100, the Paris Agreement on Climate Change was ratified and we saw the UN 2030 Agenda for Sustainable development taken up by a growing community of businesses around the world.

## Our vision and operations

With a presence in 34 countries, across 367 production sites and with 45,000 employees in Europe and the Americas, we can have positive impacts throughout the packaged goods value chain. Sustainability will transform our industry and our vision is to deliver in this process in five key ways:

### Forest

At the end of 2016 we sold 90.1% of our packaging as certified by FSC® or PEFC™ standards.



### Climate change

We have reduced fossil CO<sub>2</sub> emissions per produced tonne of paper by 22.9% since 2005.



### Water

We have reduced 31.9% of the chemical oxygen demand (COD) in the water discharge per produced tonne of paper since 2005.



### Waste

We have reduced waste sent to landfill per produced tonne of paper by 13.3% since 2013.



### People

We employ 45,000 men and women in 34 countries in Europe and the Americas. Safety and Health is a core value to Smurfit Kappa, and we have reduced the Lost-Time Accident (LTA) frequency rate by 10% in 2016.





## Strategic Priority Forest

Our goal is to ensure a transparent supply chain for sustainably sourced fibres through Chain of Custody certified production and purchase of the papers used in our products. Independent third-party certification is key in this regard. Recyclability of paper fibres is an important contributor to the sustainable nature of our products. We engage consumers through product labelling to promote sustainable forests.

### Commitment

- Our target: all fibre produced and purchased is Chain of Custody certified under FSC, PEFC or SFI or is from non-controversial sources according to these standards.
- Over 90% of our packaging is labelled as Chain of Custody certified under FSC, PEFC or SFI.

### Achievement

At the end of 2016 we reached our target to deliver 90% of our packaging solutions as Chain of Custody certified, which allows our customers to use the FSC label on their packaging. All of our fibres produced and purchased have been Chain of Custody certified since 2014.



## Strategic Priority Water

As part of our commitment to understand our water-related risks, we implement a dedicated programme to assess the water risks of individual mills. Through technological innovation and investment in water treatment facilities we minimise the impact our mills' water use and discharge has on the environment.

### Commitment

- Our target: a reduction of the organic content of water returned to the environment from our mill plants (COD) of 33% in 2020 compared to 2005 levels.
- Continuous assessments of water use and investments in world-class water treatment facilities.

### Achievement

Five more sites, totalling 11 of our 36 paper mills, were audited in the course of 2016. The outcome showed that water risks are well managed at the relevant sites. Further, we joined the WBCSD Water re-use working group to understand and promote better water management. During 2016 we reached a reduction of 31.9% of our relative COD (Chemical Oxygen Demand) discharge compared to 2005.



## Strategic Priority People

We want to be an employer of choice and to attract and retain the best people. In 2016, we progressed with our follow-up on the MyVoice employee engagement programme. We value the expertise, innovation and performance of our employees and offer a safe and healthy workplace. Furthermore, we believe that a company can only prosper when it is an integral part of the society where it operates.

### Commitment

- Our objective is to train more than 400 managers in our Open Leadership programme by 2020 and to align our leadership development practice to the highest external standard.
- With regard to Health and Safety we strive for zero fatalities and want to reduce the lost-time and injury rate by 5% annually, provide regular health and safety training, promote and ensure safe behaviour, and embed process safety at all our sites.
- All our employees are offered the chance to increase and broaden their skillsets and knowledge. We regularly survey our employees, maintain a good faith reporting policy, and respect and protect human rights. We do not accept discrimination, corruption, and forced or child labour.
- The charitable focus of Smurfit Kappa and our related Foundations is with people whose circumstances limit their opportunities to succeed.

We successfully launched our new training programme, Open Leadership in partnership with Insead Business school (France). Many countries are also designing and implementing similar leadership programmes for local middle managers.

In 2016 we achieved a reduction in the LTA frequency by almost 10%. Smurfit Kappa and related foundations donated over €5 million in 2016, with projects in progress in a number of countries such as Italy, Mexico and Colombia.



## Strategic Priority Climate Change

We make investments throughout our paper mill network to increase the efficiency of energy production and use. Energy consumption, carbon footprint and GHG emissions all have a material impact on Smurfit Kappa's business. Our opportunity is to design products that help customers reduce CO<sub>2</sub> emissions in their supply chain. We provide detailed progress reports to all stakeholders.

### Commitment

- Our target: a 25% reduction in relative total fossil CO<sub>2</sub> emissions (compared to 2005) in our mill system by 2020.
- We have developed a suite of tools that help to determine the carbon footprint of our customers' packaging (Paper-to-Box and Pack Expert).

### Achievement

By the end of 2016 we had achieved a 22.9% reduction in fossil CO<sub>2</sub> emissions from paper production. We invested in new Combined Heat and Power plants at our Ania (Italy) and Barbosa (Colombia) mills and the new paper machine in our Townsend Hook (UK) mill achieves a 38% emission reduction in comparison to 2015. In 2016 our carbon footprint tool suite was used by clients more than 9,200 times a day, on average.



## Strategic Priority Waste

We continuously look for opportunities to decrease waste sent to landfill from our operations and to find alternative uses for residual materials from our production processes. We want our 100% recyclable paper packaging to contribute to a circular economy. Avoiding waste is a material issue for our stakeholders, and many of our customers have stated objectives to reduce it.

### Commitment

- Our target: to reduce waste sent to landfill by 30% per tonne of paper in 2020 compared to 2013.
- We aim to remove all avoidable production waste and limit waste sent to landfill by closing loops at individual mill level. This is an on-going theme in our mill system.

### Achievement

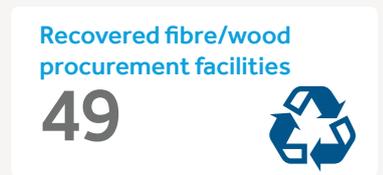
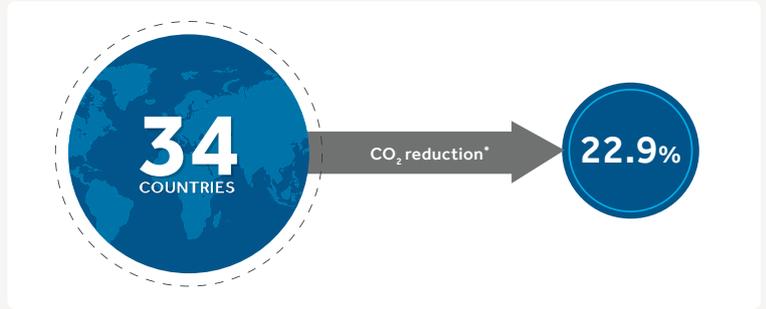
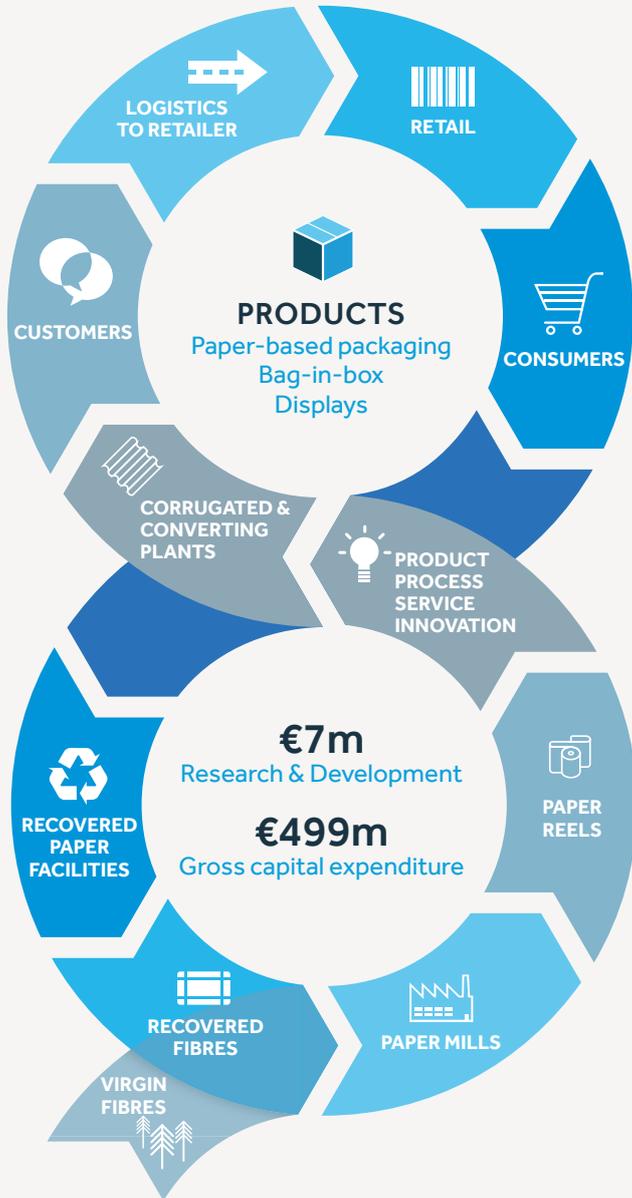
Our products themselves are designed to prevent loss of, and damage to, the consumer goods they protect. In 2016 we reduced waste sent to landfill by 13.3% per tonne of paper compared to 2013. In addition, 5 of our 36 paper mills effectively send zero waste to landfill. A number of paper mills have initiatives on-going to supply residual material as input material to other industries.



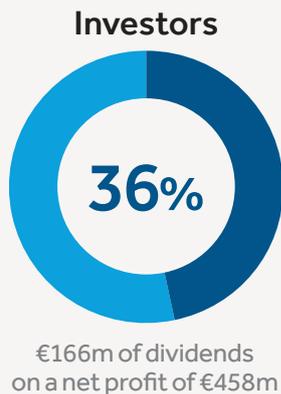
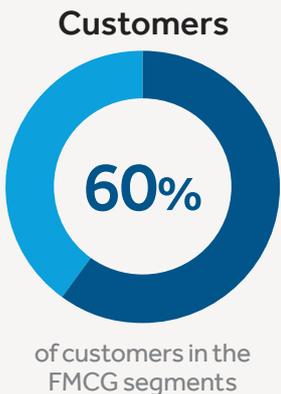
# Smurfit Kappa at a glance

As a global company, our operations create value for our customers, employees, investors, suppliers and the communities in which we operate.

## Smurfit Kappa circular business model



\*relative and compared to 2005



Water Footprint NETWORK

