“I am pleased to say that in 2014 we met or exceeded each of the sustainability goals we had set ourselves for the year. We are also on course to meet the objectives in our Sustainability Vision, such as reducing our CO₂ emissions by 25% by 2020 and achieving our target for Chain of Custody certification of fibre produced and purchased under FSC®, PEFC™ and SFI™.”

Introduction
Sustainability means striving for a better world through innovation, maximised use of resources, and minimised emissions. We strongly believe in the circular economy. This means re-using and recycling, and ensuring that biodiversity and human rights are respected in the forests we source new fibre from. We have been pioneers in the circular economy, a long term approach long term that shapes how we think and act, and who we are, both as a company and as a corporate citizen.

In 2014, Smurfit Kappa was added to the FTSE4Good Index for the first time, for implementing best-in-class standards in sustainability and corporate governance.

We help to realise our customers’ own sustainability strategies and better manage their environmental impact. This is how we do business. It is what drives our success, our competitive energy, and our hunger for fresh challenges. At Smurfit Kappa we have sustainability in every fibre — it is ingrained in our people, our processes and our products.

In every fibre of our business
We take a holistic approach in everything we do — we look at the big picture and the small details, at the range of packaging materials and at the overall solution. We look at the environmental impact each choice will have on our customer’s product. This helps them make the right decisions along their supply and value chains, so that these become more sustainable.

Smurfit Kappa follows a strict approach to make all tools measurable to help our customers make the best choice for their business. To develop packaging that delivers tangible, sustainable value, we work within three pillars:

1) Eco-design: This is underpinned by three actions. First, our PaperToBox, software tool tells us the environmental impact of the packaging material. Then, our sustainability scorecard provides reliable sustainability data for our customers. Lastly, our performance packaging tool helps to cut the environmental impact of fit-for-purpose packaging.

2) Developing supply chain value: Our unique Pack Expert tool shows our customers the environmental impact of their supply chains. We work with supply-chain engineers to cut waste and we cooperate with our high-tech partner EyeSee to measure consumer behaviour. This enables us to cut our environmental footprint while meeting our customer’s needs.

3) Co-operation: we share knowledge and expertise with our customers to help them design their sustainability strategy through a number of means, including courses, workshops, round-table discussions, awards, and sponsored debates.
In 2005, we set ourselves a target: reduce CO₂ emissions and continue to cut the use of fossil fuels. This means cutting energy use, boosting energy efficiency, and using renewable sources wherever we can.

In 2005, we set ourselves a target: reduce CO₂ emissions by 20% by 2020, compared with 2005. In fact, we exceeded that target in 2013, with a 21.6% cut. So in 2014 we raised the target to a 25% reduction by 2020, compared with the 2005 figure. In 2014, we launched an initiative to further find ways to cut or, where possible, eliminate waste throughout our operations. Part of our commitment to climate change is to help our customers to reduce their overall CO₂ emissions.

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In 2014, we extended our commitment to climate change with a target to reduce our overall CO₂ emissions by 25% by 2020, compared with 2005. By 2014, we had already reached a level of 21.6%.

Part of our commitment to climate change is to help our customers to reduce their overall CO₂ emissions throughout their supply chains. Our tools, PaperToBox and Pack Expert, help us determine our customers’ carbon footprint in different supply chain scenarios.

A 25% reduction in relative total CO₂ emissions in our mills by 2020, compared with 2005. By 2014, we had already reached a level of 21.6%.

Continuously collaborate with our customers to determine the carbon footprint of the packaging life cycle. In 2014, our supporting tools (PaperToBox and Pack Expert) were used more than 3000 times a day.

At Smurfit Kappa we are committed to continually improving the efficiency of our operations so that we continue to cut the use of fossil fuels. This means cutting energy use, boosting energy efficiency, and using renewable sources wherever we can.

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We procure locally wherever we can. This cuts transport and other costs, as well as the environmental impact of our operations.

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In health and safety, efforts to raise awareness of reporting requirements have led to more-comprehensive accident reporting. In 2014, we introduced a set of core practices to create safer and healthier working environments and added the Total Recordable Injury Rate (TRIR) to our existing health and safety performance metrics.

In 2014, 90% of management teams in all countries we operate in were made up of local employees.

As at the end of 2014, the Smurfit Kappa Foundation had dedicated all €1.5 million of its committable funds for the period from 2011. In 2014 alone, the Group and its national foundations made almost €4 million in charitable donations to educational, research, health, and socially-inclusive projects.

The Smurfit Kappa Foundation’s aim is to reach 100,000 people in local communities by 2020. This will involve spending at least €1 million per annum on the education of children and at least €1 million per annum on scientific research in areas such as biodiversity. By the end of 2014, the Smurfit Kappa Foundation had dedicated 100% of its committable funds (1.5 million) for the three year period since 2011. Close to €4 million in charitable donations were made by the Group and its foundations at national level in 2014.

In 2014, 90% of our management teams at mill and plant level were made up of local citizens, meaning we were on target for that year.

Sustainable sourcing
Smurfit Kappa sources a vast range of products, materials and services. These include our main fibre sources, but also materials such as starch, chemicals, fuels, spare parts, and a host of services, from IT and logistics to energy and maintenance.

This is why it is vital to ensure that sustainability standards are being met across the board, and why we audit our suppliers to ensure that everything we source is sustainable and meets the high standards we have set. In Europe, we have audited all of our strategic suppliers since we started the programme in 2010. In the Americas we began auditing suppliers in 2013.

In our audits, we ask about social governance covering GRI, Sedex, UNGC and CDP. We favour suppliers who commit to the 10 principles of the UNGC and who report on social data to Sedex.

We procure locally wherever we can. This cuts transport and other costs, as well as the environmental impact of our operations.

Our Commitment
All fibre produced and purchased will originate from Chain of Custody certified materials under FSC, PEFC or SFI by end of 2015 or from non-controversial sources. This target has been reached.

Over 90% of our packaging will be labelled as Chain of Custody certified under FSC, PEFC or SFI by end of 2015. In 2014 we already reached 41% in Europe.

Our Commitment
A reduction of the organic content of water (COD) returned to the environment from our mills by one third by 2020 compared to 2005 per tonne of paper. In 2014 we reached a reduction of 28%.

Perform environmental assessments of the water use of our sites and develop water usage measurements. An overall environmental impact assessment on water at our mills was made in 2014 and a mill specific risk assessment tool was piloted at our Cerro Gordo mill in Mexico.

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Our Commitment
Execute company-wide assessments on non-hazardous and hazardous wastes and establish targets to minimise the burden of these wastes. Both assessments were launched in 2014 and work continues in 2015, including work to develop targets.

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

Smurfit Kappa at a glance

Employees
43,000 people employed worldwide

Suppliers
300 strategic and important suppliers worldwide

Local and national governments
€125m income and other taxes

Forests
104,000 hectares forest plantation

Customers
60% of customers in the FMCG segments

Investors
42% Dividends €107m of €252m net profit were paid this fiscal year

Smurfit Kappa Product Life Cycle

- PRODUCTS
  - Paper-based packaging
  - Bag-in-box
  - Displays

- Logistics to retailer
- Retail
- Consumers
- Suppliers
- Local and national governments
- Employees
- Forests
- Dividends
- Research and development
- Gross capital expenditure

- Recovered paper facilities
- Recovered fibres
- Virgin fibres
- Paper mills
- Paper reels
- Corrugated & converting plants
- Product process service innovation
- Innovation
- Logistics to retailer
- Retail
- Consumers
- Suppliers
- Local and national governments
- Employees
- Forests
- Dividends
- Research and development
- Gross capital expenditure

*Relative