

SUSTAINABILITY VISION

October 2018

EXECUTIVE LETTERS

Vision an Opportunity to do better

Smurfit Kappa's sustainability Vision describes our ambition to build on our sustainability achievements. We want to move paper-based packaging further along the path to sustainability and aim to lead continued transformation of our industry. Our vision is to embed sustainability in every fibre of our products and our company, because being more sustainable creates value for customers and shareholders and makes us more efficient and innovative.

Business-as-usual is not an option for us. We want to lead transformation in our sector through new ways of thinking and innovative business models for paper-based packaging. For us, the circular economy is a natural way to go—and already 75% of our raw material consist of recycled, renewable and biodegradable fibres. But we can do more to raise our positive impacts and contribute to future prosperity.

The natural world is our primary resource: looking after it makes good business sense. That's why we have FSC® Chain of Custody certification for practically every box we supply. We care for our water resources, and are working to further reduce waste. We know we will face challenges in every priority area described in this Vision, but we choose to see these as opportunities to do better.

We will harness our creativity and innovation to transform our industry. One example is helping customers track the carbon footprint of every box, so they can reduce their own emissions. This is exactly the kind of sustainable value creation that drives our Vision.

We are really proud to receive customer awards and investor recognition such as investor ratings for our efforts in sustainability. Each award or recognition is a testament to the contribution everyone in our company makes—but there is so much more we must do. Realising our Vision means we also need to work with others to tackle global sustainability challenges such as climate change that no organisation can solve alone.

We look forward to collaborating with partners up and down the value chain to make this happen.

Tony Smurfit

Group Chief Executive Officer



Ambition is achieved through targets

This Vision describes the approach and key targets Smurfit Kappa set in 2018 for our journey to 2025-2030 and maps out our direction of travel for the next few years. Having started our corporate sustainability journey in 2005, I am very proud of what we have achieved in our five priority areas: Forest, Climate change, Water, Waste and People. And we are looking forward to continue to play our part in the shift to a more sustainable world.

The Paris Accord and the UN's 2030 Agenda set out an ambitious path to an inclusive, prosperous, low-impact future. In partnership with customers, colleagues and others we will contribute to the UN Sustainable Development Goals (SDGs) by focusing on where we can make the greatest difference. To find out more about our contribution see page 7.

In 2016 we refreshed our materiality process. It reconfirms our continued focus on the priority areas previously identified, and as a result we are stepping up our commitments across all five. For each one, we have developed action plans and targets and encourage every person in Smurfit Kappa to take them to heart, get involved and help us achieve them. We'll report on our progress every year.

A growing world population and rising wealth offer great commercial opportunities to Smurfit Kappa as trade in packaged goods expands. But to grow our business sustainably, we must innovate and develop new ways to cut impacts. This Vision describes how we plan to do this. For more details, please also read our Sustainability Report.

Steven Stoffer

Group Vice President, Development



OUR SUSTAINABILITY VISION

People need food, clothing and household goods in their daily lives. As global population grows to an estimated nine billion in 2050 from seven billion today, it will offer both huge business opportunities and challenges to companies such as Smurfit Kappa. In response to rising global wealth and wellbeing, commerce will change, and worldwide demand for packaging goods and services will continue to grow. Robust, paper based packaging will protect goods from damage and waste, while delivering them in an efficient and sustainable way.

Smurfit Kappa's objective is to be a globally admired business, dynamically delivering secure and superior returns for all stakeholders. As a customer-oriented, market-led company, the satisfaction of customers, personal development of employees and respect for local communities and the environment are all inseparable from our goal of creating value for the shareholders.

Global challenges

Climate change, limited natural resources, growing population and the uneven distribution of wealth are pressing global challenges that require a bold response. The UN's 2030 Agenda for Sustainable Development calls for action through its 17 Sustainable Development Goals, while both the Paris Climate Accord and the EU set tough carbon targets. By 2030, the former limits climate change to below 2 degrees Celsius and the EU commits to reducing CO₂ emissions by 40% against a 2005 baseline.

Our Approach

With our broad reach across 36 countries, some 370 production sites and 47,000 employees in Europe and the Americas, Smurfit Kappa has an impact throughout the packaged goods value chain. We aim to drive positive change throughout: from sustainable sourcing of our key raw materials to minimising our operational impact and lowering the environmental footprint of our customers and consumers.

Shifting the global economy from linear to circular flows will be key to tackling sustainability challenges. The transformation will drive a new era of opportunity in material efficiency, dynamic society environments and creative approaches to products and services. Circularity has been core to Smurfit Kappa's business since our foundation in 1934, and it is our ambition to maintain our leading role as the circular economy goes mainstream.

Working towards global sustainability gives business new opportunities and will drive innovation. At the same time, it requires all parts of society to set common targets, The UN Sustainable Development Goals (SDGs) offer both, and Smurfit Kappa will play its part in making them a reality.

“To be a leader in the sustainability transition for paper-based packaging.”



To deliver our vision, we focus on five areas of sustainability most material to us:

Our Vision	Commitments in each priority area
Promote healthy forests	Source wood sustainably and use both virgin wood fibres and recovered paper in a balanced way
Curb climate change	Minimise greenhouse gas emissions from production and reduce the carbon intensity of our customers' value chain
Increase water availability	Cycle clean water from our production back to nature and limit water use where we can
Reach zero avoidable waste	Find innovative uses for our by-products as part of the circular economy
Build inclusive communities	Engage our employees and contribute to the prosperity of the communities where we operate

All five priority areas are supported by measurable targets and built on a detailed understanding of each topic. We believe in sharing best practice, and seek out the most advanced solutions for customers, suppliers and by extension all our stakeholders.

The sustainability journey is a part of achieving excellence in all aspects of our business. It helps us to be successful and profitable, which in turn means we can re-invest in our business, the environment, our people and communities.



MATERIALITY

Taking a strategic approach to understand the material sustainability issues for our business helps us to better understand how to identify opportunities, mitigate risks and influence the areas that impact the most.

To assess the sustainability factors within the business environment we operate in, we identify the most relevant environmental and social elements within our value chain, and consider the impact we have on them, or they have on us. These impacts can be financial as well as social and environmental, and can affect all our stakeholders including our communities, as well as ourselves through e.g. regulations, and our environment.

Following the steps below, we carry out a thorough materiality assessment every three years. The most recent was conducted in 2016.

Our process has three stages:

1. Assessing internal and external factors material to our business
2. Benchmarking factors material to our stakeholders
3. Stress testing issues identified with stakeholders.

This way we are able to limit the issues we report and measure only those on which we have a direct impact through our activities.

Assessing internal and external factors

When identifying the most material aspects arising from our operations, we take account of internal and external factors. These include the issues identified in our overall company vision and mission, vision on sustainability, long-term strategy and the Code of Business Conduct, which governs Group behaviours and activities.

We review these material aspects and processes against external developments such as emerging regulation, environmental standards and approaches to certification. Additionally, we extend and refresh our knowledge by working with peers on collaborative projects.

Stakeholder benchmarking

The material aspects identified as a result of the above analysis are then benchmarked against the views of customers, investors, suppliers and corporate peers. Using sustainability reports and websites, we identified 82 of the most relevant of these stakeholders. We review the materiality assessments undertaken by each of them, and test how frequently the material aspects they have identified match our own. This enables us to establish which aspects are the most important to our key stakeholders.

Stress testing

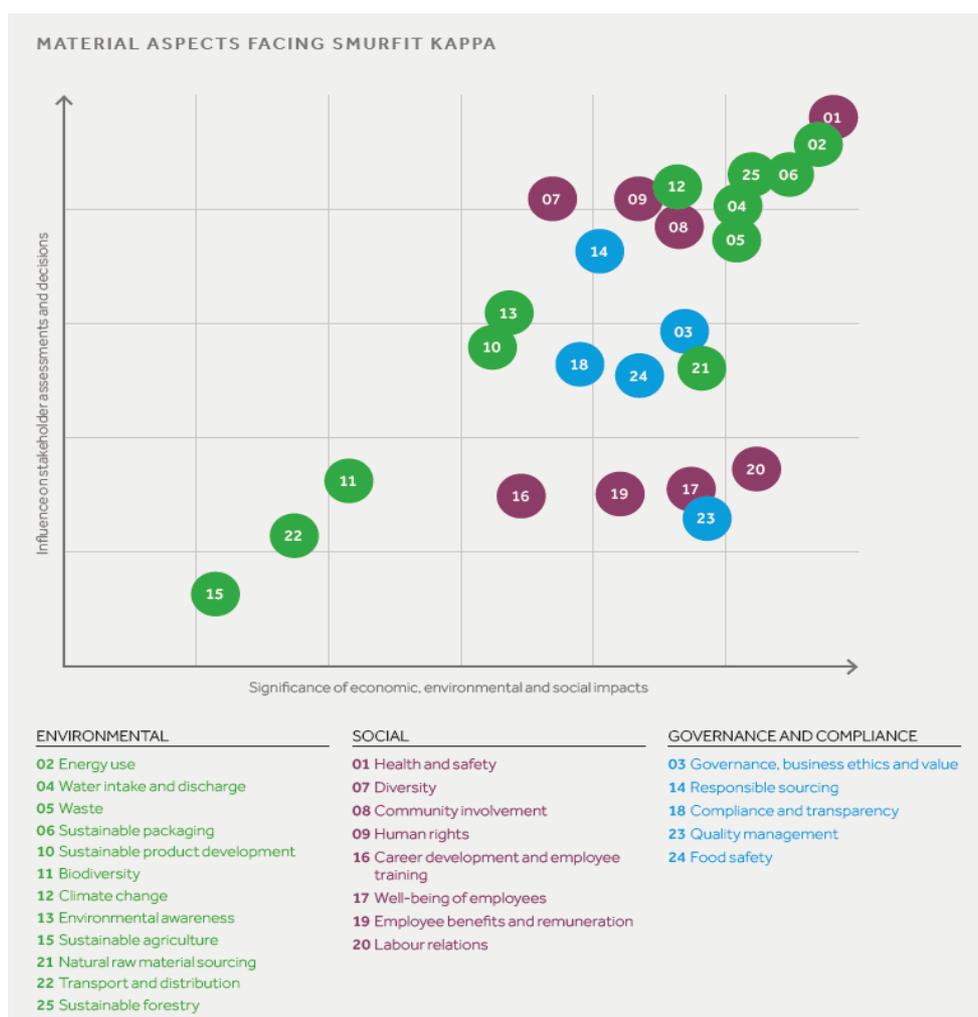
Material aspects vary across countries and regions. For example, in Europe we found environmental aspects to have a higher priority, whereas in the Americas social aspects are considered more important.

Acknowledging these regional differences, the final phase of our materiality assessment involves stress testing each material aspect for its relevance and priority to our national and international stakeholders. We use a variety of



techniques, described in our Sustainable Development Report, to gather feedback from our stakeholders, and use qualitative analysis to determine the significance and priority of each material aspect.

The materiality matrix below shows the outcome of our three-step assessment. To aid understanding, the aspects are grouped under three key categories: environmental, social and governance and compliance. Although not all aspects highlighted in the matrix are of equal importance to Smurfit Kappa, they were considered in determining issues material to our business and our sector. For transparency, they are plotted in accordance with GRI guidelines.



In conclusion, five key strategic sustainability priorities emerge from the materiality analysis which provide the focus for our daily operations and reporting. Four of these topics are environmental, and one is social. All are relevant for compliance.

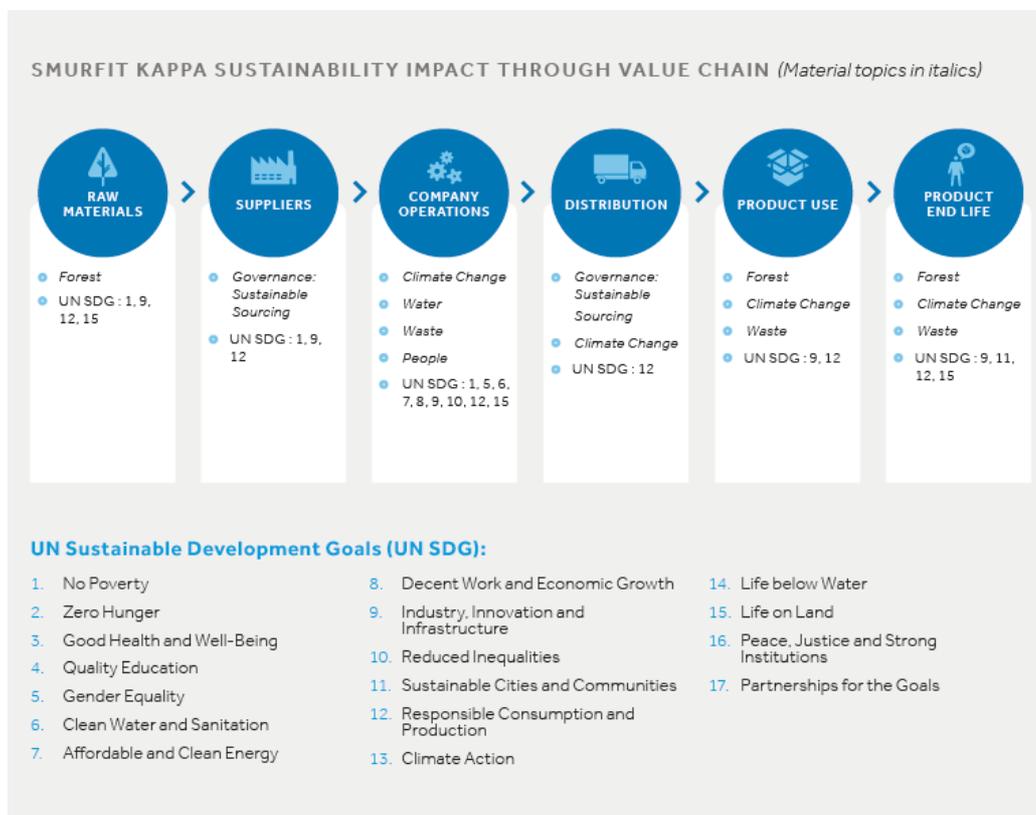
Our five strategic priorities are:

- Forestry, including sustainable forestry, biodiversity and natural material sourcing



- Climate Change, including energy use, energy efficiency and transport and distribution
- Water, including water intake and effluents discharge
- Waste, including waste to landfill and hazardous waste
- People, including health and safety, diversity, human rights, career development and employee training, well-being of employees, labour relations and community involvement.

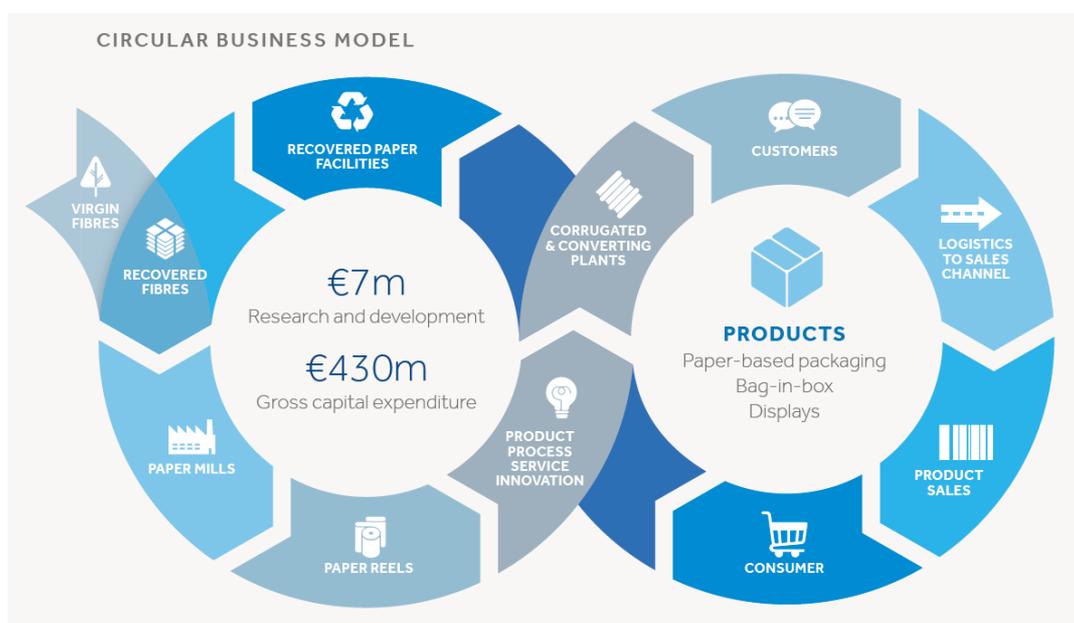
To demonstrate the global context of these issues and their impacts, we show how the UN Sustainable Development Goals most relevant to us connect with our material priorities throughout the value chain. This approach helps us to show where our risks and opportunities lie.





VALUE CHAIN

Understanding our business environment enables us to increasingly integrate in circular economy and driving sustainability in all areas of our value chain.



Nature is both our source of raw materials and our inspiration for a circular economy. We aim to replace the natural resources we need in production, reuse materials wherever possible and involve stakeholders as we develop a closed loop system. In our view, this circular business model gives us a competitive advantage, and is essential to our future success.

By focusing on our five strategic sustainability priorities and working on them through circularity, innovation and inclusiveness, we are able to reduce our footprint and increase the positive impact we have to our surrounding environment within our complete value chain. Approaching the Sustainable Development Goals from the perspective of our value chain also helps us to put our efforts where they have their most relevant impact.

Smurfit Kappa's key raw materials are wood based fibres and we can positively impact sustainable management of world's forests. Through paper recovery and recycling of fibres, we use the fibrous raw material to the full and by applying certified forest management standards in our own forest and plantation management as well as requiring this from our suppliers, we have an impact on the SDGs Poverty (1), Industry, Innovation and Infrastructure (9), Responsible Consumption and Production (12), Climate Action (13) and Life on Land (15).

Through Smurfit Kappa's sustainable sourcing programme, we have an opportunity to expand our impact and mitigate our footprint outside the Group's direct operations to our suppliers and the distribution of our raw materials and



products. With this we have an impact on the SDGs Poverty (1), Industry, Innovation and Infrastructure (9), Responsible Consumption and Production (12) and Climate Action (13).

As an integrated paper-based packaging producer, we have a direct influence on improving our footprint whether it is related to climate change, water, waste or our people. The continual improvement of our company operations contributes to the SDGs Poverty (1), Gender Equality (5), Clean Water and Sanitation (6), Affordable and Clean Energy (7), Decent Work and Economic Growth (8), Industry, Innovation and Infrastructure (9), Reduced Inequalities (10), Responsible Consumption and Production (12), Climate Action (13), and Life on Land (15).

Packaging plays a significant role in the supply and value chains of the packaged product. The purpose of a packaging is to support its content's secure delivery, protection from damage or theft and communicate its contents to the consumer. During its product use and product end life, well-designed paper-based packaging has an impact on forests through forest certification related chain of custody certification, product related greenhouse gas emissions and waste. These are directly reflected in the SDGs Industry, Innovation and Infrastructure (9), Reduced Inequalities (10), Responsible Consumption and Production (12), Climate Action (13), and Life on Land (15).



FOREST

Our industry is a significant and visible user of wood fibre. It is our basic raw material, and we take responsibility to ensure its origin is sustainable. The recyclability of paper fibres is another important factor in the sustainability of our products, and we apply a balanced approach to the use of both virgin and recycled fibres.

The sustainable sourcing of fibres is not only important to Smurfit Kappa. It is the number one priority for all our stakeholders when discussing sustainability goals for paper-based packaging.

Independent third-party certification is the most reliable means to promote sustainable forest management and combat deforestation. We manage our forest holdings based on three sustainable development principles: to promote economic growth, responsibly use natural resources and foster social equity wherever our plantations and forests are located. We have certified all our plantations and forest holdings to FSC® and/or PEFC™ where practical.

Chain of Custody Leadership

We advocate sustainable forest management through Chain of Custody practices. We require certified Chains of Custody from our raw material suppliers to ensure a sustainable supply chain for our customers. In combination with our access to sustainable raw material, we label over 90% of our packaging as Chain of Custody certified. Given our size, this is unique in our industry.

A milestone on the journey was creating a fully certified Chain of Custody system – from our plantations and forest holdings to the labelling of packaging solutions we deliver to customers. To achieve this we set ourselves the following targets:

- All fibre produced and purchased is Chain of Custody certified under FSC®, PEFC™ or SFI
- Over 90% of our packaging labelled as Chain of Custody certified under FSC®, PEFC™ or SFI
- All production sites certified using FSC®, PEFC™ and/or SFI Chain of Custody standards

By the end of 2016 all of these targets were achieved, and we now work on to maintain or improve the already high levels.

Looking ahead

Our objective is to further increase the percentage of Chain of Custody certified products we deliver to our customers. Additionally, we will certify newly acquired operations within two years of acquisition and promote biodiversity in our forest holdings. Our on-going contribution will continue through research, collaboration and implementing new forest and plantation management methods.



CLIMATE CHANGE

Although our industry is energy intensive, it is also one of the most energy efficient. At the same time, we are among the most significant users of renewable energy. We are therefore well placed to play a role in containing rising global temperatures as agreed at the Paris Accord in December 2015, provided that a level playing field prevails.

Climate change drives change in society, and in our case it stimulates product design improvements to lower customer carbon footprints, encourages production efficiency and informs how we invest for the long term. Our stakeholders, notably customers and investors, expect us to approach climate change responsibly and request detailed progress reports.

Reducing emissions

We are reducing the carbon intensity of our energy mix by cutting fossil fuels and promoting renewable sources where economically viable. We are also saving energy by closing loops in our production process. We do this through a three-pronged approach:

- Efficient energy generation
 - Investing in highly efficient Combined Heat and Power (CHP) systems. We need both electricity and heat so are well suited to scale up CHP
 - Improving the efficiency of our current boiler houses, minimising heat losses
- Energy saving programmes
 - Reducing our energy use by investing in research and new technologies
 - Investing in fossil CO₂ reductions
- Carbon emissions reduction
 - Shifting to lower CO₂ fuels such as biomass and natural gas

We make a significant impact in the value chain through smart packaging solutions that can significantly cut customer emissions. We help them optimise their packaging to avoid product waste, minimise over-specified packaging and increase recycling.

Using our suite of tools, including Paper to Box and Pack Expert, we work with customers to determine the carbon footprint of their packaging. This helps them choose the most sustainable solutions.

We have set ourselves the following goals:

- A 40% relative reduction in scope 1 and 2 fossil fuel based CO₂ emissions (compared to 2005) in our mill system compared to 2005 levels by 2030 (goal updated in 2018)
- Collaboration with customers to make carbon footprints of the packaging life cycle
- Assessment of energy usage reduction opportunities in converting operations in selected countries by 2020 (new target in 2018)

By the end of 2017 we had realised a reduction of 26.1% and collaborated with numerous customers.

Looking ahead

We will continue to decrease our fossil fuel based CO₂ intensity thereby contributing to making the UN 2030 SDGs and the Goals of The Paris Agreement a reality.



WATER

Water lies at the very core of sustainable development, and ensuring the global availability and sustainable management of water and sanitation for all could transform the UN 2030 Agenda.

Sustainable water management is also of utmost importance for Smurfit Kappa because to succeed, our business needs ample availability. As we rely on natural raw materials, water is vital for the ecosystems and environments where we operate.

For the vast majority of our operations, availability of 'fresh' water is not a concern for the foreseeable future, and of the water we take in, over 90% is returned to nature. Nevertheless we believe that a responsible approach to water is crucial.

Two key water issues

We focus our efforts on further improving the quality of water we discharge and understanding the risks associated with water availability and use in the areas where we operate. This strategy positions us well to improve our processes and lower environmental load.

Between 2005 and 2017 we invested close to €62 million in water treatment plants. This investment is on-going alongside with water assessments of our paper and board mills. Findings will guide us as we reduce the impact our operations have on the water balance in their region.

We have set ourselves the following targets:

- Reduce the organic content of water returned to the environment from our mill plants (COD) by 60% compared to 2005 levels by 2025 (goal updated in 2018)
- Perform environmental impact assessments of the water use of our sites (where relevant) and develop water usage measurements by 2020 (goal updated in 2018)

At the end of 2017, we had reduced discharge by 37.5%. 15 of our paper and board mills located in areas designated as most critical by experts had been assessed.

Looking ahead

Our continual investments will enable a water management system whose discharge quality is industry leading and uses best available technology. This will be combined with a balanced use of water by our operations in relation to the regions where they are operating.



WASTE

As the demand for goods and services grows, the efficient use of resources, avoiding waste and limiting pollution feature strongly in the UN's 2030 Agenda for Sustainable Development. Smurfit Kappa contributes by using renewable and recycled resources such as wood fibres, recovered paper, water and energy efficiently.

Our products themselves are designed to prevent loss and damage to the consumer goods they protect. Packaging is produced efficiently and is 'right-weighted' to optimise resource use and minimise waste. Made from 100% renewable and recyclable materials, our packaging can be recycled 6-8 times and once fibres are depleted, is typically used for energy generation or in agriculture.

Given that paper production itself generates almost no waste, it's interesting to consider why waste is so important for our industry. Put simply, our principal raw material – bales of recovered paper – contains unwanted materials such as plastic, metals, textiles, wood and sand. These are separated out during the water-intensive pulping of recovered paper fibres. The resulting waste material contains approximately 50% water, and is sent to landfill unless we can recycle or recover it.

A world without waste

We believe the circular economy is the business model for the future, and that we have an important role to play in it. Avoiding waste is a material issue for our stakeholders, and many of our customers have stated objectives to reduce it.

Eventually, all waste should become a raw material, and with recycling rates of 80-90%, the paper-based packaging solutions we provide meet that criterion. But we would like to close further loops by recovering and/or recycling waste originating from stakeholders such as consumers and other industries that would otherwise be sent to landfill.

In 2017, of the unavoidable waste in recovered paper, we reused approximately 50%, mainly for energy generation.

As part of our objective to find other uses for these waste streams, we have set ourselves the following goal,

- Decrease the waste sent to landfill by 30% per tonne of product produced by our mill system by 2025, compared to the base year 2013 (goal updated in 2018)

At the end of 2017 we had reduced waste by 13.3%.

Looking ahead

We are committed to actively engage with our customers and other stakeholders to increase recycling rates further. Our goal is to remove all avoidable waste from our production system and limit waste sent to landfill to materials that can no longer be recycled or recovered.



PEOPLE

People are at the heart of our operations. They include those we employ directly and indirectly, and people whose lives we impact. Smurfit Kappa focuses on individual merit, with a culture that supports and rewards entrepreneurial behaviour throughout our operations.

As a responsible business, we support global human rights and labour standards*, and check that our suppliers do too.

We:

- Support freedom of association and recognise the right to collective bargaining
- Do not engage in forced and compulsory labour or discriminate in respect of employment and occupation on grounds such as race, ethnicity, colour, gender, sexual orientation, age, religion, disability or national origin
- Support and respect the protection of internationally proclaimed human rights
- Do not tolerate child labour in any form and disengage from suppliers that do

Smurfit Kappa unites some 47,000 people (2018) around the globe. To achieve sustainable long-term success, we rely on their expertise and innovation. Our objective is to be a great place to work for our current employees and an employer of choice for our potential targeted candidates.

To achieve and maintain that objective we will:

- Offer employees at all levels the chance to broaden their skillsets and knowledge, fulfil their potential and improve their career prospects
- Stimulate and encourage employee engagement through regular, company-wide surveys and follow-ups
- Compensate fairly, review performance regularly and offer gender neutral career opportunities and pay
- Maintain a good faith reporting policy (Whistleblower Code) for employees to safely report any unethical or illegal conduct

Health and Safety

A safe and healthy workplace is a fundamental right for every person at Smurfit Kappa, and is a business imperative. We are committed to maintaining a productive and safe workplace in every part of our company by minimizing the risk of accidents, injury and exposure to health hazards for every employee and all sub-contractors.

To measure our success in this our goals are:

- Zero fatalities
- Reduce the total recordable incident rate (TRIR) by 5% annually (new target in 2018)
- Provide regular health and safety training to employees and sub-contractors
- Promote and ensure safe behaviour of our employees and sub-contractors
- Embed process safety in the way we design, develop and operate all our sites.



Community Involvement

Smurfit Kappa is committed to the communities where we operate, and our Foundations empower people to improve their lives. We aim to help end the cycle of poverty and dependence in some of the communities and countries where we operate.

We will invest in social and research projects that:

- Support youth education
- Promote research in areas related to our business (e.g. forestry and biodiversity)
- Benefit the local communities in which we operate.

* E.g. ILO Declaration on Fundamental Principles and Rights at Work, UN Global Compact, OECD Guidelines for Multinational Enterprises, UN Guiding Principles, UN Declaration on Fundamental Human rights.



BEING RESPONSIBLE AND ETHICAL

Responsible business practices are embedded from Smurfit Kappa's boardroom to the factory floor and throughout all our business operations.

Business ethics

The Board and Management of Smurfit Kappa commits to the highest standards of corporate governance and ethical business conduct, and fosters this throughout the organisation. As a minimum we will comply with regulations and guidelines and in addition we:

- Work against corruption in all its forms, including extortion and bribery
- Implement our Code of Business Conduct and corporate policies
- Benchmark our performance through with peer groups and trade bodies
- Influence public policy to ensure a level playing field for all
- Take our suppliers to this journey, as we describe below

Download our policies at www.smurfitkappa.com

Sustainable Sourcing

Smurfit Kappa has thousands of suppliers globally, and we believe that through the value chain, they are an integral part of our business. Therefore we work with suppliers which align with our own sustainability principles and objectives in the areas of compliance, performance, risk management, social responsibility and governance. Our main focus is on the suppliers we define as 'Strategic' and 'Important', and in particular those that supply key materials for the manufacture of our products. To ensure suppliers are aligned with our sustainability principles and objectives Smurfit Kappa will:

- Work with suppliers which adhere to our Sustainable Sourcing Policy, our Supplier Code of Conduct and that are Chain of Custody certified where applicable
- Audit (Strategic and Important) suppliers regularly in the key areas of human rights, labour, environment and anti-corruption
- Perform risk assessments of suppliers regarding food safety, material safety, substances of very high concern (SVHC), healthy and safe work environment, business continuity plans
- Encourage suppliers to
 - support the UN Global Compact,
 - register with Supplier Ethical Data Exchange (Sedex)
 - disclose sustainability data in accordance with Global Reporting Initiative (GRI) standards
 - develop strong relationships with their local communities.



CONCLUSION

Our business is based on sustainably sourced, natural, recyclable and biodegradable materials, and we rely on a healthy environment to succeed. In a resource-constrained world facing multiple social, environmental and economic challenges, we want to step up, because we believe that businesses have an opportunity to lead positive change. The emerging circular economy combined with technological innovation offers major innovation opportunities for our business. And as producers of paper-based packaging, our position at the heart of many global supply chains gives us a crucial role in creating better solutions that benefit customers and society at large.

Much of what we aim to do will be achieved in partnership. And that's why we'd like to hear from you too.

Please contact us with your ideas at sustainability@smurfitkappa.com