

# SUSTAINABILITY IN EVERY FIBRE

Sustainable Development Report  
Summary 2015



TONY SMURFIT | Group CEO

'Environmental responsibility, circular business models and corporate social responsibility are rapidly becoming imperative to do business globally. These three elements have been at the core of our sustainable business model for more than 80 years. In 2015 Smurfit Kappa was recognised by the FTSE4Good index and the Euronext Vigeo Europe 120 index. We are on track to reach our 2020 CO<sub>2</sub> emissions reduction target and our entire production system is now Chain of Custody certified. As a global corporate citizen we want to lead by example.'

## Introduction

As one of the world's largest paper-based packaging businesses, Smurfit Kappa maintains a relentless commitment to sustainable business that underlies everything we do. For many years we have focused on designing our operations around a circular economy model—a truly closed-loop system in which the productivity of the resources we use is maximised and waste, including CO<sub>2</sub> emissions, generated through our products is minimised.

Simultaneously, we endeavour to promote sustainable use of renewable raw materials, to reduce the use of and to replace non-renewable raw materials with renewable ones where feasible and ultimately to reuse resources we take out. We have set ourselves robust environmental and social policies and require from our suppliers a compliance with our sustainable sourcing principles.

Our innovative, right-weighted, recyclable packaging delivers real savings in cost and carbon for our customers and consumers. It is an approach that has delivered consistent business growth and long-term partnerships with some of the world's most respected brands as well as with local customers. We are proud to say that running through our people, our processes and our products, we have **Sustainability in every fibre.**

## The world around us

From a sustainability perspective, 2015 was an important year for our planet, with world leaders agreeing to bring a halt to climate change in Paris at the COP21, and the adoption of the 2030 Agenda for Sustainable Development by the UN.

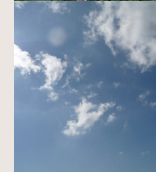
## Our vision and operations

Our global operations create value for our customers, employees, investors, suppliers and the communities in which we operate. We drive innovation and sustainability for long-term success. Smurfit Kappa has five strategic sustainability priorities:



### Forest

Some 81% of our packaging is sold as certified by FSC®, PEFC™ or SFI™ standards.



### Climate change

We have achieved a reduction of 22.6% of fossil CO<sub>2</sub> emissions per produced tonne of paper since 2005.



### Water

We have finished mill specific water risk assessments in six of our 36 paper mills.



### Waste

We set ourselves a target to reduce the waste sent to landfill from our paper and board mills by 30% by 2020.



### People

As we grow our business worldwide we welcomed 3,000 new employees to our team now of some 45,000 men and women in 34 countries in Europe and the Americas.



## Strategic Priority Forest

### Our Perspective

Independent third-party verified certification is the most reliable means to promote sustainable forest management and combat deforestation. We manage our forest holdings based on our sustainable development principles, promoting economic growth, responsible use of natural resources and fostering social equity. The recyclability of paper fibres is an important contributor to the sustainable nature of our products.

### Our Commitment

- 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.
- More than 90% of our packaging is labelled as Chain of Custody certified under FSC, PEFC or SFI.

### Our Progress

We produced and purchased 99.9% of our fibre under fibre origin management systems that are Chain of Custody certified in 2015 and we sold 74% of our packaging as certified (FSC or PEFC) by the end of 2015 and 81% by the end of Q1 2016.

- We expect to reach our target of more than 90% in 2016.



## Strategic Priority Water

### Our Perspective

Through a programme of investment and technological innovation in the treatment process of discharged water, our vision is to significantly reduce the water impact of our operations over time.

### Our Commitment

- A reduction of the organic content of water returned to the environment from our mill plants (COD) by one-third compared to 2005 levels in 2020.
- Perform environmental impact assessments of the water use of our sites and develop water usage measurements.

### Our Progress

We invested in cleaner water discharges at our Saillat (France) and Forney (USA) mills. We have now achieved a 29% reduction of the COD discharges from our paper mills. Furthermore, we have created an assessment tool and by end of 2015 assessed water-related risks at six mills. The outcome was that the risks are well controlled at these sites.



## Strategic Priority People

### Our Perspective

We believe that a safe and healthy workplace is a fundamental right and a business imperative. We believe in our people and are committed to reach our business objectives through their expertise, innovation and performance. We believe that a company can only prosper when it is an integral part of the society where it operates.

### Our Commitment

- 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 encourage employee engagement by regularly surveying our employees. We maintain a good faith reporting policy ('Whistleblower Code') and respect the protection of internationally proclaimed human rights. We do not engage in discrimination and we work against corruption in all its forms.
- Smurfit Kappa and our related Foundations' aim is to contribute to end the cycle of poverty and dependence that exists in some of the communities and countries in which we operate by investing in social and research projects.

### Our Progress

During 2015 the number of Lost Time Accidents (LTA) reduced by 12.1% and the LTA Frequency rate, as well as the severity rate, dropped by 14.6% each. As a result of the MyVoice 2014 survey, we are implementing 1,000+ actions to improve the working experience of our 45,000 employees. Smurfit Kappa has undertaken local community initiatives and supported voluntary work with close to €4 million in 2015.



## Strategic Priority Climate Change

### Our Perspective

The impact of climate change is one of society's biggest challenges. Our use of energy, carbon footprint and GHG emissions are all material to Smurfit Kappa's business. We re-engineer our operations by reducing energy use and increasing energy efficiency and the use of renewable sources where feasible. Our opportunity is to design products that allow customers to take out energy usage in their supply chain.

### Our Commitment

- 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).

### Our Progress

We reduced our CO<sub>2</sub> emission per tonne of paper produced by 22.6%. We notably improved energy usage in Hoya (Germany), Mengibar (Spain), Nettingsdorf (Austria), Coronel Suarez (Argentina) and Cali (Colombia). In 2015, our Paper-to-Box and Pack Expert tools were used on average more than 4,500 times a day.



## Strategic Priority Waste

### Our Perspective

Our objective is to contribute to a circular economy. All paper packaging provided to our customers is already 100% recyclable. We will take all avoidable waste out of our production system and minimise waste to landfill.

### Our Commitment

Company-wide assessments:

- To minimise the burden of non-hazardous waste. We finalised the assessment during 2015.
- To minimise waste to landfill and set targets according to 2014 assessments.
- To minimise hazardous waste and set targets according to 2014 assessments.

### Our Progress

We finalised the assessment of non-hazardous waste sent to landfill by our paper and board mills during 2015. We set a new target to reduce such waste sent to landfill by 30% per tonne of paper produced by 2020 relative to 2013. Smurfit Kappa participated in various cross sectoral circular economy collaborations in 2015.



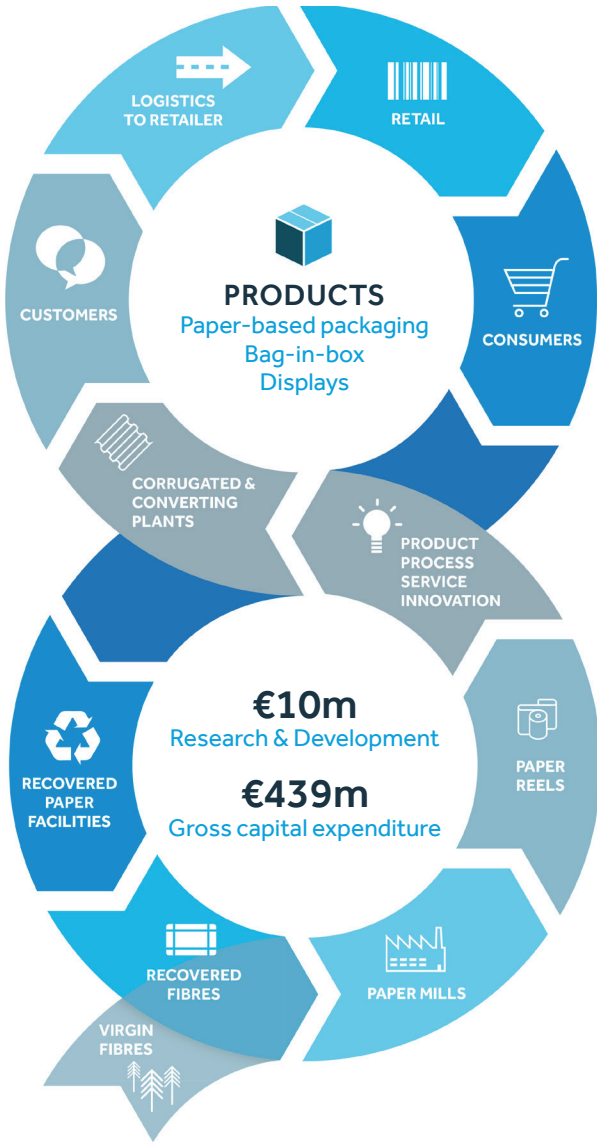
### Printable wooden tubes:

For wines or liqueurs, we use veneers to create special eye-catching gift boxes.

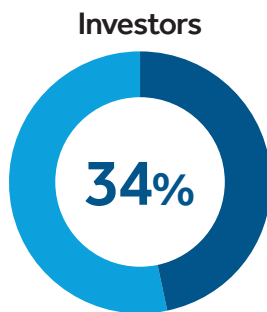
# Smurfit Kappa at a glance

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

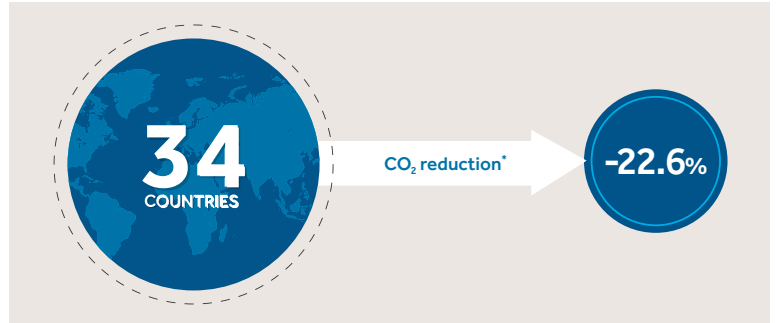
## Smurfit Kappa Product Life Cycle



of customers in the FMCG segments



dividends €141m of €413m profit were distributed this fiscal year



\*relative and compared to 2005

Water Footprint NETWORK

