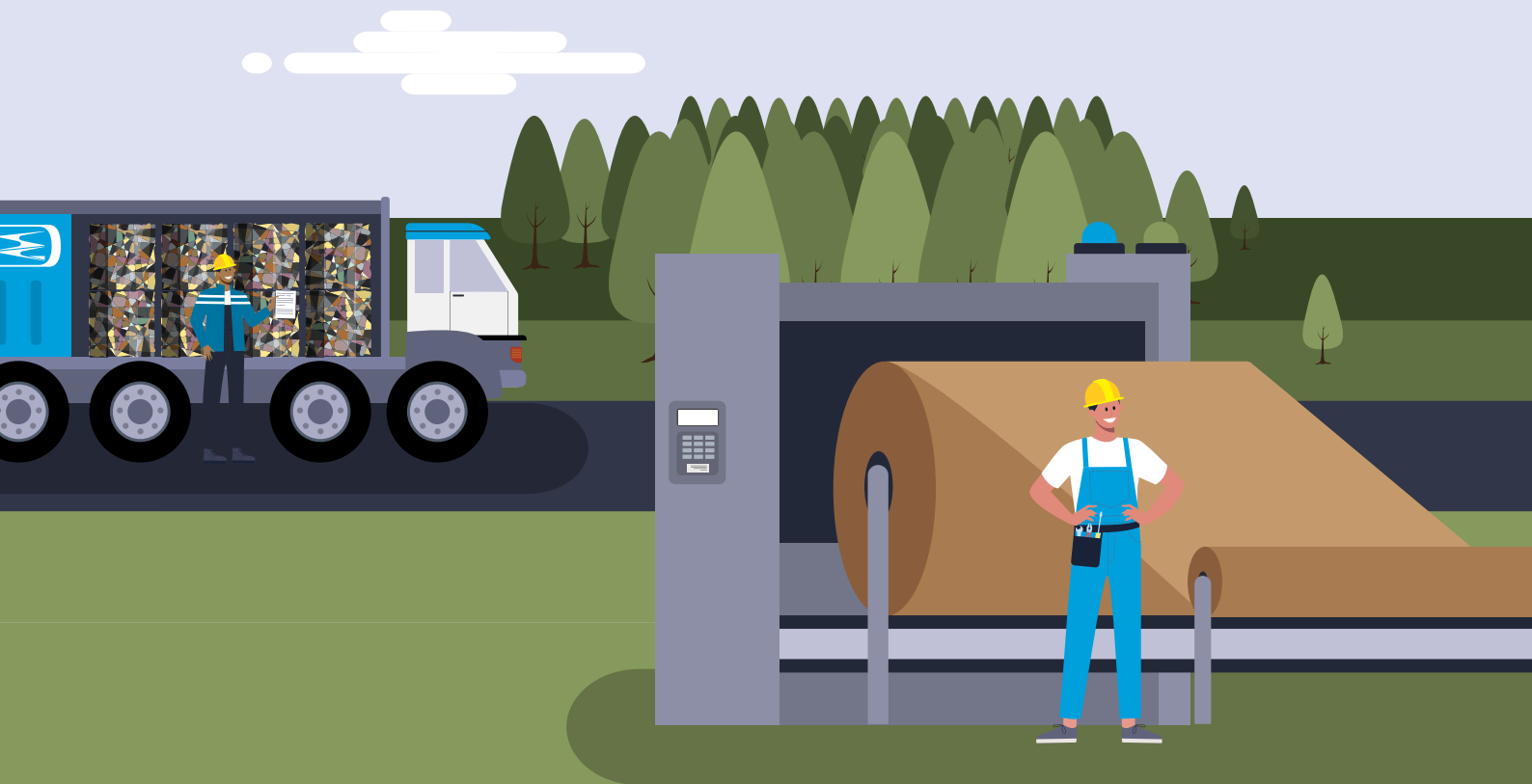


Impactful Business

Delivering to all stakeholders

Sustainability creates value and is a core element of our strategy. We collaborate with customers and suppliers, sustainably growing their and our businesses throughout the value chain. Our innovative packaging solutions are material efficient, produced sustainably and support customers in delivering their sustainability objectives.



Sustainable packaging webinars hosted

+100

Support the Goals recognition



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Key Principles

Since 2007, when we started reporting our progress in sustainability, our approach has been to make our performance measurable, transparent and tangible. We report our progress annually, and have our sustainability data independently assured using GRI Standards. We then convert the data into tangible, unique customer-relevant information to support our innovation and design processes. Certifying our management systems adds transparency and credibility for our stakeholders, and having clear policies helps everyone understand how we govern our performance.

We are committed to managing our business ethically, in accordance with our declared values recognising that good social citizenship, reflected in how we interact with our employees, business partners and local communities, is an integral ingredient in 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. Smurfit Kappa has specific policies on key areas of sustainability, which are integral in improving future performance.

To sustainably grow our business we favour short supply chains and will work with suppliers aligned with our sustainability principles and policies.

Key Achievements 2020

We broadened our Better Planet Packaging (BPP) initiative to improve all areas of end-to-end sustainable packaging – from reducing our packaging’s environmental impact, to having a positive effect in our customers’ supply chains.

As part of our BPP initiative, we had over 100 webinars sharing sustainable packaging concepts with our customers. Our BPP concept family grew with eFashion, eBottle and Clips&Grips portfolios supporting our customers with improved packaging solutions. We also partnered with leading value chain partners for sustainable packaging solutions.

[➔ Read more on page 66](#)

We were included in the Solactive ISS ESG Beyond Plastic Waste Index in 2020, which recognises companies active in the reduction of plastic waste and our Climate Change response in CDP is at A- level.

In early 2021, we received an award for being the first FTSE100 company to be given five stars by Support the Goals, which recognises companies for their contribution to making the UN 2030 Sustainable Development Goals a reality.

We announced our support for the recommendations of the Task Force for Climate-related Financial Disclosures and are reporting on page 94 in line with these recommendations. We also started reporting in line with the Sustainable Accounting Standards Board criteria.

[➔ Read more on pages 94-95](#)

46 supplier audits were conducted during 2020 through our seven section Sustainable and Responsible Sourcing audit programme.

[➔ Read more on pages 70-71](#)

Delivering for SDGs

Smurfit Kappa Contributes

Integrating sustainability into our business is essential to sustain long-term profitability. This means making an impact through our products, respecting people and having responsible governance.

These in turn have a positive impact on the communities we have operations in. Our products offer a great opportunity for innovation that can have a positive impact for society.



Smurfit Kappa Supports

Smurfit Kappa supports local communities through the employment it creates, its waste paper collection activities, synergies with our neighbours such as contributing to district heating, through the volunteer and community work done locally and through the charitable donations from local operations and Smurfit Kappa’s Foundations.



Impactful Business continued

Responding to our Stakeholders

	What we believe	What our stakeholders expect from us	Our commitments
Innovation	<p>We have a responsibility to respond to the challenge facing the environment and society today – to inspire more sustainable packaging solutions.</p> <p>A fundamental challenge with packaging waste is litter; by offering fit-for-purpose packaging solutions we can minimise material waste. Packaging can help to lower a product’s environmental footprint, and to protect and promote our customers products.</p> <p>We can realise these aims through our data-driven innovation approach.</p>	<p>To deliver fit-for-purpose, cost-effective and sustainable packaging solutions to our customers.</p> <p>To develop innovative packaging solutions as our response to the global challenge of litter and packaging waste.</p>	<p>Commitment #1: To inspire more sustainable packaging solutions through:</p> <ul style="list-style-type: none"> • The development of our Better Planet Packaging initiative; • Using our data to improve our processes, products, supply chains, logistics and markets; and • Optimising the use of our InnoTools to support our innovation and design, and leverage our global ideas.
Governance and Human Rights	<p>We operate in an environment with diverse legislations, regulations and cultures. Our Code of Conduct is the fundamental guideline for everybody at Smurfit Kappa from the Board of Directors, officers and employees, as well as all individuals, entities, agents or anyone acting on the Group’s behalf – and we require the same from our suppliers.</p> <p>Our Code of Conduct expects adherence to ethical standards, and commitment to quality and service.</p>	<p>To fundamentally comply with regulations and guidelines, have effective corporate governance and respect human rights.</p>	<p>Commitment #1: We are committed to:</p> <ul style="list-style-type: none"> • Having our Code of Conduct available for anyone interested; • Ensuring our stakeholders adhere to the principles of the Code; and • Offering an independent and unbiased channel to raise concerns about breaches to the Code.
Sustainable and Responsible Sourcing	<p>Sharing our sustainability knowledge, experience and expertise with our suppliers increases the sustainability of our whole value chain. In order to sustainably grow our business, our materials, goods and services must have the right quality and cost, but also be securely and responsibly sourced.</p>	<p>To extend the ethical and sustainable manner of conducting business to our supply chains, and that we require our suppliers to continually advance their sustainable footprints.</p>	<p>Commitment #1: We are committed to:</p> <ul style="list-style-type: none"> • Working with suppliers that adhere to our Sustainable and Responsible 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 suppliers to ensure adherence with our key Sustainable and Responsible Sourcing principles.

We all want our food, clothing and household goods delivered securely and safe from damage or theft. Businesses therefore need fit-for-purpose packaging solutions, which protect the product and delivers it safely to the consumer.

Paper-based packaging offers the most versatile and sustainable solution for manufacturers, retailers and consumers, through any chosen sales channel. It has the highest recycling rate of any packaging and it also helps reduce product waste. According to the Food and Agriculture Organisation of the United Nations (FAO), inadequate packaging wastes 20-50% of food in developing countries, compared with only 3-5% in developed countries, where fit-for-purpose packaging ensures safe product transport.

We maximise this sustainability for ourselves, our customers and suppliers, through continuous research. Our experience and expertise inspire innovative packaging solutions, making sustainability integral.

Sustainable Value Chain is our Business

Sustainability creates value and is a core element of our strategy. Our approach to it is end-to-end: from procurement at the supplier end, to production and product delivery to our customers, the principle of aligning economic goals with social, community and environmental responsibility is applied throughout. We collaborate with customers and suppliers, sustainably growing their and our businesses throughout the value chain. Our innovative packaging solutions reduce use of raw materials,

helping customers deliver their sustainability objectives. Our business model is circular: our key raw material is recycled fibre and we recover the old corrugated boxes from our value chain to make new ones. We continually search for new synergies within our operations and with our local partners. We work to minimise climate change by maximising the efficient use of resources, thereby reducing pressure on the environment.

Our investors want long-term profitable businesses, so environmental and social responsibility are key factors when choosing companies for investment. This can be seen in the many investor ratings and disclosure programmes that we participate in, such as FTSE4Good, Euronext Vigeo Europe 120, STOXX Global ESG Leaders, Ethibel’s sustainable

Progress made in 2020

Progress made: Use of our InnoTools: PackExpert and Paper to Box in a day in 2020: over 11,000.

→ [Read more about our progress on page 66](#)

Delivering for SDGs

Our product offers a great opportunity for innovation that can have a positive impact for society.

Smurfit Kappa contributes to the realisation of the following SDG and targets:



9:2, 9.4 and 9.5

Scope

- All Smurfit Kappa operations.

Progress made: During 2020, no material fines were imposed on the Group for any breaches of such laws and regulations.

→ [Read more about our progress on pages 68-69](#)

For Smurfit Kappa, impactful business means respecting people and having responsible governance. These, in turn, have a positive impact on the communities we have operations in.

Smurfit Kappa contributes to the realisation of the following SDGs and targets:



8.7

16.2, 16.5 and 16.10

- All Smurfit Kappa operations.

Progress made: During 2020, 46 supplier audit activities took place through our seven pillar Sustainable and Responsible Sourcing audit programme.

→ [Read more about our progress on pages 70-71](#)

Smurfit Kappa can extend its impact through its supply chains and through that have an impact on decent work and economic growth.

Smurfit Kappa contributes to the realisation of the following SDG and targets:



8.5, 8.7 and 8.8

- All Smurfit Kappa operations.

investment register, the Green Economy Mark from the London Stock Exchange, CDP, SEDEX and EcoVadis. Furthermore, paper-based packaging is expected to grow as consumers are increasingly aware of environmental issues and 80% prefer paper-based packaging (Cepi and Paper and Packaging Org Surveys).

We provide industry-leading transparency and detail to our stakeholders of every aspect of our operations, whilst promoting sustainability in our customers' businesses. Smurfit Kappa uses suppliers who adhere to our Sustainable and Responsible Sourcing Policy, our Supplier Code of Conduct, and who are Chain of Custody certified where applicable. We audit suppliers on human rights, labour practices and environmental impact.

Creating Tangible Progress

For us, sustainability is not only about mitigating climate change and reducing inefficiency. It is vital to our future as one of the world's largest paper-based packaging companies, and for stimulating innovation and creating new customer demand.

According to the UN Global Compact-Accenture CEO Study on Sustainability, sustainability is essential to a CEOs' business strategies, and 88% of investors see it as a competitive advantage. For them, and for our customers, we must demonstrate the link between sustainable business and corporate value.

We integrate sustainable measurement into our business strategy, and throughout our global operations. We know the impact of our sustainable strategy – the facts and figures are in this report, enabling investors to appraise the effect of sustainable performance on our business. We are proud to have received customer awards and investor recognition for our sustainability performance.

Innovation

Examining the entire supply chain, including packaging, transport, storage and product presentation, will identify more sustainable improvement opportunities than considering each step in isolation.

Holistic Approach

We do not just sell packaging to our customers, we work closely with them, developing value-adding solutions to their supply chains. We use a holistic approach to find solutions that are impactful and can be realised on a large scale. This leads to fit-for-purpose packaging solutions that ensure that the packaged product is transported and stored safely and delivered undamaged to the consumer.

As part of our product and process development, we use engineering-based thinking to analyse customer challenges and find creative solutions for specific products and markets. We deliver smarter sustainable solutions to our customers in three ways: Innovation in our processes, Innovation through the supply chain and Innovation in packaging solutions.

We focus on circularity, by optimising both primary and secondary packaging, we can deliver efficiencies in transport, storage and display and finally ensure recovery and recycling of our

packaging products in recycling channels. Our scorecards help follow-up sustainable progress and Smart Services help customers to see through the new solutions from idea to implementation.

We focus both on our own and our customers' supply chains. Our virgin and recycled-fibre based packaging is designed to minimise resource use, reduce environmental footprint and use material sourced through certified Chain of Custody fibre origin management systems. The effective monitoring of our sustainability data enables us to discover new approaches to packaging and supply chain management and we use our InnoTools – eSmart, SupplySmart and Pack Expert – to understand our customers' supply chains.

To drive innovation for our customers and suppliers, we examine the entire packaging concept to develop a more appropriate, sustainable solution. We also consider changing customer preferences, demographics, regulatory developments and other competitive forces.

Our ambition is to deliver our customers fit-for-purpose packaging solutions, and we focus on performance packaging for which we use our Paper to Box tool.

Better Planet Packaging

We understand the challenges and the changes that need to be made to address the climate change crisis and reduce waste across the world. We know this is not easy, but we believe paper-based packaging can be one of the answers. It is naturally better for the planet. Our Better Planet Packaging initiative's purpose is to create better packaging for a better world for future generations. It seeks to make a positive impact on supply chains around the globe and on millions of consumers, while improving the packaging environmental footprint and reducing packaging traces on the planet.

By developing optimised and fit-for-purpose paper-based packaging solutions that are designed to be recyclable and are recycled, we can help our customers entire value chain to reduce their carbon footprint.

We also contribute to a vision of a world without packaging waste by supporting the concept of circularity. As part of that, we play a role in collecting used packaging and the industry reuses more than 90% of this material in our closed loop business model.

We use our SmartTools to support delivering for Better Planet Packaging. In 2020, we added a new tool, LCALite to our suite of Innotools. LCALite helps us to have an indicative and fast benchmark of our customer's current packaging solution in comparison to a paper-based packaging solution. This tool is a first source of indication and gives good understanding about packaging solutions' carbon footprint and end-of-life impacts.

Our Approach



Knowledge, experience and passion

Our primary goal is to support our customers through the dedication and creativity of our people. Our people are highly motivated, well trained and have unrivalled packaging expertise, which provides the foundation for our innovation.



Customer focus, understanding our customers' markets

We look past our products and go one step further to provide our customers with the best data and analysis to make better business decisions with minimal risk. Innovation challenges the status quo and is a fundamental part of our strategy. Our approach to innovation is market-driven and focused on solving our customers' challenges, whether through customer insights, packaging solutions development, process improvement or optimising supply chain efficiency.



Science of innovation

At Smurfit Kappa, innovation is data driven. We have a supporting network of laboratories, facilities and applications to help us create fit-for-purpose, cost-effective and sustainable packaging solutions.



Creative design thinking

With over 1,000 designers across our business and over 7,500 packaging concepts, we use cutting-edge technology to provide innovative designs in packaging and displays for our customers.

By innovating and understanding the added value of every fibre of our products, the result is greater sustainability, from start to finish. Our Better Planet Packaging approach:








- Uses our strength and industry-leading expertise in innovation to develop sustainable packaging solutions, especially in plastic substitution, that are renewable, recyclable and recycled, and biodegradable.

- Applies our industry knowledge and expertise on end-to-end supply chain management to help our customers improve the environmental impact and efficiency of their supply chain while also delivering a superior consumer experience.

- Sustainability has been at the core of our business for decades. We will continue to lead the industry by developing new solutions and are committed to managing our operations in a sustainable way.

Circular Aspects of our Products

Our products are designed to protect the packaged goods. While doing so, they have direct and indirect (through our operational sustainability strategies) impacts on our customers' value chains.

Impact of our Products	Direct Impact	Indirect Impact
Impact 1 Refuse 	Designing packaging solutions from mono-materials helps our customers to refuse packaging that is difficult to recycle, is therefore not recycled and that is not biodegradable.	Supporting the packaging value chain to reduce packaging waste and uncontrolled litter. Delivering solutions to our customers that help meet the EU Single Use Plastics Directive requirements.
Impact 2 Reduce 	Designing packaging solutions that help eliminate non-circular packaging materials with a higher environmental footprint. Ensuring that resource efficiency are maximised and material waste is reduced by offering fit-for-purpose packaging solutions that optimise the use of packaging materials. Where possible, we produce lighter grammage papers which require less fibre.	We intend to use renewable energy wherever it is economically feasible. This will involve additional use of biomass and scaling-up methods, which use our organic waste to generate energy. It will also involve investments that reduce fossil CO ₂ emissions and increase energy efficiency.
Impact 3 Reuse 	Ensuring that where reusing is economically and environmentally unfavourable, our recyclable packaging solutions offer a more sustainable alternative with less environmental impact than using a reusable solution.	Ensuring that we reuse resources in our production wherever possible. For example, using the organic by-product of our production process as biofuel, or reusing materials separated in the paper-making process. We also reuse water in our paper-making processes multiple times, before treating it for discharge.
Impact 4 Recycle 	75% of the raw material we use consists of recycled fibres. All paper-based packaging we produce is recyclable. Recycling of our packaging product delivers new corrugated products with the same quality, whereas the majority of plastic packaging, for example, is downcycled.	We continually find ways to recycle the metal, plastic, wood and other non-paper components separated from the recovered paper that is delivered to our mills.
Impact 5 Recover 	Ensuring all paper-based packaging we manufacture can be recovered. For example, offering mono-material solutions that are easy to recover for our customers and consumers.	Our corrugated plants recover paper clippings and send them back to paper production at our mills. We close loops and create circularity in our energy production through recovering the high-energy value of any by-products, such as black liquor and biogas, and circulating heat. We also seek synergies with our neighbours where possible.
Impact 6 Renew 	We promote sustainable forest management in our own forests and plantations as well as throughout our supply chain, and demand deliveries of fibrous materials to be Chain of Custody certified by an internationally accepted forest management standard, FSC, PEFC or SFI.	
Impact 7 Biodegrade 	Paper is made of renewable raw materials, with up to 97% fibre and starch, the rest being fillers and ashes, such as calcium carbonate. Renewable materials biodegrade naturally and at the end-of-life are converted to natural materials, such as CO ₂ and water.	

Governance and human rights

We are committed to strive for the highest standards of corporate governance and ethical business conduct. This commitment is instilled across our business, from the boardroom to the factory floor, and throughout our operations and supply chain.

We believe that ethical business conduct must be promoted from the most senior levels of the business, and fostered through the whole organisation. This section outlines Smurfit Kappa's approach to governance in terms of sustainable conduct. We expect the same standards of conduct from our suppliers, and this section also summarises our approach to supplier compliance. For further information on corporate governance, see pages 68-72 of the 2020 Smurfit Kappa Group Annual Report.

Lead from the Top

The overall responsibility for ensuring the Group demonstrates leadership within the paper-based packaging sector, promoting an actionable sustainable development agenda, lies with the Board of Directors.

The Sustainability Committee of the Board has responsibility to drive and provide overall strategic guidance of our sustainability strategy for the benefit of all our stakeholders. The sustainability strategy continues to focus on the three key pillars: People; Planet; and Impactful Business. In addition, the Group's sustainability strategy, objectives and policies are managed by the Group Executive Committee led by the Group CEO.

An Executive Sustainability Committee, consisting of key, relevant members of the senior management team, ensures that the sustainability strategy is driven throughout the business and reports to the Sustainability Committee of the Board. They will also report on a regular basis to the Group Executive Committee.

The Sustainability Working Group, consisting of relevant representatives from operations and the Group's head office, ensures that targets are met across all material areas. It also promotes sustainability targets among our customers and suppliers. Both the Executive Sustainability Committee and the Sustainability Working Group are led by our Group VP Sustainable Development who reports to the Group CEO.

Complying with Regulations and Guidelines

It is Group policy to comply, at a minimum, with the relevant laws and regulations in the countries we operate in. We ensure that our employees are aware of relevant guidelines and conduct themselves accordingly.

During 2020, no material fines were imposed on the Group for any breaches of such laws and regulations.

To demonstrate our commitment, wherever possible we go beyond minimum compliance with regulations and maintain the highest reporting standards. Information about our voluntary actions in legal and regulatory matters can be found in sections Planet, People and Impactful Business on pages 24-71. Our entire Sustainable Development Report is assured by KPMG, in accordance with the 'Comprehensive' level of the GRI Standards.

In addition, each significant business unit is subject to an annual external and independent financial audit conducted by the Group's external Auditor. Most of our business units are subject to local statutory financial audits. The Group also has an Internal Audit function which, during 2020, performed 65 detailed internal financial and IT audits.

Code of Conduct and Corporate Policies

The Smurfit Kappa Group Code of Conduct (the Code) applies to the Board of Directors, officers and employees, as well as all individuals, entities, agents or anyone acting on the Group's behalf. The Code is available in 21 languages to ensure accessibility and worldwide compliance.

The Code takes account of the following international conventions and codes:

- International Labour Organisation (ILO) Declaration on Fundamental Principles and Rights at Work (core conventions);
- UN Declaration on Fundamental Human Rights;
- Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises; and
- UN Global Compact.

The Code provides accessible and understandable guidance for employees in every jurisdiction. Each Smurfit Kappa entity and its employees are required to apply the Code, as well as abiding by the laws and practices of their industry and the jurisdiction in which they operate. It makes clear that personal and professional integrity is essential to conducting business in an ethical manner. The Code also expects adherence to ethical standards, and commitment to quality and service.

During 2020, there were no material incidents reported, which the Group considered to be non-compliant with the Code.

The Code is supplemented by policies relating to our operational and managerial practices. These policies cover Environment, Sustainable Forestry and Fibre Sourcing, Sustainable and Responsible Sourcing, Social Citizenship, and Health and Safety. All our codes and policies are available on our website: www.smurfitkappa.com.

Respecting Human Rights

As a responsible business, we support global human rights and labour standards, and check that our suppliers do too. Smurfit Kappa Group is committed to the application of the principles expressed in the UN Guiding Principles on Business and Human Rights, and the Fundamental Principles and Rights at Work developed by the ILO in all of the countries in which we have (or will have) a presence. Our Social Citizenship Policy Statement reflects our commitment to upholding internationally recognised human rights.

Our Supplier Code of Conduct demands that those who seek to do business with the Group respect and uphold the rights of workers and prohibit the use of child labour and forced labour of any type. For more information on our engagement with suppliers in this area, see our Sustainable and Responsible Sourcing section on pages 70-71.

The Group is subject to the provisions of the UK Modern Slavery Act and publishes an annual Modern Slavery Act Statement, which is available on the Group website at www.smurfitkappa.com. We also expect our suppliers to comply with the Modern Slavery regulations and conduct audits on them to ensure compliance.

In keeping with the UN Guiding Principles on Business and Human Rights, and the Fundamental principles and Rights at Work developed by the ILO, we are committed to the principles of respect, diversity, working fairly, fair pay, compensation and benefits, and our acquisition practices are in line with these principles as well. They are maintained in every country in which we have a presence and our principles and policies with respect to our employees and suppliers are updated to ensure compliance.

Demonstrating Leadership

Our goal is to be the most sustainable paper-based 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.

We are involved with selected trade bodies to influence understanding and share knowledge about embedding sustainability throughout operations, including:

- Confederation of European Paper Industries (CEPI) – Group and National level membership. Smurfit Kappa’s Group CEO is currently a board member;
- European Corrugated Packaging Association (FEFCO) – Group and national level membership. Smurfit Kappa’s CEO for Europe is currently a board member;
- International Corrugated Case Association (ICCA). Smurfit Kappa’s CEO for Europe is currently a board member; and
- Asociación de Corrugadores del Caribe Centro y Sur América (ACCCSA). Smurfit Kappa’s CFO for the Americas is currently a board member.

In addition, we are active participants in and signatories to many environmental reporting and sustainability organisations:

- CDP (formerly Carbon Disclosure Project);
- UN Global Compact;
- UN Global Compact’s CEO Water Mandate;
- The Forest Stewardship Council (FSC);
- The Programme for the Endorsement of Forest Certification (PEFC);
- The Supplier Ethical Data Exchange (SEDEX); and
- World Business Council for Sustainable Development (WBCSD).

Influencing Public Policy for Good

Beyond compliance, Smurfit Kappa upholds standards on a variety of matters material to our business, representing them to the parties concerned, either directly or through industry bodies such as CEPI, FEFCO or the European Round Table of Industrialists (ERT). We also work closely with the Irish Business and Employers’ Confederation (IBEC) and equivalent bodies in other countries. Our Group CEO is a member of the ERT. At all times, the people representing the views of Smurfit Kappa do so with reference to the Code, and the local laws and regulations which apply to the Group’s operations. There were no significant criticisms of the Group in this respect in 2020. In line with the Group’s Code, no financial contributions were made to political parties in 2020. No national government is a direct investor in Smurfit Kappa.

Our Approach to Tax

As a responsible company, operating globally, Smurfit Kappa is acutely aware of its responsibilities around corporate citizenship. This includes managing and maintaining a sufficient level of tax contribution, which means we do not engage in aggressive tax planning. An example of that is how we approach cross-border transactions, which given the multinational nature of our Company and business occur on a daily basis. Our transfer pricing policies are aligned with our operating business model and with commercial substance. Transactions between related parties are made on an arms-length basis in accordance with OECD guidance and principles. Our approach to tax can be found at www.smurfitkappa.com/tax-strategy

Our business activities generate a significant amount and a variety of taxes including corporate income taxes, value-added taxes, employment

taxes, wealth taxes and other transaction taxes. We are committed to complying with tax laws in a fair and responsible manner and to having open and constructive relationships with tax authorities. We embrace our responsibility to pay an appropriate amount of taxes and we engage with international initiatives to improve and simplify tax regimes to achieve a balance that promotes greater transparency and certainty whilst also incentivising investment and growth in countries.

Fiscal Contribution

In 2020, we recorded a corporate income tax expense of €201 million for an effective tax rate of 27%. We paid €194 million in corporate income tax in the period. We also paid dividends of €260 million on which we remitted approximately €21 million in taxes on behalf of our shareholders.

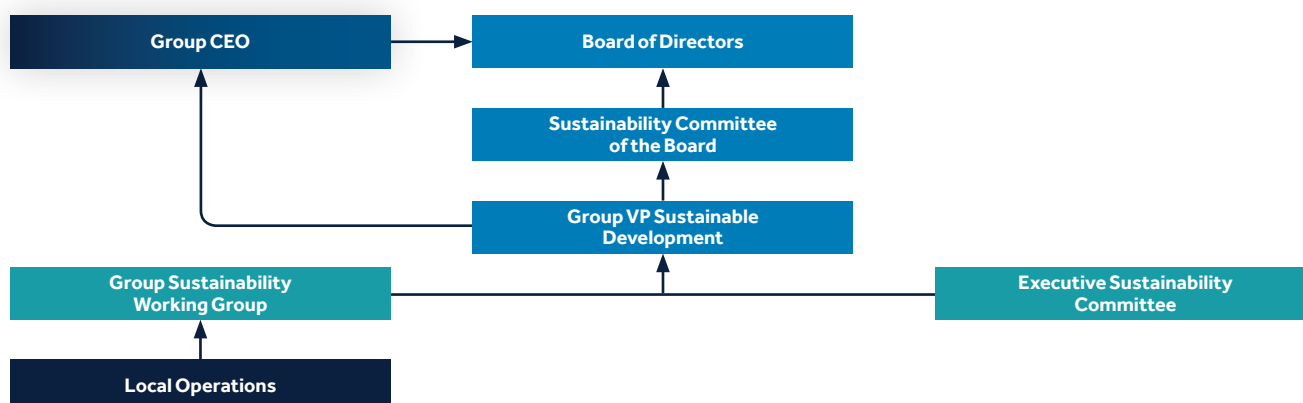
Safe Products and Satisfied Customers

Ensuring our packaging solutions are safe is an integral part of our business. As our packaging is used to deliver and store food products, our products must meet all food safety standards. These include OECD guidelines for Multinational Enterprises and providing statements on food safety and REACH to our customers. These are available on request through our website.

As a highly customer-centric organisation, we put customer experience at the heart of our operating model. We strive to differentiate ourselves with an enhanced buying experience, and to create measurable value for our customers and key stakeholders.

Delivering a great customer experience calls for disciplined execution and consistent service delivery. We use data and analytics-based insights to review customer journeys and pinpoint the operational improvements that can have the biggest effect. We also use tangible methods and tools to measure customer satisfaction and understand what matters to our customers and how we can deliver it. Our Customer Relationship (CRM) tools enable us to follow up on customer feedback and capture insights that can maximise customer satisfaction. This drives customer value and loyalty.

Sustainability Governance Framework



Sustainable and responsible sourcing

In 2020, we spent €4.7 billion on raw materials, energy, logistics, maintenance/repair, and investment goods. Sourcing materials, goods and services represents the single largest cost item for Smurfit Kappa. As such, Sustainable and Responsible 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 in a sustainable and responsible way as described in our Sustainable and Responsible Sourcing Policy and in alignment with the objectives of the 2030 UN SDGs. 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 and Responsible Sourcing audit programme, which helps us deliver against our three pillars of sustainability: Planet, People and Impactful Business.

The programme itself consists of seven sections. These are: quality, hygiene and safety, business continuity, operations, continual improvement, service and technical support and environmental 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; respect the right to water sufficiency, safety, acceptability, accessibility, affordability and reducing waste by meeting food safety requirements. During our on-site audits, employees responsible for the areas of the seven sections are interviewed.

Our approach to Sustainable and Responsible Sourcing goes beyond regulatory requirements. To deliver our commitments and those of our stakeholders, we have a set of sourcing policies, informed by the Smurfit Kappa Suppliers' Code of Conduct, Sustainable and Responsible Sourcing Policy, Sustainable Forestry and Fibre Sourcing Policy (see: www.smurfitkappa.com/policies).

We require our suppliers to participate in commonly accepted best practice and certification schemes. These include good non-financial reporting under the UN Global Compact, GRI Standards and CDP; reporting social data to SEDEX, and adhering to ISO 9001 quality management, ISO 14001 environmental management, ISO 50001 energy management systems, ISO 22001 hygiene management and

OHSAS 18001/ISO 45001 on safety, ISO 46001 water efficiency management and HACCP, HALAL, BRC on food safety.

Leading the way in Sustainable and Responsible Supply Chains

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, working times in accordance with internationally recognised standards, respecting employee contributions, fair compensation with no wage deduction as disciplinary measure, encouragement of continuous training and development, Health and Safety at work, non-discrimination, prohibit harassment, bullying, other unfair practices and promoting community involvement. They will recruit, hire and train without regard to race, colour, gender, sexual orientation, age, religion, creed, national origin, disability or any other legally protected status in the countries where they do business.

Suppliers are also required to follow our Sustainable and Responsible Sourcing Policy, and all other relevant policies which also cover the safeguarding of the natural environment and respecting indigenous peoples and traditional livelihoods.

Suppliers are required to sign a declaration for compliance with our Sustainable and Responsible Sourcing Policy, our Suppliers' Code of Conduct, our Modern Slavery Act Statement and a Statement on controversial sources of Raw Materials, Goods and Services. These standards should be extended upstream in the suppliers supply chain. This declaration is signed every three years and we monitor our suppliers' compliance through our Sustainable and Responsible Sourcing audit programme. 251 suppliers have signed this declaration and 67% of our suppliers of key materials, representing 77% of the relevant sourcing spend.

Our Sustainable and Responsible Sourcing programme is founded on risk mapping against our key criteria: overall sourcing spend, global presence, labour rights, working conditions, technological innovation, excellent service and reputation as we have described in the third paragraph of this section. Risk mapping considers the sourcing categories with the highest impact on our products, and therefore our stakeholders. The most relevant sourcing categories are our key materials (paper and other wood fibre-based materials, starch, chemicals, inks, adhesives and industrial tapes) that are used in our primary production process and form the basis for our packaging solutions we deliver to customers.

The sourcing of these materials, as well as our own forestry operations, are controlled by our Forestry and Fibre Sourcing Policy. A more detailed report on these activities can be found in the Forest section on pages 34-37.

We require the key materials, other goods and services we contract to be produced and delivered sustainably and responsibly. Since launching our Sustainable and Responsible Sourcing programme in 2010, we have been auditing 354 of our suppliers to ensure they meet our standards. Including re-approval audits and follow-up of improvement plans 774 activities with suppliers have taken place.

Seven Section Supplier Audit Programme

We also monitor whether suppliers are a member of SEDEX or are assessed on their ethical practices by EcoVadis. We believe on-site audits increase competence and commitment in our supplier base, while training and enhancing our mutual understanding of key requirements. Based on their scoring at the audit, follow-up programmes are designed on a supplier-by-supplier basis. This includes further strengthening their understanding of, and compliance to, Smurfit Kappa's Sustainable and Responsible Sourcing principles and indicators. Since 2010, we have reduced unsatisfactory scores of strategic suppliers by 75% through improvement plans and follow up.

Audits result in a rating against each of the seven sections of our Sustainable and Responsible Sourcing programme. If the result is below 'acceptable' (scoring less than 40%), an obligatory improvement programme is devised. Major non conformities need to be addressed within two weeks and resolved within six months. Minor non conformities need to be solved within 12 months during a surveillance audit.

Failure to commit to the improvement action list may, ultimately, lead to termination of the business relationship.

The supplier assessment is repeated every three years through a re-approval audit process.

Our risk mapping, combined with supplier audit results, show that 81% of our suppliers of key materials audited in 2020 carry moderate to low risk. Our sourcing network includes suppliers ranging from small-scale local companies to large multinationals.

In total, an estimated 70% of our suppliers' deliveries can be classified as local. In 2020, supplier improvement opportunities typically included Environmental Management systems (14), Health and Safety systems (13) and Business Continuity management (9). Overall, there were no material findings on our audits that would impact safe and timely deliveries of our products to our customers and we have not come across violations of human rights, labour and/or working conditions.

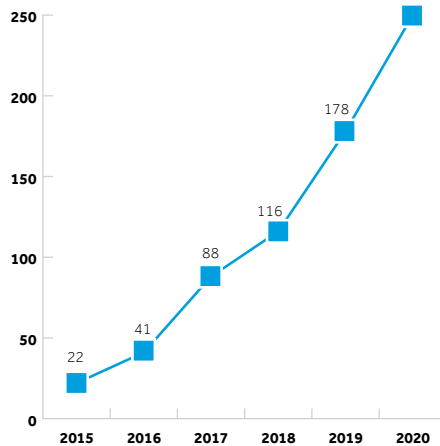
We hold annual global sourcing seminars in which part of the programme is to train and update the knowledge of our sourcing managers on developments, achievements and challenges in the area of Sustainable and Responsible Sourcing. In 2020, in-depth training for local sourcing teams were held in Poland and Spain.

Progress in 2020

New developments in the auditing process this year included an updated questionnaire with a stronger focus on issues related to Smurfit Kappa's Sustainability Targets; Climate Change, Forest, Water, Waste and People. The new questionnaire will be rolled out during 2021. We have implemented the requirements to exclude modern slavery practices by our suppliers in our sourcing programme, and increased supplier screening on human rights, diversity and inclusion and environmental aspects regarding energy, water and waste.

To contribute to the objectives of the 2030 UN SDG's, we focus on selected SDGs in our Sustainable and Responsible Sourcing programme. This new focus specifically targets our strategic- and key suppliers. We ask our suppliers to support, where material, at least the SDGs where Smurfit Kappa can make an impact. These SDGs are numbers 15 (Forest), 13 and 7 (Climate Change), 12 (Waste), 6 (Water) and 3 (People).

Signed Sustainability Declarations*



* The declarations cover compliance with our Suppliers' Code of Conduct, Modern Slavery Act Statement and Sustainable and Responsible Sourcing Policy.

The COVID-19 pandemic made on-site audits only possible at the beginning of the year and we were able to perform eight audits on-site and continued our programme with 26 desktop scans. Desktop scans are thorough audits of available documentation, including sustainability reports, policies and codes of business conduct.

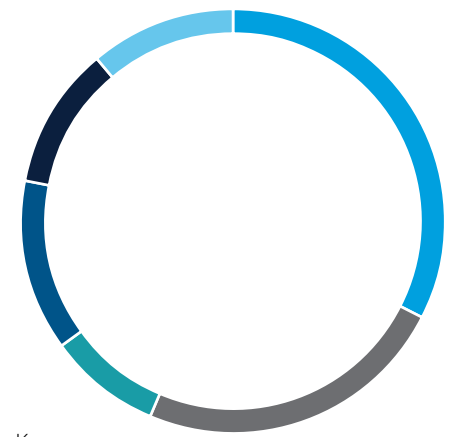
Of the total of 46 activities, 23 of these were first-time audits, including on-site and off-line audits. 18% were conducted on strategic suppliers and 35% on suppliers of key materials. A total of 94% of all suppliers audited during 2020 scored at least mark 'acceptable' (2019: 87%), and the remaining will pass the audit once they complete improvement plans. Following the initial audit, we work with each supplier to identify continual improvement opportunities.

Since the start of the programme in 2010, we have audited 107 strategic suppliers, 70 key suppliers, 44 tactical suppliers and 126 other suppliers, on top of our internal audits. The audit results differ per industry sector. The best compliance to our sustainability objectives has been consistently achieved by suppliers of starch, paper, chemicals and ink. Furthermore, none of our audited suppliers in these industry sectors score unsatisfactory. From all sourcing categories, ten have been identified as key material and most relevant to our Sustainable and Responsible Sourcing programme. From the key materials, 82% of the spent has been monitored.

Spread over seven regions, we work with 17 external auditors supporting us with their knowledge of local legislations regarding environment, working conditions, labour rights, culture and language. Some have specific experience with industries and/or with our Sustainable and Responsible Sourcing audit programme.

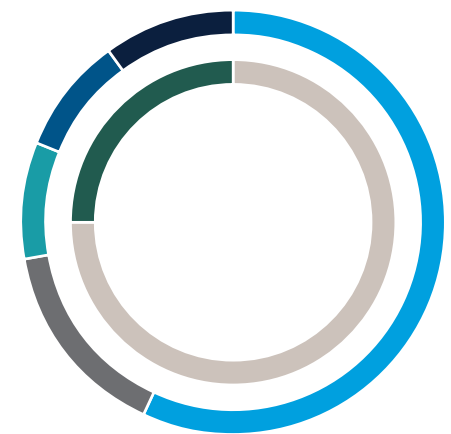
Supplier Audits by Country

(46 audit activities, 45 companies audited)



- Key:
- NEE – 15
 - BNL – 6
 - DACH – 11
 - ES/PT – 5
 - UK/IR – 4
 - Rest of World – 5

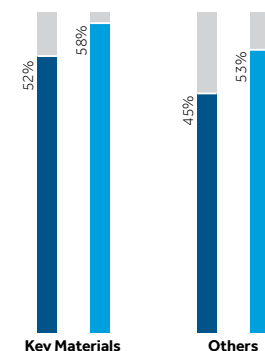
Total Sourcing Costs (€m)



- Key:
- Raw materials and consumables – 2,697
 - Logistics – 726
 - Maintenance and repairs – 419
 - Energy – 421
 - Capital equipment – 465
 - SK Europe – 75%
 - SK The Americas – 25%

Average Audit Score

(Initial vs 2020)



- Key:
- Initial Audits
 - 2020 level