



## Introduction

Smurfit Kappa is one of the world's largest integrated manufacturers of paper-based packaging products and is committed to managing its operations in a sustainable, responsible way. This relates to our customers, employees, local communities, investors, suppliers and other stakeholders.

The Sustainable Development Report 2012 details our vision and activities in the important area of sustainability. The Report demonstrates the Group's commitment to the supply of sustainable paper-based packaging solutions and outlines its approach to sustainability in the key areas of Environment, Society and Business.



Gary McGann, Group CEO: "Our 2012 Report and the early achievement of one our long-term sustainable development goals further demonstrates our commitment to sustainability and social responsibility. Sustainable Development is a core principle in how we run our business each and every day and we make continued efforts to promote sustainable management practices across our operations."

### OUR COMMITMENT AND APPROACH TO SUSTAINABILITY

For us, sustainability implies a clear commitment to the three sustainability elements: Planet, People and Profit. For the benefit of our stakeholders, our approach to these three elements is as follows:

- Environment – we operate in an environmentally sound manner.
- Society – be socially conscious and proactive .
- Business – remain economically viable, acting ethically.

In doing so we will ensure that the social and natural environments within which Smurfit Kappa operates are respected and protected both today and into the future. The Group employs some 41,000 people and strives to carefully use and recycle a wide range of natural resources.

## Highlights

### CHAIN OF CUSTODY CERTIFICATION

**Europe.** February 2013: successful completion of a three-year FSC and/or PEFC certification programme for European converting operations reaching our objective to certify all converting plants in Europe for which a certification is relevant.

**The Americas.** All Mexican operations received Chain of Custody certifications under FSC; the same certifications were also received for our integrated converting operations in Argentina.

**Certified Packaging.** The completion of the European certification programme also led to over 90% of all Group converting operations being certified thereby achieving the Group's first long term commitment on sustainability two years ahead of schedule.

### CO<sub>2</sub> REDUCTION

Year-on-year, absolute fossil CO<sub>2</sub> emissions for the total Group were reduced by 1.8%. Our global mill system reduced its fossil CO<sub>2</sub> emissions by 3.1% per tonne of production.

### COD DISCHARGE REDUCTION

Year-on-year, absolute COD discharges for the total Group were reduced by 1.7%. Globally, our mill system reduced its COD discharges by 4.7% per tonne of production.

### INVESTMENTS IN THE ENVIRONMENT

#### CO<sub>2</sub> Reduction.

- Installation of a new shoe press in our Cerro Gordo paper mill, Mexico City in January 2012.
- Rebuild of biomass boiler in our Navarra paper mill in Spain and subsequent start-up in September 2012.
- Commissioning of a new CHP installation in our Barranquilla paper mill in Colombia in October 2012.
- Completion of a new lime kiln in our Cali paper mill in Colombia in March 2013.

**COD Water Discharges.** Commissioning of a new water treatment plant in our Bernal paper mill in Argentina in May 2012.

### CODE OF BUSINESS CONDUCT

Revised code approved and awareness campaign initiated.

### SUSTAINABLE PACKAGING

Pack Expert tool extended with environmental parameters, enabling customers to measure and compare the environmental impacts of their supply chain management.

### ACQUISITIONS

Orange County Container Group ("OCCG") was acquired in December 2012, marking our first sizeable acquisition since Smurfit Kappa was formed in 2005. OCCG is a Chain of Custody certified Group active mainly in northern Mexico and the southern USA delivering containerboard and converted corrugated products.

## Long term commitments

### 1. SUSTAINABLE USE OF FIBRE

By 2015:

1. All our fibres produced or purchased will be from sustainable sources.
2. Over 90% of the paper and board produced will be certified Chain of Custody.
3. Over 90% of our converting operations will operate under a Chain of Custody certification.

### 2. CO<sub>2</sub> EMISSIONS

20% reduction in relative CO<sub>2</sub> emissions from fossil fuels in our global paper and board mill system in 2020 compared to 2005 (CO<sub>2</sub> emissions defined as direct and indirect CO<sub>2</sub> emissions from fossil fuel relative to production).

### 3. WATER

Reduce the organic content discharged in the process water (COD) of our mill system by one third by 2020 compared to 2005. The reduction is relative to the organic discharge measured by COD, expressed per tonne of paper.

### 4. CODE OF BUSINESS CONDUCT

To continuously emphasise the importance of the Code of Business Conduct to our employees and to integrate these principles into our day-to-day business dealings.

## Environment

### SUSTAINABLE USE OF FIBRES

We aim to deliver packaging solutions to our customers containing only certified fibres and/or fibres of non-controversial sources. We have strict policies in place, applicable to all operations, to monitor the origin of the fibres forming the basis of our products. 25% of the fibres used are virgin and 75% come from recovered paper. At the end of 2012, 86% of the paper and board produced within Smurfit Kappa and 88% of our packaging operations were certified Chain of Custody (FSC and/or PEFC).

### EFFICIENT USE OF ENERGY

We are a large user of biomass. Our products are, although to a large extent made from recycled material, ultimately biomass based. We are a large and an efficient generator of energy based on biomass. 90% of our fuel consumption consists of either renewable fuel (biomass) or the relatively low CO<sub>2</sub> emitting fossil fuel natural gas. In 2012, 42% of all energy used was biomass-based. Over 54% of our electricity is generated by energy efficient Combined Heat and Power (CHP) installations, an increase of 9.7% since 2010.

### REDUCING CO<sub>2</sub> EMISSIONS

Between 2005 and 2012, fossil CO<sub>2</sub> emissions per tonne of production have decreased by 15.2%. The reduction of 3.1% year-on-year in 2012 has been achieved by lower emissions by our mill systems both in Europe and The Americas.

### WATER MANAGEMENT

Water is a vital element in our manufacturing process and therefore carefully treated. Over 90% of our water intake is returned to the public water system. Between 2005 and 2012, COD content in the process water discharged by our global paper and board system has decreased relative to production by over 25%.

## Social

### HEALTH AND SAFETY

Our first priority is the safety, health and well-being of our employees around the world. We continually work across our operations to prevent occupational injuries and illnesses, striving to achieve an accident-free workplace.

### SOCIAL CITIZENSHIP

We are committed to managing relationships with fellow employees, business partners and host communities in a socially responsible manner. Our Social Citizenship policy covers subjects such as: human rights, freedom of association, child labour, forced labour and abuse, employee respect, diversity and non-discrimination, and fair compensation.

### EMPLOYEE TRAINING AND DEVELOPMENT

Our people are the driving force behind our business and we are committed to the continuous training and development of employees seeking to achieve their full potential. This is reflected in terms of good practice, skill transfer, Health and Safety compliance, and ensuring that the Group's business ethics and standards are fully understood by the entire workforce and are reflected in its day-to-day conduct.

### OUR INVOLVEMENT WITH THE COMMUNITY

We seek to contribute to the local communities by offering good employment opportunities. In addition, our local managers are expected to play a positive part in the economic and social development of the local community where our operations have the privilege to operate.

## Sustainability in our Business

### INNOVATION IN SUSTAINABLE PACKAGING SOLUTIONS

Innovative design is a unique selling point for us and serves to differentiate us in the marketplace. To foster innovation, we share best practice among the plants and divisions in Smurfit Kappa using our web-based tools such as Innobook, an integral software suite for developing innovative sustainable packaging solutions.

### WORKING TOGETHER WITH CUSTOMERS

We develop sustainable, innovative, fit-for-purpose, 'right-weighted', as well as cost effective packaging. We credibly guarantee that the packaging supplied is produced in the most sustainable way using materials from sustainable sources and utilising the collective design skills of our global team of designers. We also focus on how our packaging can minimise the total sustainability impact per unit of customer product delivered to the consumer.

### WORKING TOGETHER WITH SUPPLIERS

We aim to work with suppliers that are willing to embrace and implement our key sustainability principles, in particular in areas such as sustainable origin of materials, a healthy & safe working environment and social responsibility.

### PRODUCT RESPONSIBILITY AND PRODUCT SAFETY

At all stages in our production process from the design of our product to its delivery to the customer we assess product safety.

### MEMBERSHIPS IN ORGANISATIONS

We are an active member of a number of industry and business organisations. These include CEPI, FEFCO, EUROKRAFT, ICCA and ACCCSA. We are also actively involved in organisations active in the area of environmental reporting and sustainability. These include Carbon Disclosure Project, Sedex, Water Footprint Network, Programme for the Endorsement of Forest Certification, Forest Stewardship Council and UN Global Compact.

## Key Facts

Revenue	<b>€7,335m</b>	Employees	<b>41,000</b>
Number of facilities	<b>348</b>	Countries of operation	<b>32</b>

### OUR PRODUCTION NETWORK

#### Europe

Virgin Mills	<b>5</b>
Recycled Containerboard Mills	<b>13</b>
Other Recycled Paper & Board Mills	<b>8</b>
Corrugated Plants	<b>160</b>
Other Locations	<b>73</b>

#### The Americas

Virgin Mills	<b>2</b>
Recycled Paper & Board Mills	<b>10</b>
Corrugated Plants	<b>34</b>
Paper Sack Plants	<b>5</b>
Other Locations	<b>38</b>

### OUR PRODUCTION CAPACITY

#### Europe

Sales Volumes mtonnes	
Kraftliner	<b>1.4</b>
Recycled Containerboard	<b>3.0</b>
Other Paper & Board	<b>1.1</b>
Corrugated	<b>4.2</b>
Solid Board Packaging	<b>0.3</b>

#### The Americas

Sales Volumes mtonnes	
Containerboard	<b>1.0</b>
Other Paper & Board	<b>0.4</b>
Corrugated	<b>0.9</b>

Our Sustainable Development Report 2012 is available at [www.smurfitkappa.com](http://www.smurfitkappa.com)

Water Footprint  
**NETWORK**

Business  
Community  
Ireland



CARBON DISCLOSURE PROJECT