Leading Innovating Delivering

annual report 2020

2020

Smurfit Kappa ('SKG'), a FTSE 100 company, is one of the leading providers of paper-based packaging solutions in the world.

We operate across 35 countries with around 46,000 employees in over 350 production sites with revenue of €8.5 billion in 2020.

Developing innovative solutions

How we measurably reduced costs and improved efficiencies for our customers and our business.

Read more page 8

Delivering a better tomorrow

How we provide sustainable solutions through our value chain.

Read more page 44

Supporting our people

How our people are the cornerstone of our success.

Read more page 52

Financial Highlights of 2020

Continuing to deliver

A year of strong delivery and performance.

Revenue
(million)

€8,530
↓ 6%

2020	8,530
2019	9,048

EBITDA*
(million)

€1,510
↓ 9%

2020	1,510
2019	1,650

EBITDA Margin*
(%)

17.7

2020	17.7
2019	18.2

Operating Profit Before Exceptional Items*
(million)

€922
↓ 13%

2020	922
2019	1,062

Profit Before Income Tax
(million)

€748
↑ 10%

2020	748
2019	677

Basic Earnings per Share
(cent)

227.9
↑ 13%

2020	227.9
2019	201.6

* These financial Key Performance Indicators are not defined under International Financial Reporting Standards. Further information in relation to these Alternative Performance Measures is included in the Supplementary Information section on pages 178 to 183.

Free Cash Flow*
(million)

€675

↑23%

2020 675
2019 547

Net Debt*
(million)

€2,375

↓32%

2020 2,375
2019 3,483

Return on Capital Employed*
(%)

14.6

2020 14.6
2019 17.0

Pre-exceptional Basic Earnings per Share*
(cent)

236.9

↓14%

2020 236.9
2019 274.8

Net Debt to EBITDA*
(times)

1.6x

2020 1.6
2019 2.1

Where We Operate

A world leader with operations in 35 countries

We are one of the largest integrated manufacturers of paper-based packaging solutions in the world. We are located in 23 countries in Europe and 12 in the Americas. In Europe, we are the leader by production volume in corrugated packaging and containerboard and in Latin America we are the only large-scale pan-regional player.

The Americas

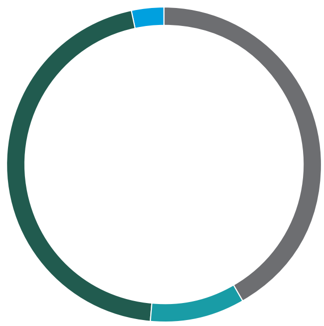
Revenue

€1.9 billion

The Group's operations in the Americas comprise a system of mills and plants that primarily produce containerboard that is converted into corrugated containers. Our operations in the Americas also include forestry; other types of paper, such as boxboard, sack paper and graphic paper; and paper-based packaging, such as folding cartons and paper sacks.

Read more page 23

2020 Gross Sales Volume (million tonnes)



- Containerboard – **1.3**
- Other paper and board – **0.3**
- Corrugated – **1.4**
- Other paper-based packaging – **0.1**

Europe

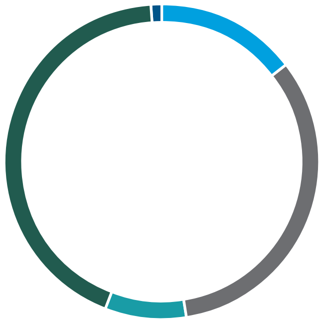
Revenue

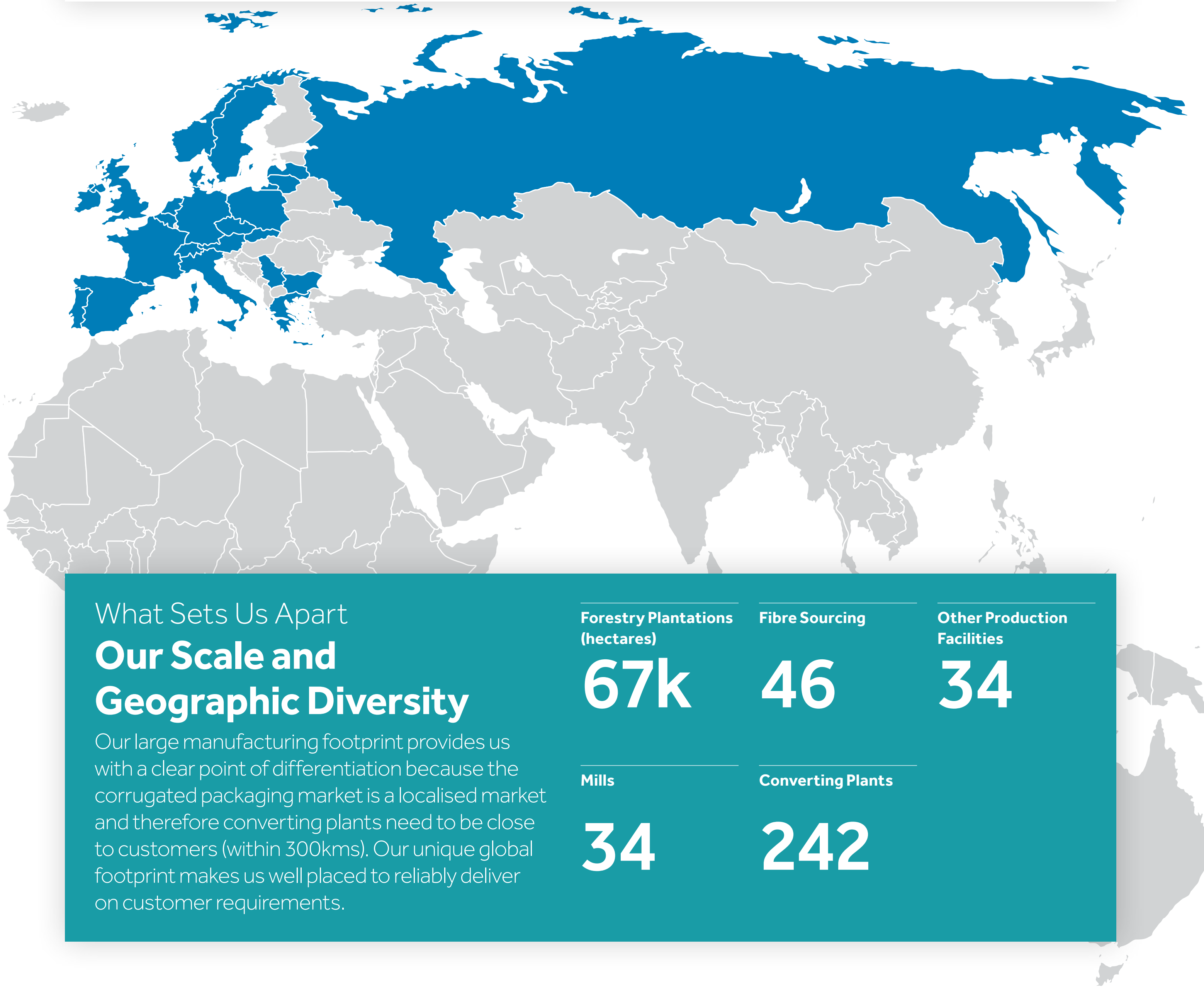
€6.6 billion

We are the European leader in the production of corrugated packaging, containerboard and bag-in-box. The Europe segment includes mills and plants that primarily produce containerboard that is converted into corrugated containers. In addition, we produce other types of paper, such as solidboard, sack kraft paper and graphic paper; and other paper-based packaging, such as solidboard packaging and folding cartons; and bag-in-box packaging.

Read more page 22

2020 Gross Sales Volume (million tonnes)





What Sets Us Apart

Our Scale and Geographic Diversity

Our large manufacturing footprint provides us with a clear point of differentiation because the corrugated packaging market is a localised market and therefore converting plants need to be close to customers (within 300kms). Our unique global footprint makes us well placed to reliably deliver on customer requirements.

Forestry Plantations (hectares)
67k

Fibre Sourcing
46

Other Production Facilities
34

Mills
34

Converting Plants
242

Our Business Model

We are a packaging leader in a growth industry

We design, manufacture and supply sustainable and innovative packaging solutions to promote and protect our customers' products.

Innovation

Product design and development

We are a highly innovative, design-led company. Our approach to innovation is data-driven and focused on solving our customers' challenges, whether through product promotion, process improvement or optimising supply chain efficiency.

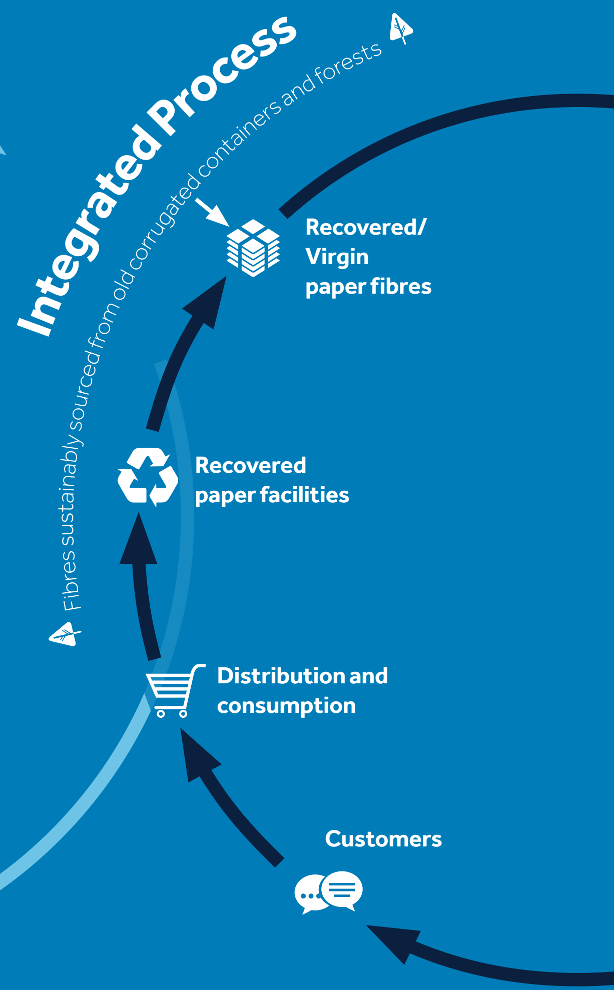
Range of Tools

We employ a range of 'Innotools', unique to Smurfit Kappa, enabling us to create the optimal fit-for-purpose packaging solutions for our customers.

Data and Insights

Our unique approach to innovation for business success is based on combining science, experience, geographic diversity, big data and creativity on a scale and with a depth not seen elsewhere in the industry.

See more in our Innovation section on pages 8 to 14



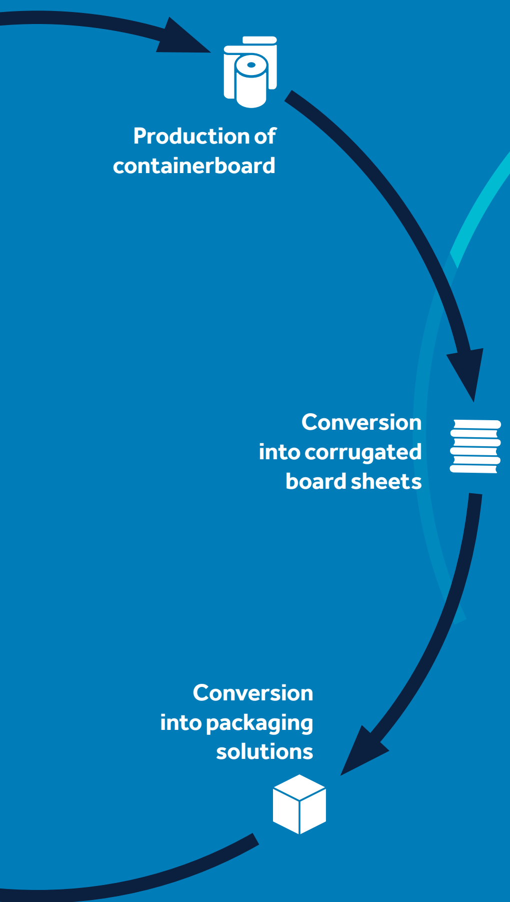
Culture and People

At Smurfit Kappa, we recognise that culture plays a fundamental role in the delivery of our strategy and the Board is ultimately responsible for ensuring that our activities reflect the culture we wish to instil in our colleagues and other stakeholders to drive appropriate behaviours. Our focus on culture and learning from one another is continuous. 2020 was a difficult year for many due to the COVID-19 pandemic. Our agile business model and culture supported and led us through a year of unprecedented change.

Our Integrated Model

We have an integrated system of containerboard mills and corrugated box plants. Our recycling, wood procurement and forestry operations provide raw material to our containerboard mills, who produce a full line of containerboard which is converted into corrugated containers.

Our vertical integration is key to guaranteeing security of supply for our customers and enabling us to drive efficiencies across the whole supply chain with technological advances, paper machine optimisation and logistics management, which in turn means we can offer optimal paper design, quality and logistics. We have lower exposure to volatility in containerboard prices and our integrated structure ensures that we provide a stable outlet for our product through the uncertainty of market falls and rises.



End-to-end Sustainability

From procurement and working with our suppliers, to production and product delivery to our customers, our economic goals are aligned with our social, community and environmental responsibilities.

Our embedded Chain of Custody ensures that close to 100% of our raw material comes from sustainable and/or certified sources regardless of whether it is virgin or recycled.

Sustainability Leadership

Supported by Better Planet 2050 goals, we continue to focus on reducing our CO_2 footprint, improving water discharge quality, reducing water usage and eventually sending zero waste to landfill. SKG supports our customers to address their sustainability needs using data driven innovation.

Better Planet Packaging

As a leader in sustainable packaging we have a responsibility to respond to the challenge the world faces with litter and single use plastics. We are addressing this with our Better Planet Packaging initiative, read more on page 15.

See more in our Sustainability section, pages 44 to 51

The Board is committed to promoting a strong and positive culture that is aligned with strategy and based on our values of:

- Safety
- Loyalty
- Integrity
- Respect

These values foster the guiding principles by which we operate:

- Team work
- Entrepreneurship
- Inclusion, Diversity, Equality and Belonging
- Rewards and Recognition
- Performance Driven
- Accountability

Smurfit Kappa unites some 46,000 people around the globe. Our people are at the heart of all our operations. We can only achieve sustainable long-term success by developing our people's talent, expertise and innovation. A company with a strong culture, lived values and an engaged workforce generates higher productivity and growth, as well as being able to innovate at a greater pace to satisfy customers.

See more in our Stakeholder Engagement and People sections on pages 40 to 43 and 52 to 63.

Our culture of innovation

Our approach to innovation demonstrates how we help our customers save more, sell more, optimise their solutions and through our commitment to sustainability, provide them with packaging that helps them lower their environmental footprint.

At Smurfit Kappa our culture of innovation is based on our experience, science, creativity and data, with state of the art facilities that ensure we are ready for the challenges of tomorrow.

We have Industry Leading Innovation Tools

We are increasingly embedded in solving our customers' problems; using our Smart applications and machine systems expertise to provide solutions. This has resulted in the achievement of 48 industry awards in 2020, all relating to innovation in packaging.

We address trends in creating our market-led products. Customer preferences are changing, e-Commerce is becoming more prevalent, as are sustainability requirements and there is increased focus on packaging costs in FMCG and retail.

Read more about ShelfSmart, SupplySmart, and eSmart on page 10

Our Better Planet Packaging Initiative

We seek to reduce packaging waste by creating more sustainable packaging solutions for our customers, providing them with solutions today, ready to meet their challenges of tomorrow.

Read more about Better Planet Packaging on page 12

We have an Unrivalled Innovation Network

Our worldwide Experience Centres are a way for us to share knowledge with customers and help them gain real business value from hands-on experience.

Read more about our Experience Centres on page 14

We are a Pioneer in Sustainability

Our circular integrated business model helps us to deliver our sustainability targets and to set new ones. We have a leading position in third party ESG ratings and have produced a Sustainable Development Report for the last 13 years.

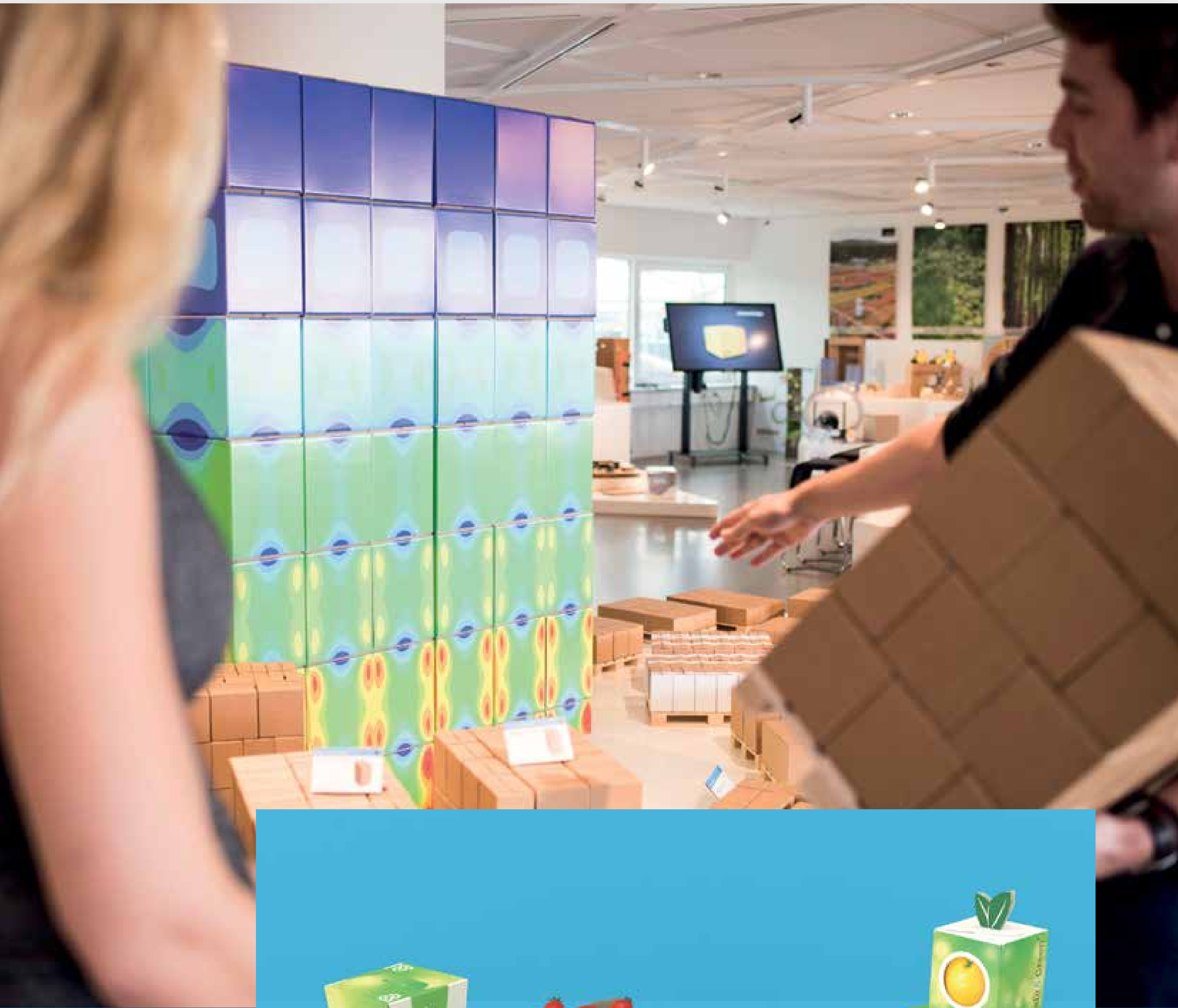
Read about our Better Planet 2050 targets on page 15

We are a Leader Operating in a Growth Industry

Consistent growth in the corrugated packaging industry has resulted in a compound annual growth rate of 3% since 1990. This growth is driven by e-Commerce, discount retailers and the fact that corrugated packaging is a sustainable, renewable and biodegradable solution.

Our strong performance through 2020 is evidence of this and we will continue to capitalise on these growth opportunities.

Read more about our performance on pages 28 to 31




Safe&Green

Delivering innovative solutions

Our unique approach to innovation for business success is based on combining science, experience, data and creativity on a scale and with a depth not seen elsewhere in the industry.

ShelfSmart:
The right shelf-ready packaging is proven to boost sales and be cost effective, giving our customers maximum brand impact. ShelfSmart is an innovative retail merchandising service designed to develop scalable, risk-proofed, shelf-ready packaging solutions.

SupplySmart:
SupplySmart is a combination of unique tools, data and expertise that enables our customers to optimise their supply chain with improved packaging solutions with the reassurance that they're making fully risk-assessed decisions that will deliver measurable cost savings.

eSmart:
Our eSmart process is designed to improve all aspects of e-Commerce packaging, from packing line to supply chain to consumer experience. We analyse our consumer business across 12 key areas to help identify areas for improvement and further development.

Working in close collaboration with Roma, a leading producer and distributor of pasta, we used our ShelfSmart service to develop a shelf-ready solution to replace their existing pack.

The new pack was required to meet a leading retailer's packaging requirements, otherwise, Roma risked being delisted. The pack had to deliver on two key criteria, firstly, to meet the retailers packaging requirements and secondly, to make an impact on-shelf.

The one piece perforated pack can be opened and displayed on-shelf easily, drastically reducing the time needed to stock the shelves. The simple print ensures the product stands out at the point of sale.

By replacing the plastic bags with cardboard boxes, Roma has secured its business with the largest retailer in the Central American region and is proud to now have sustainable packaging with great standout on-shelf.

Rheem, a producer of water heater and boiler products, has a vision to be a zero landfill waste generating company by 2025 (for US sales); they came to Smurfit Kappa looking to replace the plastic based end caps on their models with a fully sustainable solution.

With Rheem, we carried out a full supply chain analysis using a combination of SupplySmart tools to establish how the pack could be redesigned. Rheem wanted the product to sit differently within the pack which meant a pack redesign. In addition, they wanted to maintain their current packaging footprint, and use only renewable and recyclable materials.

The 100% renewable and recyclable paper-based solution with Hexacomb end caps has been a great success for Rheem, it gave them a 12% cost reduction and zero landfill waste generation.

Renowned artist Manuela Echeverri made it easy for artists to continue their passion in the safety of their home during the COVID-19 pandemic by way of a beautifully designed art kit.

Using our expertise and eSmart service, we developed a micro-corrugated cardboard home-delivery paint pack which held all the products carefully in place, meaning they were fully protected in the e-Commerce supply chain and could be stored safely once opened. The brightly coloured pack was designed to have a great visual impact and communicated the colourful, cheery essence of her brand. Manuela's customers have admired the packaging for both its functionality and design and said they feel like true artists in their own home. Over 2,000 packs have been sold already with more orders in progress.

Launching our 'Design for Help' portfolio of products.

A team of Smurfit Kappa designers used equal measures of creativity and skill to quickly produce a practical set of safety products to ensure workers could safely continue to deliver much needed services during the pandemic. Corrugated workplace dividers were the first of many safety products to be put to use in our plants in France.

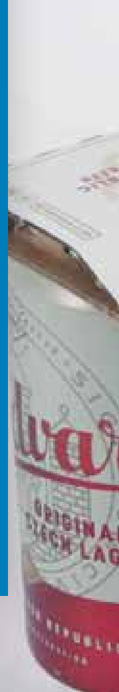
Czech brewer, Budweiser Budvar, sees it as their responsibility to take action on packaging waste issues, they are leading the way in the beer and cider industry.

Budvar partnered with Smurfit Kappa, using our experience and expertise to help them to bring a sustainable solution to shelf. Budvar used the Smurfit Kappa TopClip solution to replace a solid plastic ring that sat on top of the six-pack can.

TopClip is extremely robust and requires no additional glue, making it fully recyclable. TopClip delivers on both sustainability and functionality as the solution fully coversthe top of can multi-packs, protecting them from contamination and providing excellent consumer handling and branding opportunities.

"TopClip, is made from sustainably sourced paper, is 100% recyclable and will eliminate a tonne of single-use plastic in its first year – the equivalent of 250,000 plastic bags" said Budweiser Budvar. Budweiser Budvar UK is trialing the TopClip solution across the top of its six-packs in 168 Waitrose stores.

The initial results in terms of both the robustness of the TopClip and the response from consumers, are very promising.



Better Planet Packaging

We continue to lead in innovative sustainable packaging solutions for our customers, led by our 'Better Planet Packaging' initiative which provides sustainable solutions today, ready for the challenges of tomorrow.

Educate and Inspire:
We educate and inspire all our stakeholders so that they understand the role that sustainable packaging can play in addressing the challenges of today's world, and in particular the challenges of waste and climate change.

Implement and Support:
We support our customers and other stakeholders to develop a go-to-market strategy and implementation plan for paper-based packaging alternatives.

Develop and Design:
We develop and design paper-based packaging concepts and materials with improved functionalities, that are fully renewable, recyclable and biodegradable as alternatives for today's unsustainable packaging solutions.

"We're delighted to trial this new solution and play our part in the reduction of plastic waste in the supply chain."

McGarlet, a leading Italian company involved in the import and distribution of exotic fruit, were looking for a sustainable tray for their new BioPack line.

Our Smurfit Kappa designers worked closely with McGarlet with the aim of creating a solution that definitively eliminated plastic. BioPack was developed using Smurfit Kappa Safe&Green trays using 100% biodegradable materials that met Italian regulations in the field of food contact packaging.

Consumers can now find BioPack in the exotic fruit section of supermarkets. The new packaging has enabled McGarlet to achieve its sustainability goal.

Our Experience Centres

Our worldwide Experience Centres are a way for us to share knowledge with customers and together improve and develop new packaging solutions that deliver real business value.

There are 28 Smurfit Kappa Experience Centres around the world. These centres are a place where customers can come to explore how paper and packaging can meet their business needs, learn from leading behavioural insights, analyse supply chain trends, get introduced to our industry leading 'Innotools' and experience how all this can be applied to their own business.

In 2020, SKG embraced the challenges posed by living with a global pandemic. No longer having the ability to have customers visit our Experience Centres, we instead chose to digitally engage with customers using initiatives such as webinars, online training and digital meetings.

Over 100 webinars were conducted in 2020 with common topics such as Better Planet Packaging, eSmart, and SupplySmart. These included both large and intimate webinars as well as internal webinars for training purposes.

These digital engagements have been well received and have allowed us to extend our customer reach even further as more customers could easily engage digitally, allowing us to share our knowledge and to continue helping our customers gain real business value, along with enhancing our digital lead generation capabilities.

Better Planet 2050

Our commitment to sustainability

Smurfit Kappa Better Planet 2050

Globally, citizens are asking tougher questions and becoming a strong force in the drive for climate and societal change in recent years. Concerns about how we treat our planet, how we create a more inclusive world for everyone and support equality across all communities has never been so high on people's agendas.

Our Better Planet 2050 Targets

Our targets focus on our strategic areas and are designed to align the Group with the UN 2030 Sustainable Development Goals.

Climate Change
Net Zero
Our ambition is to have at least Net Zero emissions by 2050 with a 55% reduction in fossil fuel emissions intensity by 2030

Forest
>95%
packaging solutions sold as Chain of Custody certified to customers by 2025

Water
60%
reduction in Chemical Oxygen Demand intensity by 2025, and our water intake by at least 1% annually

Waste
30%
less waste to landfill by 2025

Health and Safety
at least 5%
reduction in Total Recordable Injury Rate annually

People
25%
management positions held by women by 2024

Communities
€24 million
Between 2020-2025 we will donate over €24 million to support social, environmental and community initiatives

Sustainability has always been part of our DNA, and this is why we have set new ambitious targets that build upon what we have done to date and expand into new areas.

Better Planet 2050 quantifies our commitment to protect what we care about – our planet, our people, our business – through a set of ambitious goals, new sustainability targets that will sustain thriving communities, support good business, and create a better planet.

In reducing our own emissions and providing optimised paper-based packaging solutions, we can help our entire value chain and beyond to cut their carbon and avoid waste of our customer's product. We will continue to innovate across all aspects of our business: reducing waste and CO_2, increasing the value and benefits of what we do, and further securing precious natural resources for future generations. By being renewable and recyclable, using less resource, less energy and creating less waste, we can make a positive contribution to the world.

In having a workplace culture that embeds the core values of Safety, Loyalty, Integrity, and Respect, and strives for a diverse and inclusive workforce, we are empowering our people to reach their full potential.

By enabling people in our communities to improve their lives, and where the cycle of poverty, hardship and dependence is an issue we aim to help end this to support a fairer and more equal world.

To find out more about our sustainability targets and our 2020 performance, we will be publishing our 14th Sustainable Development Report in April 2021.

We are highly rated by a number of sustainability rating agencies and indices, both for our work to address our own sustainability challenges and to address the challenges faced by our current and potential customers.

FTSE4Good ETHIBEL STOXX EURONEXT vigeo

Chair's Statement

Strong performance in a challenging year

2020 was a year like no-other, it was a year when COVID-19 presented significant challenges to the global economy and to many businesses around the world. The pandemic affected the lives of many people deeply including many of our families, friends and colleagues. Within Smurfit Kappa, as the scale of the pandemic unfolded, our primary focus, as a business, was on the safety and well-being of our people.

Irial Finan
Chair

2020 Performance

Smurfit Kappa delivered a strong performance for 2020. The EBITDA outcome of €1,510 million was ahead of the Group's guidance for the year. This outcome, in what was a challenging year, is testament to the commitment, dedication and resilience of our people. On behalf of the Board and management team I would like to record our sincere appreciation to each and every one of our 46,000 employees.

As an essential business, our operations continued to function throughout 2020, with our employees working to deliver sustainable, innovative packaging solutions for our 65,000 customers which enabled them to serve their consumers. For a significant number of our employees 2020 has also meant a transition to a very different working environment, remote working. Both continuing to work on-site and work remotely during the pandemic presented unprecedented challenges and in recognition of our employees' response to this, we made a unique reward to every employee within the business to mark their resilience and contribution to Smurfit Kappa during 2020.

Capital Strength

With the objective to build a stronger and more sustainable business, we raised approximately €660 million of gross proceeds from shareholders in November 2020. This enhances our financial flexibility and enables us to capitalise on the growth opportunities presented by the continuously developing and rapidly evolving marketplace. We now have the financial capacity to deliver a range of projects over the next three years, deploying in excess of €1.2 billion of investments identified. This range of opportunities will strengthen the business for the longer-term, enhancing our competitive advantage and will align us with the sustainability goals of our customers. We have also identified a range of opportunities to increase operational efficiency while ensuring that we remain competitive.

Sustainability

At Smurfit Kappa sustainability is a central and integral part of our business strategy. We base our sustainability ambition on three core pillars: Planet; People and Impactful Business. We focus on making impactful business through our sustainable products and their production; respecting people in our organisation and the communities in which we operate; and continually working to minimise our environmental impact.

Further information in relation to Alternative Performance Measures referenced in this Statement is included in the Supplementary Information section on pages 178 to 183.

Our products which are renewable, recyclable and biodegradable are the most environmentally friendly solutions for our customers and we continue to play a central role in helping them address their sustainability opportunities and challenges.

We continuously strive to reduce our CO_2 emissions, our waste to landfill and our water consumption. While we have made significant progress, we continually strive to be better. We recently announced ambitious new sustainability targets as part of 'Better Planet 2050', focusing on a further reduction of our environmental footprint, increasing support for the communities in which we operate and further enhancing the lives of our employees. These targets build upon our well established sustainability record, on which we have been reporting since 2005. Details of these targets are outlined on page 15.

We believe that strong financial performance and sustainable business practices are not mutually exclusive. During 2020, we aligned the Group's sustainability ambitions and targets into our financing by embedding the sustainability targets via Key Performance Indicators into the existing €1.35 billion Revolving Credit Facility ('RCF'), creating a Sustainability Linked RCF.

In addition to the above, we have always seen the environment, the personal development of employees and our respect for local communities and the environment as being inseparable from our goal of creating value for our shareholders. With the events of 2020 demonstrating the ever increasing importance of maintaining this focus, the Board has agreed that metrics linked to the key strategic sustainability and corporate social responsibility pillars: 'People'; 'Planet'; and 'Impactful Business' should be embedded within the annual bonus and the long-term incentive plans of the Group. Further details on the proposed changes are included in the Remuneration Policy outlined on pages 76 to 85.

At Smurfit Kappa, it is our intention to be – and be recognised as – a global leader in sustainability, continually reducing our impact on the planet, supporting our communities and employees while helping our customers deliver on their sustainability goals. We believe that we can do this while delivering secure and superior returns for our shareholders.

"Our ambitious 'Better Planet 2050' targets demonstrate our continued commitment to sustainability, targeting areas where the Group believes it can have the greatest impact."

Purpose

At Smurfit Kappa we are proud to create, protect and care.

In 2020, we initiated a project involving a diverse group of almost one hundred of our employees across the organisation to develop our shared purpose. Through shared stories and experiences we discovered common characteristics and learned the sources of pride which shaped that purpose. We identified that creating innovative, sustainable solutions that help our customers overcome their challenges, transform their processes and fulfil their ambitions, allows us to also deliver on our goals.

This shared purpose will inform decisions across all parts of the business and provide an enduring and consistent point of reference as we grow, evolve and adapt in an ever changing and unpredictable world. Details of the process and development of our purpose are outlined further on pages 19 to 21.

Board Changes

We recognise the importance of continued Board refreshment and renewal and the benefit of bringing fresh perspectives to complement our longer-tenured Directors. We also recognise the importance of diversity at Board level – diversity which includes varying perspectives and experience as well as diversity of age, gender, ethnicity and education.

At the beginning of 2020, we were pleased to welcome Dr Lourdes Melgar to the Board as an independent, non-executive Director. Lourdes, a Mexican citizen, is recognised for her expertise in the areas of energy, sustainability and public policy. In her career she has held a number of roles at top levels of government, in academia and in the private sector.

In October 2020, we announced the appointment of Kaisa Hietala to the Board as an independent, non-executive Director. Kaisa, a Finnish citizen, brings a wealth of strategic and operational experience to the Board. In particular, Kaisa has a strong commitment to, and experience in, sustainability, helping companies to transform the challenges of environmental megatrends into business opportunities and growth.

At the year-end, the Board comprised a total of 12 Directors. This includes four female Directors which is in line with our commitment to ensure that at least one third of our Board is comprised of female Directors. We are also pleased to have a Board which includes Directors from eight different countries including Directors from Europe, North America and Latin America – a diversity of geographic backgrounds which matches our diverse business.

Governance and Oversight

As outlined in last year's Annual Report, we welcomed the Financial Reporting Council's introduction of the 2018 Code, with a more principle based approach to corporate governance. The Code places an emphasis on a company's relationship with its shareholders and other stakeholders and highlights the importance of establishing a corporate culture aligned with business strategy; and one which promotes integrity and diversity.

As we reflect on our performance in 2020, our engagement with our people and an enhanced commitment to the environment and the communities we serve, we truly believe that Smurfit Kappa has a culture and an approach to business which aligns with the spirit of the Code and promotes an inclusive and positive working environment which recognises the perspectives of all our stakeholders.

Employee Engagement and Development

Employee engagement has always been a key consideration of the Board and one which has continuously developed over time. Since its formation in 2019, the Sustainability Committee has responsibility for workforce engagement on behalf of the Board. The Committee assists the Board in understanding the views of the wider workforce, to ensure that the voice of the workforce is heard in the boardroom and the views and interests of employees are taken into account when making decisions. An update on our employee engagement including commentary from the Chair of the Sustainability Committee, Jørgen Buhl Rasmussen is included on pages 42 to 43.

In summary, during 2020, our business has undertaken a wide variety of methods to engage with our employees including an all employee pulse survey, virtual plant tour meetings and various recognition programmes. These open and constructive sessions were held virtually, due to the restrictions in travel and safety imposed by the COVID-19 pandemic.

Since 2014, we have been conducting frequent 'MyVoice' employee engagement surveys which gives our 46,000 employees the opportunity to give their views on the Company, leadership, business, inclusion, employee development, vision and values. During 2020, we held an additional COVID-19 employee pulse survey to understand and receive feedback from employees on how the Company was responding to the pandemic. We received positive scores of over 90%, a strong endorsement of our COVID-19 response plan. In 2021, another global engagement survey of all employees will be conducted. As a Board, we are looking for continuous improvement in our employee engagement scores, to ensure we understand our employees perspectives and sentiment and take them into account when making decisions.

The restrictions in travel and safety considerations as a result of COVID-19 prevented me from making my annual visits to a number of our operations across Europe and the Americas during the year. However, I recently had the opportunity as part of a virtual global event to hold a Q&A session with the management team across the Group which was very positive and open and I will report back to the Board on this engagement. In addition, to ensure connections with the operations were maintained in the absence of physical meetings, the Group CEO and other members of the senior leadership team carried out over 250 virtual meetings and tours with plants and operations during the year.

In terms of the development of our people, we recognise that supporting and developing the culture and practice of talent management in the organisation is core to our success. Additionally, by focusing on talent through comprehensive and considered succession plans we can ensure that we continue to fill key operational and strategic positions across the Group.

During 2020, the approach to learning and development programmes changed as a result of COVID-19, which led to the development of a number of successful online modules and webinars of the Group's key programmes including elements of the Advanced Management Development programme and the Graduate workshops. In addition, individual countries innovated and adapted their training and development, to ensure ongoing delivery of learning opportunities for our employees across the Group. Health and safety training continued effectively and new additional safety programmes were developed to ensure continued employee safety and well-being at all our sites during 2020.

Stakeholder Engagement

A key focus of the 2018 Code is on stakeholder engagement. This is an area where we continue to have strong foundations on which to build. In addition to enhanced employee engagement as set out above, we continue to work collaboratively with our customers, suppliers, shareholders and the communities in which we operate. Our engagement with the communities in which we operate continues to be a core management priority and during 2020 our employees were involved in over 200 initiatives across 27 countries. In 2020, due to the COVID-19 pandemic, the Group made additional charitable donations of approximately €3 million to support the local communities in which we operate. Our leadership team and investor relations team maintain active engagement and dialogue with the investment community and our shareholders, to discuss key issues including strategy, sustainability, capital allocation, remuneration and governance. Our experience centres across the world effectively adapted their engagement with our customers by using webinars, online training and digital meetings throughout 2020.

In the period ahead, my continued focus as Chair will be the further development of engagement with our key stakeholders.

Dividends

As a Board, we recognise the importance of dividends to shareholders and we have adopted a progressive dividend policy at Smurfit Kappa. In April 2020, given the uncertainty at that time, the Board took the prudent decision to withdraw the planned final dividend of 80.9 cent per share in respect of the 2019 financial year. As the year progressed and we continued to deliver a strong performance, the Board elected to pay an interim 2020 dividend equivalent to the withdrawn 80.9 cent per share final dividend and also paid a second interim dividend in December 2020 of 27.9 cent per share, consistent with our view of the importance of dividends to shareholders. We have also declared a final dividend for 2020 of 87.4 cent per share; an 8% increase on the planned final dividend for 2019.

As a consequence of both of these payments, we are pleased to have met all our dividend commitments to shareholders for 2020; a reflection of the Board's belief in the inherent strengths of the SKG business, its balance sheet, free cash flow generation and long-term prospects.

Outlook

We have positioned ourselves as the leading company within the industry, with great people, providing our customers with unique packaging solutions centred around innovation, efficiency and sustainability. The inherent strength of our business together with the recent capital raise provides us with an unrivalled platform on which to accelerate our vision and the Group's next phase of growth and development.

2021 has started well with the continuation of the demand trends seen during the final quarter of 2020 although macro and economic uncertainty continues as a result of the COVID-19 pandemic.

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Chair

Our Purpose

Discovering our purpose

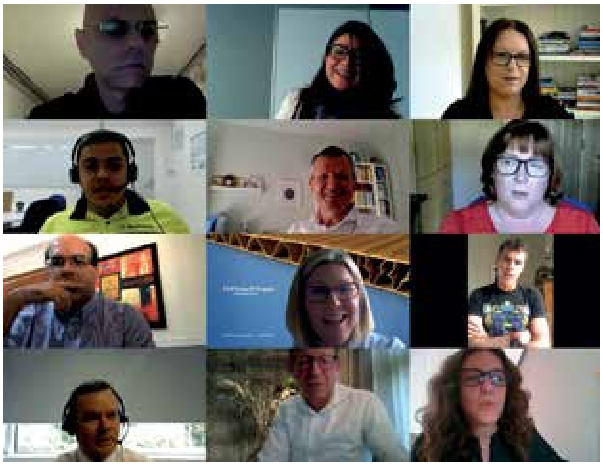
Our vision at Smurfit Kappa is to be a globally admired business, dynamically delivering secure and superior returns for all stakeholders. Our vision describes where we are going as a business and it is important to note that our vision recognises all of our stakeholders.

We recognise the importance of providing a return for those who invest in us, and we also have a sense of purpose in Smurfit Kappa that goes beyond financial returns to deliver for each other, our communities, our customers and for the planet.

A shared sense of purpose is evidenced right across our business – and recent challenges have highlighted the essential role that we have all played in the lives of all our stakeholders. We have seen our sense of purpose motivate us to overcome real challenges, to adapt and deliver when people need us most.

Start with Why?

So, why is it important to discover and describe our purpose? Firstly, we believe it is a good conversation to have. It lets all of us understand each other better and recognise the connection that we have across countries, and across roles. It deepens the connections we have as we work together for a common goal. Discovering and describing our shared purpose also provides us with a solid foundation upon which all our activities exist. It describes our essential and enduring role in the world as we adapt to the ever changing economic and business cycles, and face new challenges together.



An Inclusive Process

It was important to us that in discovering our purpose we were inclusive of the breadth of Smurfit Kappa's diversity. It was also important that the approach we took was meaningful, authentic and engaging to everyone who was involved.

Working with the senior management team across the business we identified over eighty team members that represent the diversity of roles, expertise, geography and perspectives – people who could bring to life their experiences of Smurfit Kappa. We included people who have provided a lifetime of service to the Company to those that have joined more recently – ensuring that both the past and future of the business was represented.

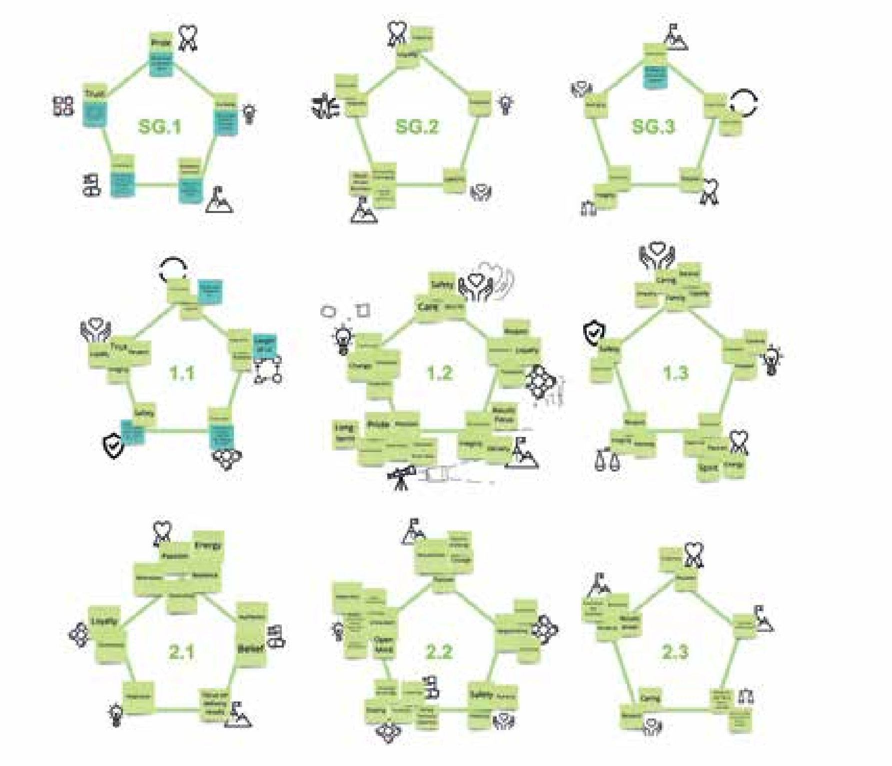
We asked participants to share their stories of Smurfit Kappa with each other – stories of the successes and challenges, people and events that capture what Smurfit Kappa means for them.

To facilitate the sharing of people's experiences and stories across continents we set up online workshops, where people could share their own stories in groups and listen to stories from their colleagues. The online format allowed people from different continents to share their experiences face-to-face. As participants shared their stories and listened to each other they were able to identify the common characteristics that started to emerge – and started to discover the sources of pride that shape our shared purpose.

What we Discovered

There was a wide variety of stories that ranged from stories about individuals, teams, leaders and challenges. Stories about our impact on the world and our care for each other. Stories that were about global leadership; stories about individual actions that made a difference; all stories that provided a source of pride for those that shared them, and those that heard them too.

The key themes that emerged from the process clustered around creation, protection, and caring for all our stakeholders.



An example of the outputs of one of the online Purpose workshops.

Creating

A source of pride across many of the stories was a determination to create innovative and sustainable solutions that deliver on our promise no matter what the challenge. The challenges identified in the stories we heard ranged from the complexities of optimising large plants and systems through to our innovative response to challenges of sustainability and climate change, right through our ability to adapt and respond to challenges of the COVID-19 pandemic.

We heard about teams helping businesses transform, adapting and innovating to overcome challenges and helping customers and ourselves to succeed and fulfil our ambitions. Some of these stories were about the new businesses that we have welcomed into the Smurfit Kappa family – how colleagues crossed borders to assist others and embrace better ways of working.

Protecting

We also heard about how we value the physical nature of what we do – working in nature, protecting precious natural materials, making sustainable packaging solutions that keep economies moving. We heard pride expressed in the essential role we play for our customers, protecting products and brands while managing, sustaining and renewing the natural resources we, and future generations, rely on.

Our people told many stories of how we care about protecting the communities around us, improving the quality of life where we live and work.

Caring

Stories about our culture resonated throughout all of our workshops. In particular the care that people have for each other – care for each other's safety in work, care and support for people in their lives. We heard Smurfit Kappa genuinely described as a family of 46,000 people, where people challenge each other to be the best they can be while offering the support and encouragement we all need to achieve our goals.

This characteristic was also reflected in the various stories about leadership – people at many different levels in the organisation who encouraged, supported, and guided their colleagues to grow and overcome real challenges. We heard stories of being part of a company who genuinely cares about people, it's impact on society and the environment.

Our Purpose

In addressing each of these areas we also heard how we recognise the challenge in finding the right balance in everything we do. Our desire to balance these challenges was expressed by many participants in the phrase 'doing the right thing because it's the right thing to do'.

This is evidenced in Smurfit Kappa by our ongoing commitment to rise to the challenge of delivering on our commitment to our customers without compromising on safety; by creating sustainable solutions that also enhance commercial value; by demonstrating confident leadership while nurturing the diverse talents in our business.

As we moved through the process and shared our stories it became clear that the combination of these three areas framed our shared purpose:

- That we create sustainable products and solutions that are essential.
- That we protect what we, and our stakeholders, care about.
- That we care about our customers, each other, our wider community, and the planet.

Understanding our shared purpose and defining what motivates us will help us to recognise and stay focused on our essential role no matter what challenges we may face together. Reminding ourselves of what is important to us guides us to do the right thing, to adapt and to remain essential – now and into the future.

At Smurfit Kappa we are proud to create, protect and care.

I have the utmost respect for our resilient workforce

In what has been an extremely challenging year, I would like to acknowledge the tremendous efforts by all our 46,000 employees, and thank our over 65,000 customers for their continued support.

Tony Smurfit
Group Chief Executive Officer

2020 Overview
I am pleased to report that 2020 has delivered a strong performance for the Group with an EBITDA of €1,510 million, an EBITDA margin of 17.7%, record free cash flow of €675 million and a ROCE of 14.6%. Revenue for the full year was €8,530 million, down 6% on the full year of 2019 or 3% on an underlying basis. This result reflects the adverse impact of currency and the fall in box prices.

Our EBITDA for the full year was €1,510 million and was ahead of our stated guidance from the third quarter trading update due to a particularly strong finish to the year. On an underlying basis, Group EBITDA was down 7% year-on-year, with Europe down 11% and the Americas up 12%.

The Group reported a record free cash flow for the full year of 2020 of €675 million compared to €547 million for 2019. This result primarily reflects lower outflows for capital expenditure, cash interest expense and a higher working capital inflow which more than offset an EBITDA reduction of €140 million and exceptional outflows.

During the year, the Group successfully completed a share placing to capitalise on structural drivers of growth; to invest in sustainability; and to increase our operating efficiencies. We are now increasingly well positioned to take advantage of these opportunities, from a position of enhanced financial strength.

Driven by strong secular trends such as e-Commerce and sustainability, the outlook for our industry is increasingly positive. The Group has positioned itself as the leading company within the industry, with great people, providing our customers with unique packaging solutions centred around innovation, efficiency and sustainability. The inherent strength of our business together with the recent capital raise provides us with an unrivalled platform to accelerate our vision and the Group's next phase of growth and development.

Europe
The Europe segment is the larger of the Group's two segments, accounting for 78% of its revenue and 78% of its EBITDA in 2020. Our Europe segment is highly integrated. It includes a system of mills and plants that primarily produce a full line of containerboard that is converted into corrugated containers. In addition, the Europe segment also produces other types of paper, such as solidboard, sack kraft paper and graphic paper; and other paper-based packaging, such as solidboard packaging and folding cartons; and bag-in-box packaging.

The Group currently has facilities in 23 countries in Europe. These comprise 22 mills (of which 17 produce containerboard), 188 converting plants (the majority of which produce corrugated packaging products) and 28 other production facilities carrying out related activities. The mills are supported by 19 recovered fibre collection facilities and two wood procurement operations.

The Group's European containerboard mill system consists of three kraftliner mills; in Sweden, France and Austria, which between them produced approximately 1.6 million tonnes of brown and white kraftliner in 2020 and 14 recycled containerboard mills. In 2020, our 14 recycled containerboard mills produced over 3.6 million tonnes of paper.

We also have two virgin fibre-based mills in Spain, which in 2020 produced approximately 155,000 tonnes of sack kraft paper and approximately 80,000 tonnes of machine glazed ('MG') paper. In 2020, our three recycled mills in Germany together produced approximately 330,000 tonnes of solidboard and boxboard and approximately 70,000 tonnes of graphicboard. The Parenco containerboard mill, in the Netherlands, in addition produced 222,000 tonnes of graphic paper in the year.

Further information in relation to Alternative Performance Measures referenced in this Statement is included in the Supplementary Information section on pages 178 to 183.

EBITDA Europe (million)

€1,180

2019: €1,332

EBITDA Margin Europe (%)

17.8

2019: 19.0

On the conversion side, the operations comprise 44 sheet plants and 110 corrugated plants which produced approximately 9.2 billion square metres (4.7 million tonnes) in 2020. In addition, we have 34 plants which produce high-end differentiated packaging products such as litho-laminated corrugated products, display units and solidboard-based packaging, all of which extend the range of packaging solutions in our portfolio. Our converting operations are supported by a number of other small plants producing pre-print packaging, fulfilment activities and other packaging related products. Our European-managed bag-in-box operations comprise eight plants located in Europe, Argentina, Canada, Mexico and the United States.

Our European business delivered a very strong performance with an EBITDA margin of 17.8%, down from 19.0% in 2019, on revenues of €6,645 million (compared to €6,994 million in 2019). In Europe, EBITDA decreased by 11% to €1,180 million. Box demand was up approximately 2% for the year with strong performances in Scandinavia, Spain and Portugal, the UK and Eastern Europe. Demand accelerated in the second half, with a particularly strong fourth quarter driven by increased demand across our customer base. Having been flat for the first six months, box volumes were up over 3% in the second half, with approximately 6% growth in the fourth quarter. Corrugated pricing was in line with our expectations.

Across Europe and the Americas, recovered fibre prices were lower in 2020. However, prices rose rapidly in the second half of the year and we continue to see prices increasing in early 2021. Energy prices have also been increasing. Reflecting this, containerboard prices have been rising and the supply of containerboard remains very tight globally, both for kraftliner and testliner.

The investment programmes we commenced during the year have been completed in both regions and we continue to be at the forefront of innovation in our sector with unique applications delivering sustainable packaging solutions for our customers.

The Americas

Our Americas segment is also highly integrated. Like our Europe segment, it includes a system of mills and plants that primarily produce a full line of containerboard that is converted into corrugated containers. The Americas segment, which includes a number of Latin American countries and the United States, also comprises forestry; other types of paper, such as boxboard, sack paper and graphic paper; and paper-based packaging, such as folding cartons and paper sacks.

The Group's operations in the Americas consist of 12 paper mills in five countries (Argentina, Brazil, Colombia, Mexico and the United States) producing containerboard, boxboard and sack paper with a combined production of 1.6 million tonnes in 2020. The mills are supported by 25 recovered fibre facilities in seven countries and forestry operations in Colombia. We have 40 corrugated plants in nine countries with a 2020 production of approximately 2.4 billion square metres (1.4 million tonnes). We also have 14 other converting plants in six countries producing mainly paper sacks or folding cartons, a preprint facility and three foam packaging plants in Mexico, one flexible packaging plant in El Salvador and a packaging solutions facility in North America.

The Group's Americas business continues to be a region of geographic diversification, high growth, and significant opportunity. The Americas delivered an EBITDA of €372 million, up 3% versus 2019 and a record EBITDA margin of 19.7%, up from 17.5% in 2019. This performance is as a result of our very strong market positions, our successful acquisitions and the high-return investments made in the region in recent years.

In 2020, Colombia, Mexico and the United States accounted for almost 90% of the region's earnings with strong performances in all three countries. Volumes in the region started the year strongly but were subsequently heavily impacted by COVID-19 related lockdowns during the second quarter. The third quarter showed positive volume growth and in the fourth quarter demand was up over 9% versus the prior year. As a result, volumes for the full year were up approximately 2% year-on-year.

Capital Structure

Net debt was €2,375 million at the end of December, resulting in a net debt to EBITDA ratio of 1.6x compared to 2.1x at the end of December 2019. With net debt to EBITDA at 1.6x the strength of the Group's balance sheet continues to secure long-term strategic flexibility. With a revised target leverage range of 1.5x to 2.0x, a strong business profile and our ability to consistently deliver substantial free cash flow, the Group is aiming to achieve and maintain investment grade credit ratings.

During the year, Fitch Ratings upgraded the Group's long-term issuer rating to BBB- with stable outlook from BB+ with positive outlook, highlighting the Group's strengthened financial structure following the equity raise and investment plan announced in 2020 and the Group's plans to finance these investments from equity and cash flow. During the year, Moody's and Standard & Poor's revised the Group ratings outlook to positive from stable, with the Group strongly positioned at the Ba1/BB+ credit rating level with both agencies at 31 December 2020. In February 2021, Moody's and Standard & Poor's upgraded the Group's long-term issuer rating to Baa3 and BBB- respectively with stable outlook.

At 31 December 2020, the Group's average interest rate was 3.13% compared to 3.18% at 31 December 2019. The Group's diversified funding base and long-dated maturity profile of 4.9 years (31 December 2019: 5.5 years) provide a stable funding outlook. In terms of liquidity, the Group held cash balances of €901 million at the end of December, which were further supplemented by available commitments of €1.25 billion under its RCF and €412 million under its securitisation programmes.

> **"The inherent strength of our business together with the recent capital raise provides us with an unrivalled platform to accelerate our vision."**

EDITDA the Americas (million)

€372

2019: €360

EDITDA Margin the Americas (%)

19.7

2019: 17.5

Share Placing

During the year, the Group successfully priced the non-pre-emptive placing of new ordinary shares in the capital of the Company. A total of 19,411,765 new ordinary shares in the Company were placed at a price of €34.00 per placing share, raising gross proceeds of approximately €660 million.

Net proceeds from the placing, together with internally generated cash flows, will enable us to accelerate investment over the next three years and to deliver for our customers with enhanced financial flexibility.

The continued development of e-Commerce and the increasing demand for sustainable, paper-based packaging continue to present opportunities for Smurfit Kappa. Accelerated investment, at this time, will allow us to increase our competitive advantage, align us with the sustainability goals of our customers and enhance our operational efficiency.

Commercial Offering and Innovation

The Group has continued to deliver value to our customers through 2020, notwithstanding the impact of COVID-19. In the same way our operations had to adapt to new ways of working, so too did our commercial interactions with our customers. During the year the Group, led by packaging engineers and sales people, delivered virtual webinars on e-Commerce packaging, Better Planet Packaging, our Smart Applications, and many more, to thousands of customers across hundreds of events.

Our market-led focus has meant SKG has continued to engage digitally with its customers focusing on projects that deliver greater impact to the consumer, using ShelfSmart to reduce costs and our customers supply chain carbon footprint; using SupplySmart; and using our broader SMART and Innotools portfolio of applications to deliver against our customer specific projects, whether this is moving elements of their supply chain online or responding to the consumers drive for a more sustainable world.

The surge in e-Commerce due to the COVID-19 pandemic has been evident across all sectors and the beverage market has also seen a significant impact. In particular, online sales for alcoholic beverages have increased by 34% in Europe driving a demand for sustainable, durable and consumer friendly packaging that protects the product during shipment. In response to these growing customer challenges, and in turn market opportunities, the Group launched a new range of eBottle packaging solutions for the rapidly growing online beverage and liquids market. The new portfolio includes a variety of sustainable solutions for single and multi-pack products, including the Rollor bottle pack, BiPack, and Pop-up insert.

The Group has also been delighted to see the continued development of its patented TopClip product. New customers have started to use TopClip, and in partnership with KHS, we have the first high speed packing line going to a customer in the first half of 2021.

Sustainability

The Group recently announced ambitious new sustainability targets as part of 'Better Planet 2050', which build upon our well established sustainability record.

Better Planet 2050 quantifies our continued commitment to sustainability, targeting environmental and social sustainability in areas where the Group believes it can have the greatest impact. These include delivering sustainable packaging to customers, reducing our environmental footprint in water usage, waste and carbon emissions and supporting our communities, promoting inclusion and diversity as well as health and safety. The targets identified are specific, measurable and provide a roadmap to deliver results in the short, medium and longer term.

We are the undisputed industry leader in delivering Chain of Custody certified sustainable packaging solutions to our customers. The Group will further increase certified deliveries to customers to 95%, up from the current 90% target. Chain of Custody certified deliveries are essential in providing transparency and traceability to customers who have trust and confidence that our raw materials are sustainably sourced.

As a large processor rather than a large consumer of water, the new water target will see the Group reduce overall water intake. As a manufacturer of products that are renewable, recyclable, recycled and biodegradable, the Group will continue to seek alternative ways to reuse, recycle and recover waste material to reduce waste to landfill. In 2020, the Group set out the most ambitious target to date when it announced a goal to achieve at least Net Zero CO_2 emissions by 2050. The Group has also increased the existing intermediate 2030 CO_2 reduction target from 40% to 55%, relative to the 2005 baseline. The Group will have these targets validated by the Science Based Target initiative ('SBTi') as being in line with the objectives of the Paris Agreement.

Demonstrating our care for our people and support for the communities in which we operate, the Group is targeting a range of measures including a further annual reduction in our Total Recordable Injury Rate ('TRIR'). Separately and in addition, the Group's stated ambition is to ensure female gender representation is above 30%. Finally, the Group is also committing to donate over €24 million in the next five years to support community initiatives, building upon the extensive volunteer and community work done locally throughout the world.

By committing to these sustainability targets, the Group's Better Planet Packaging ('BPP') portfolio of sustainable products will continue to be produced using less resources, less energy and create less waste. In providing and developing innovative paper-based packaging solutions, reducing the Group's impact on the planet, we can make a positive contribution to the world and help our customers to deliver on their own short and long-term sustainability goals.

During the year, the Group released its 13th annual Sustainable Development Report ('SDR'). The Group reported a 32.9% reduction in fossil CO_2 emission intensity from its 2005 baseline. The Group has committed to align its CO_2 target with the SBTi and we are building on more than a decade of sustainability reporting by supporting the recommendations of the Taskforce on Climate-related Financial Disclosures.

During 2020, a significant achievement in our CO_2 reduction programme was made with the successful start-up of the new recovery boiler at the Nettingsdorf kraftliner mill in Austria; a €134 million investment that cuts CO_2 emissions by 40,000 tonnes, a further 1.5% towards the Group's total CO_2 emissions reduction target.

The Group further demonstrated its thought leadership in sustainability with the publication of the 'Balancing Sustainability and Profitability Survey', which was conducted among 200 senior executives and 1,500 consumers in the UK, examining the business community's and consumers' views on sustainability and how they are adapting to create a more sustainable future.

Due to COVID-19, a number of Group-wide initiatives were put in place including; multiple local employee safety and engagement programmes, a global employee survey to help better understand the challenges being faced by our employees and shape an appropriate response, a health and safety day dedicated to staying safe during the pandemic, weekly updates to help keep people informed, as well as leadership webinars to help our managers deal with the inevitable consequences of the pandemic on our people. The Group has also looked outside of our organisation and made additional charitable donations of approximately €3 million to support the local communities in which we operate.

The Group has also recently aligned its sustainability ambitions and targets into its financing by embedding the sustainability targets via Key Performance Indicators into the existing €1.35 billion RCF, creating a Sustainability Linked RCF.

The Group continues to be listed on various sustainability indices, such as FTSE4Good, the Green Economy Mark from the London Stock Exchange, Euronext Vigeo Europe 120, STOXX Global ESG Leaders, ISS Solactive and Ethibel's sustainable investment register. SKG also performs strongly across a number of third party certification bodies, including MSCI and Sustainalytics.

Our People

During this unique and unexpected year, it is our commitment to our people, our focus on employee engagement and communication, our team collaboration, and our embedded culture; combined with our organisational values of Safety, Loyalty, Integrity and Respect, which has led to our continued success this year. COVID-19 has changed so much for all of us, affecting how we live, work and interact with each other, it is the resilience, determination and commitment of our people that really stands out.

The health, safety and well-being of our teams across the world is at the core of how Smurfit Kappa operates. It is part of our culture and cemented into our organisational values. Our COVID-19 management and control has been effective. We have ensured, with a robust set of consistently applied control measures, that our people have remained as safe as possible, while continuing to supply our customers.

One of the most important achievements of our Health & Safety programme this year is the continued positive performance of our TRIR trends. We have achieved a 29% reduction, compared with 2019 and delivered our best year ever, with the lowest number of incidents or injuries.

I would like to acknowledge the tremendous effort and commitment by all our 46,000 employees in the 35 countries in which we operate for their significant contribution to the results achieved in 2020. Driven by strong secular trends such as e-Commerce and sustainability, the outlook for our industry is increasingly positive. SKG has positioned itself as the leading company within the industry, with great people, providing our customers with unique packaging solutions centred around innovation, efficiency and sustainability. We look forward to the challenges and opportunities of 2021 and to continuing our efforts to make SKG the safest and most customer-focused company in which to work in our industry.

Tony Smurfit
Group Chief Executive Officer

New Ways of Meeting

With restrictions limiting travel, Tony carried out some 250 virtual meetings with plants around the world.

Virtual meetings were held with our regional CEO's, CFO's and operations across the Group ensuring regular communication and enabling frequent connections with local management teams.

In addition to presentations from the local teams on their operations, particular focus was given to the Group's management and response to the COVID-19 pandemic and its effects and unprecedented disruption to our 46,000 employees during this challenging time. These virtual meetings allowed local management to discuss their management of the pandemic and enabled the Group to provide continued and ongoing support.

Delivering an increasingly strong return on capital

Our vision is to be a globally admired business, dynamically delivering secure and superior returns for all stakeholders.

Strategic Priorities	Objectives	Progress in the Year
Market position **Expand our market positions in Europe and the Americas through selective focused growth.**	• Organic growth from increased market share through developing innovative solutions in areas such as Better Planet Packaging and e-Commerce; and • Pursuit of accretive acquisitions in higher growth markets such as Eastern Europe and Latin America.	Set out in the Group Chief Executive Officer's Statement on pages 22 to 25
Partner of choice **Become the supplier/partner of choice.**	• Deepening our understanding of our customers' world and developing proactive initiatives to improve their offering; • Constantly innovating our products, service, quality and delivery in order to develop and/or maintain preferred supplier status; and • Pursuing superior performance measured against clearly defined metrics in all aspects of our business and at all levels in our organisation.	Set out in the Innovation section on pages 8 to 14
Operational excellence **Enhance our operational excellence through the continuous upgrade of our customer offering.**	• Improving the output from our high quality asset base through judicious capital investment, continuous improvement programmes, transfer of best practice, industrial engineering and other progressive initiatives; • Increasing the proportion of differentiated ideas, sustainability initiatives, products and services on offer to our customers through the use of the Group's development and technology centres, our sustainability credentials and our innovation tools; and • Ensuring that the driving force behind all our operations is one of customer satisfaction and excellence in the marketplace.	Set out in the Group Chief Executive Officer's Statement on pages 22 to 25
Investment in people **Recruit, retain, develop and motivate the best people.**	• High quality graduate and other recruitment initiatives, progressive goal setting, and performance appraisal programmes; • Focused job training and coaching; • Cross-divisional in-house development programmes; and • Selective executive development programmes.	Set out in the People section on pages 52 to 63
Capital allocation **Maintain a disciplined approach to capital allocation and maintain the focus on cash generation.**	• Maintaining investment grade credit ratings following the recent upgrades; • Capital spending to facilitate organic growth, optimise our asset base and enhance operating efficiency; • Acquiring strategically attractive and accretive assets; and • Progressive dividend supported by strong free cash flow.	Set out in the Finance Review on pages 36 to 39

The Strategic Priorities are linked to Key Performance Indicators on pages 28 to 31 and to Risks on pages 32 to 35.

Strategic Objective

The Group's objective is to develop long-term customer relationships by providing customers with differentiated sustainable packaging solutions that enhance the customers' prospects of success in their end markets.

Our Ambition is to Maintain our Premier Position by Delivering:

- Superior customer satisfaction;
- The most sustainable, biodegradable solution for our customers and their end customers;
- Cost and operating efficiencies;
- Proactive environmental awareness; and
- Continuous improvement in the areas of health and safety and sustainability.

Outlook

Driven by strong secular trends such as e-Commerce and sustainability, the outlook for our industry is increasingly positive. SKG has positioned itself as the leading company within the industry, with great people, providing our customers with unique packaging solutions centred around innovation, efficiency and sustainability.
The inherent strength of our business together with the recent capital raise provides us with an unrivalled platform to accelerate our vision and the Group's next phase of growth and development.
Going forward, we will continue to implement our strategy, creating a sustainable business that builds on our strengths and will generate value for all stakeholders over the long-term.

We will continue to lead in innovative, sustainable packaging solutions for our customers, led by our 'Better Planet Packaging' initiative which provides our customers with sustainable solutions today, ready for the challenges of tomorrow. We remain relentlessly focused on employee training and development in order to help our people to reach their full potential within the organisation.
Our strategy remains flexible and agile and we maintain a disciplined, returns focused approach to capital allocation. The recent equity placing was designed to accelerate the achievement of our strategy.

Key Performance Indicators

Measuring our progress

The Group has a range of Key Performance Indicators ('KPIs') which we use to monitor our performance and measure progress.

Financial KPIs

EBITDA* (million)

€1,510

2019: €1,650

Strategic Priorities

Description
EBITDA is the key performance measure of the Group's operating segments. It is an appropriate and useful measure used to compare recurring financial performance between periods.

Performance
EBITDA for 2020 was €1,510 million, €140 million down on 2019. The result reflects the fall in box prices and the impact of the COVID-19 pandemic, mitigated by the resilience of the Group's integrated model, the benefits of our customer-focused, industry-leading innovation and sustainability initiatives, including the launch of new product portfolios to satisfy growing demand in specific market segments, further engagement with customers through virtual seminars, capital spend programme, rigorous cost management and lower year-on-year recovered fibre costs.

EBITDA Margin* (%)

17.7

2019: 18.2

Strategic Priorities

Description
EBITDA margin is a measure of profitability by taking our EBITDA divided by revenue.

Performance
EBITDA margin was 17.7% in 2020 compared to 18.2% in 2019. In Europe, our overall margin decreased from 19.0% in 2019 to 17.8% in 2020. In the Americas, our margin improved from 17.5% in 2019 to 19.7% in 2020.

Net Debt* (million)

€2,375

2019: €3,483

Strategic Priorities

Description
Net debt comprises borrowings net of cash and cash equivalents and restricted cash. We believe that this measure highlights the overall movement resulting from our operating and financial performance.

Performance
Net debt amounted to €2,375 million at December 2020 compared to €3,483 million at December 2019. The year-on-year decrease of €1,108 million reflected free cash flow of €675 million for the year, increased by other net inflows mainly in respect of the equity capital raise and positive currency translation adjustments, partly offset by dividend payments, the purchase of businesses and non-controlling interests, and share purchases under the Deferred Bonus Plan ('DBP').

* Information in relation to the definition and calculation of these Alternative Performance Measures is included in the Supplementary Information section on pages 178 to 183.

Key to Strategic Priorities

Market Position
Partner of Choice
Operational Excellence
Investment in People
Capital Allocation

Financial KPIs continued

Net Debt to EBITDA* (times)

1.6x

2019: 2.1x

Strategic Priorities

Description

Leverage (ratio of net debt to EBITDA) is an important measure of our overall financial position.

Performance

With net debt of €2,375 million and EBITDA of €1,510 million, our leverage ratio was 1.6 times at December 2020 compared to 2.1 times at December 2019. The Group is revising its target leverage range to 1.5x to 2.0x, from 1.75x to 2.5x based on our strong business profile and ability to consistently generate substantial free cash flow.

Free Cash Flow* ('FCF') (million)

€675

2019: €547

Strategic Priorities

Description

FCF is the result of the cash inflows and outflows from our operating activities, and is before those arising from acquisition and disposal activities. We use FCF to assess and understand the total operating performance of the business and to identify underlying trends.

Performance

FCF of €675 million in 2020 was €128 million higher than the €547 million reported in 2019. An EBITDA reduction of €140 million and exceptional outflows were more than offset by lower outflows for capital expenditure, cash interest expense and a higher working capital inflow.

Link to Remuneration

See Remuneration Report for Annual Bonus metrics, pages 76 to 97.

Return on Capital Employed* ('ROCE') (%)

14.6

2019: 17.0

Strategic Priorities

Description

ROCE is an effective measure of ensuring that we are generating profit from the capital employed.

Performance

ROCE at December 2020 was 14.6%. With a lower level of operating profit combined with a higher level of average capital employed, our ROCE decreased from 17.0% at December 2019.

Link to Remuneration

See Remuneration Report for Annual Bonus and PSP metrics, pages 76 to 97.

Key to Strategic Priorities

Market Position

Partner of Choice

Operational Excellence

Investment in People

Capital Allocation

Financial KPIs continued

Earnings per Share ('EPS') (cent)

Pre-exceptional Basic EPS*

236.9

2019: 274.8

Basic EPS

227.9

2019: 201.6

Strategic Priorities

Description

EPS serves as an effective indicator of a company's profitability and, in conjunction with other metrics such as ROCE, is a measure of a company's financial strength. The calculation of EPS is shown in Note 9 to the Consolidated Financial Statements.

Performance

Our pre-exceptional basic EPS in 2020 decreased by 14% from 274.8 cent in 2019 to 236.9 cent, reflecting a lower pre-exceptional profit attributable to owners of the parent of €567 million in 2020 compared to €649 million in 2019.

Basic EPS increased to 227.9 cent in 2020 compared to 201.6 cent in 2019. This was mainly due to a lower charge for exceptional items in 2020 resulting in a profit for the financial year attributable to owners of the parent of €545 million, compared to €476 million in 2019.

Link to Remuneration

See Remuneration Report for PSP metrics, pages 76 to 97.

Non-Financial KPIs

Health and Safety (TRIR)

0.60

2019: 0.84

Strategic Priorities

Description

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

Performance

We have committed to a 5% reduction in our Total Recordable Injury Rate ('TRIR'). Our result for the year 2020 was 0.60, a reduction of 29% on 2019 (0.84).

Link to Remuneration

See Remuneration Report for Annual Bonus metrics, pages 76 to 97.

* Information in relation to the definition and calculation of these Alternative Performance Measures is included in the Supplementary Information section on pages 178 to 183.

Non-Financial KPIs continued

CO_2 Emissions Reduction (%)

37.3

2019: 32.9

Strategic Priorities

Description

Although our industry is energy intensive, it is also one of the most energy efficient and we are among the most significant users of renewable energy. 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.

We are reducing the carbon intensity of our energy mix by reducing the use of fossil fuels and promoting renewable sources where economically viable. We are also saving energy by closing loops in our production process. We make a significant impact in the value chain through smart packaging solutions that can significantly lower customer emissions. We help them optimise their packaging to avoid product waste, minimise over-specified packaging and increase recycling.

Performance

We have committed to a 55% reduction in scope 1 and 2 fossil fuel based CO_2 emissions in our mill system compared to 2005 levels by 2030 (goal updated in 2020) and we are targeting to reach at least Net Zero CO_2 emissions by 2050. In 2020, we reached a reduction of 37.3% compared to 32.9% in 2019.

Chain of Custody (%)

93.8

2019: 92.1

Strategic Priorities

Description

Our industry is a significant 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.

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.

To extend our approach to our customers, we have committed to selling our packaging solutions as Chain of Custody certified. This transparent approach makes our and our customers' commitment visible to the end consumer.

Performance

We have committed to selling over 95% of our products as Chain of Custody certified to our customers (goal updated in 2020). We reached an initial target level of 90% in 2016 and increased our ambition to 95% in 2020. Our result for the full year 2020 was 93.8%.

Risk identification, assessment and management

The Board determines the nature and extent of the principal risks it is willing to accept to achieve its strategic objectives. Risks are identified and evaluated and appropriate risk management strategies are implemented at each level in the organisation.

Risk Management and Internal Control

The Board has overall responsibility for the Group's system of risk management and internal control and for monitoring and reviewing its effectiveness, in order to safeguard shareholders' investments and the Group's assets. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can therefore only provide reasonable and not absolute assurance against material misstatement or loss. The Board carries out a review of the effectiveness of the Group's risk management and internal control systems at least annually.

Group executive management is responsible for implementing strategy and for the continued development of the Group's operations within parameters set down by the Board. Day-to-day management of the Group's operations is devolved to operational management within clearly defined authority limits and subject to timely reporting of financial performance. Management at all levels is responsible for internal control over the respective operations that have been delegated to them. As such, the system of internal control throughout the Group's operations ensures that the organisation is capable of responding quickly to evolving operational and business risks and that significant internal control issues, should they arise, are reported promptly to appropriate levels of management.

The Board is responsible for determining the nature and extent of the principal risks it is willing to accept to achieve its strategic objectives. Risk assessment and evaluation is an integral part of the management process throughout the Group. Risks are identified and evaluated, and appropriate risk management strategies are implemented at each level. The key business risks are identified by the Executive Risk Committee.

The Audit Committee and the Board in conjunction with senior management review the key business risks faced by the Group and determine the appropriate course of action to manage these risks. The Audit Committee is responsible for reviewing the effectiveness of the Group's system of internal control including risk management on behalf of the Board and reports to the Board on all significant matters.

During 2020, a combined assurance mapping exercise was completed by Internal Audit in conjunction with PwC. This indicated strong, well established preventative and detective measures, and robust management oversight across the Group risks. There were some recommendations made which will be considered and implemented as appropriate. In addition, a review of the Group risk management process was undertaken by PwC during the year. They noted the comprehensive process in place and the strong awareness of risk across the Group. They noted some recommendations which will be considered as part of the continuous evolution of the Group's risk management processes during 2021.

Risk Register Process

The Group's risk register process is based upon a Group standardised approach to risk identification, assessment and review with a clear focus on mitigating factors and assignment of responsibility to risk owners.

The risk registers incorporate risk profiling against Group defined risk categories which include; strategic, operational, environmental, legal, economic/political/market, technological and financial risks. Each individual risk identified is assessed based upon potential impact and likelihood of occurrence criteria. New or emerging risks are added to the risk registers as they are identified and assessed accordingly.

Divisional management is responsible for reviewing the Country/Cluster risk registers and updating the Divisional risk registers accordingly, which are reviewed and approved by the Divisional risk committees.

The Group risk register is updated to reflect any significant changes in the Divisional registers or Group level risks following consultation with the Group's subject matter experts. The Executive Risk Committee reviews and assesses the Group Risk Register and identifies the principal risks. The Group Risk Register is then reviewed by the Audit Committee and the Board. Formal risk reporting timetables and structures are in place across the Group and are adhered to by Country/Cluster, Divisional and Group senior management.

COVID-19

As part of the Group's risk assessment processes throughout 2020, the Board considered the impact of the COVID-19 pandemic on each of the principal risks and uncertainties of the Group. The Group is considered an integral part of the supply chain for essential and critical supplies and as a result there was no significant disruption to the Group's business during 2020.

In addition, a number of measures and mitigations were introduced by the Group in 2020 to ensure the ongoing safety of our employees during the COVID-19 pandemic which are outlined within the principal risks on pages 34 to 35.

Viability Statement

The Directors have assessed the prospects of the Group over a three-year period. The Directors consider this period to be appropriate as the Group's strategic business plan is devised and assessed over a three-year period in line with the cyclical nature of the business in which the Group operates. A three-year consolidated financial model was built using a bottom-up approach reflecting the Group's current position and including annual budgeting, medium-term planning, and management's estimates of future profitability taking into account a number of factors including the budget, external economic factors and assumptions as appropriate (including the OECD expectations on GDP growth and the Fastmarkets RISI paper packaging forecast, in addition to consideration of any impact arising from the COVID-19 pandemic). The model incorporates and considers the important indicators of performance of the operations of the Group; EBITDA, EBITDA margin, free cash flow, net debt, net debt to EBITDA, return on capital employed and earnings per share.

The Directors have undertaken a robust assessment of the principal risks facing the Group, as detailed in this section, which would threaten the Group's business model, future performance, solvency or liquidity and which included consideration of any potential deterioration of the current economic climate due to the COVID-19 pandemic. Using the principal risks identified, stress test scenario analysis has been applied to the Group's consolidated financial model to assess the effect on the Group's key indicators of underlying performance. In the scenarios reviewed, including those considering any potential COVID-19 impact, and other reverse stress testing, the Group continues to have significant headroom in relation to its financial covenants.

Based on the results of this analysis, the Directors confirm they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period of their assessment.

Going Concern

After making enquiries which included consideration of the deterioration of the current economic climate due to the COVID-19 pandemic, the Directors have a reasonable expectation that the Company and the Group as a whole, have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Consolidated Financial Statements. See Note 2 *Summary of Significant Accounting Policies* on page 120 for further detail on Going Concern.

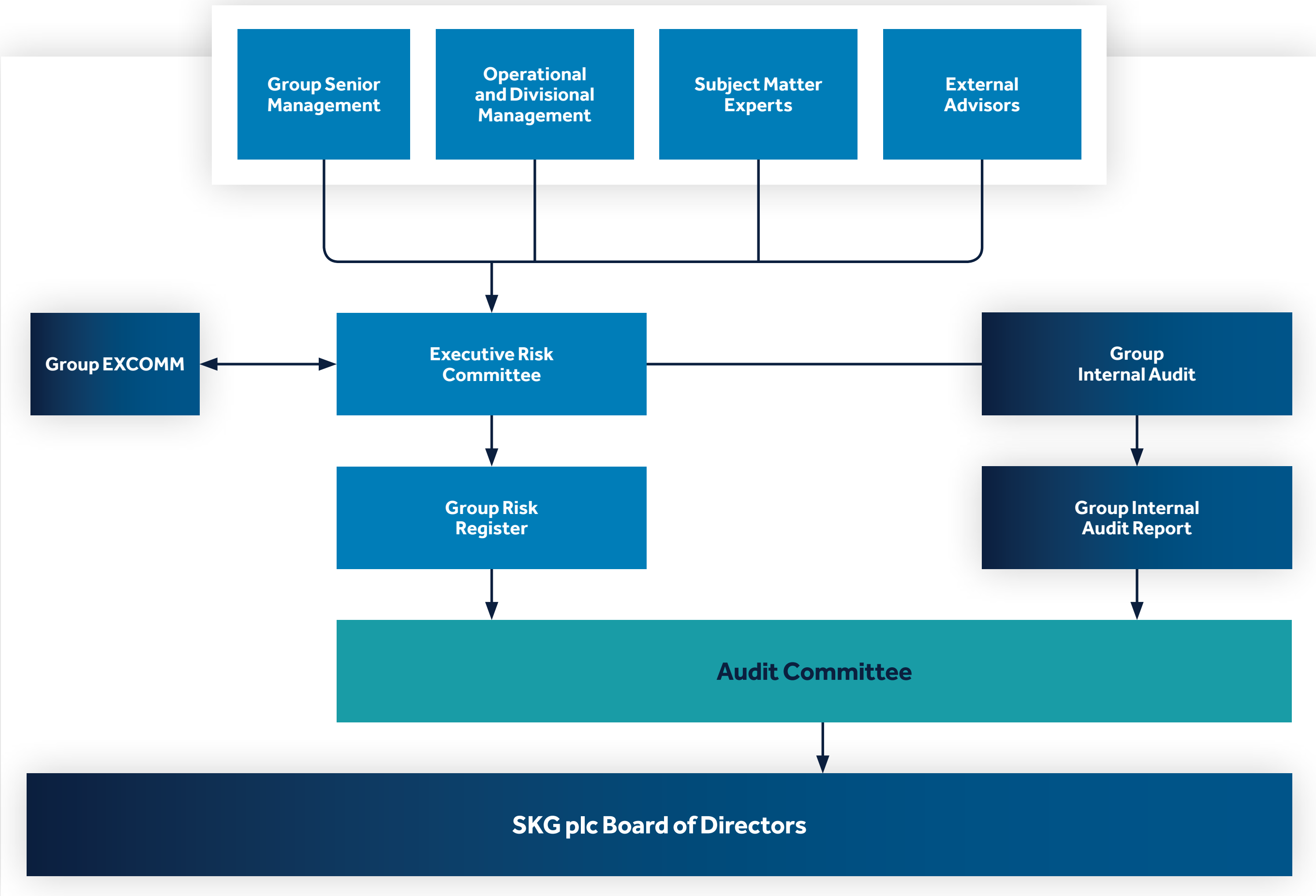
Emerging Risks

In addition to considering current principal risks, we also looked at emerging risk as part of our overall risk management processes. Climate change remains an emerging risk for the Group. Changes in weather patterns resulting in more regular flooding or water shortages, or catastrophic events such as earthquakes could give rise to business interruptions in our operations and our supply chain and potentially increase the cost of raw materials like wood where access to forests is hampered or forests are made more vulnerable to pests and diseases due to unseasonable weather. While this is not yet considered a principal risk, we have included consideration of climate change within the mitigation of our existing principal risks as appropriate, which are outlined on pages 34 to 35. We will continue to monitor climate change and any other emerging risks identified in the future in order to assess the potential risk to our strategy and the need for investment to mitigate against the risk.

Risk Management Framework

The Group's risk management framework is embedded within our organisational structure. Risk management is owned by management at each reporting level and is evaluated and reviewed on a continuous basis.

Our risk management framework comprises: operational management, who have responsibility for identifying, managing and mitigating risk within their local operations on a day-to-day basis; Country/Cluster and Divisional management who are responsible for oversight and monitoring; and the Executive Risk Committee who are responsible for oversight together with the identification, management and mitigation of Group level risks. Group Internal Audit acts as an independent assurance provider over certain principal risks.



Key to Strategic Priorities					Key to Risk Trend		
Market Position	Partner of Choice	Operational Excellence	Investment in People	Capital Allocation	Increased	Reduced	No Change

Risk Description	Mitigation	Trend
Economic		
If the current economic climate were to deteriorate, for example as a result of geopolitical uncertainty (including Brexit), trade tensions and/or the current COVID-19 pandemic, it could result in an increased economic slowdown which, if sustained over any significant length of time, could adversely affect the Group's financial position and results of operations.	• As a highly integrated player, we are better able to cope with the effects of an economic downturn than a pure paper or corrugated producer. • The Group supplies 60%–70% of its packaging to FMCG customers whose consumption volumes remain relatively stable through market downturns. • The Group's customer base is spread across Europe and the Americas spanning 35 countries across multiple industries. • The Group could significantly curtail capital expenditure and take additional cost cutting measures within a relatively short period as we have done in the past. • Stress testing for the viability statement indicates we will continue to have significant headroom on our covenants even in a sustained downturn. • The Group has been deemed an essential business during the COVID-19 pandemic as our packaging serves many vital supply chains including medical equipment, pharmaceutical, food and sanitation products.	Increased
Pricing		
The cyclical nature of the packaging industry could result in overcapacity and consequently threaten the Group's pricing structure.	• As a highly integrated player, we are better able to cope with the effects of cyclicality and capacity additions than a pure paper or corrugated producer. • Our differentiation programmes ensure we are at the forefront of the industry in developing cost-efficient solutions for our customers through performance packaging, quality management, supply chain optimisation and strong sustainability credentials. This service offering distinguishes the Group from pure commodity suppliers, providing a support for more stable pricing. • Our continuous investment programmes in our operations ensure we remain competitive and have low cost mill systems. In an environment of overcapacity, our well invested, low cost mill system will enable the Group to continue economic production through a period of lower prices while higher cost mills will be forced to shut.	No Change
Business Interruption		
If operations at any of the Group's facilities (in particular its key mills) were interrupted for any significant length of time, it could adversely affect the Group's financial position and results of operations.	• The Group ensures that all facilities have adequate insurance to mitigate the impact of significant interruption. • Operational contingency plans are in place for all mills and plants in the event of a shutdown, including damages caused by climate change related to extreme weather patterns, which have been demonstrated to work during shorter interruptions in the past. • In Europe, the Group has a network of operations which can facilitate the transfer of significant volume to other mills in the event of a shutdown. Furthermore, our European Paper Sourcing operation centrally coordinates all external paper purchases for the European operations. • There is continuous investment in a rigorous programme of preventative maintenance for all key mills and other plants. • The Group has introduced several measures during the COVID-19 pandemic to protect our employees and supported them with frequent communications to help them respond safely to the challenges posed by the pandemic.	No Change
Raw Materials and Other Input Costs		
Price fluctuations in raw materials and energy costs could adversely affect the Group's manufacturing costs.	• The Group maintains a dedicated purchasing function which has responsibility for all input costs and ongoing cost reduction programmes. • The Group maintains a strong supply arrangement for approximately 75% of its recovered fibre requirements which provides it with security of supply for its primary raw material while maintaining an optimum level of flexibility with respect to pricing. • In line with the usual time lag, the Group would expect implemented containerboard price increases to support corrugated price recovery of increased input cost. • A proactive policy of forward pricing is in place which is designed to minimise where possible material short-term volatility in energy price risk within approved parameters, including fibre supply chain disruptions due to climate change. • The Group continually invests in a range of cost reduction projects, primarily in the areas of energy and raw material efficiency that can deliver demonstrable economic returns.	No Change
Currency		
The Group is exposed to currency exchange rate fluctuations.	• The Group ensures that short-term trading exposures are hedged and where practical local operations are financed as much as possible in local currency. • The Group continually monitors and manages its foreign currency exposures for all countries and constantly seeks opportunities to reduce these exposures. The Group Treasury Policy sets out rules and guidance for managing this area.	No Change

Risk Description	Mitigation	Trend
Talent Management and Development		
The Group may not be able to attract and retain suitably qualified employees as required for its business.	• Continuous development by our HR department of a People Strategy to attract, engage, train, motivate and retain our people. • MyVoice surveys are undertaken to measure employee engagement and set future priorities as well as programmes to increase engagement. • Processes in place to identify and develop our high potential people together with a continuous focus on leadership training and succession planning. • Development of our existing competitive remuneration packages and review processes. • Reinforcement of our talent recruitment strategy (universities, graduate programmes, etc.), to attract highly talented people with the potential to become the future leaders of the Group. • The Group has implemented a number of measures during the COVID-19 pandemic including a MyVoice Pulse Survey; robust and supportive communications strategy; and use of online tools for development training.	^
Health and Safety		
Failure to maintain good health and safety practices may have an adverse effect on the Group's business.	• Health and safety is a core consideration in all management reviews. The protection of the health and safety of the workforce is a continual focus in an industry with a broad profile of hazards. • Increased focus is given to the strict adoption of good management, employee practices and a mind-set that complements existing risk mitigation measures. Divisional Health and Safety managers are in place with responsibility for enforcing good health and safety standards across their respective regions. • The Group has an established formal practice of investigating accidents and preparing safety bulletins which are shared across divisions. • Group-wide auditing process based on current high risk activities. • Annual safety improvement planning. • The Group has introduced several measures during the COVID-19 pandemic to protect our employees and supported these with frequent communications to help them respond safely to the challenges posed by the pandemic.	^
Legislation and Regulation – Environmental		
The Group is subject to a growing number of environmental laws and regulations, and the cost of compliance or the failure to comply with current and future laws and regulations may negatively affect the Group's business.	• The Group's environmental and climate change policies ensure each site has a manager who is responsible for environmental issues including monitoring air, noise and water emissions and ensuring that the site is running within its permits. • The Group's environmental management is in contact with appropriate local authorities and environmental upgrades are made in consultation with them. • All our paper and board mills are operated under an EMS (Environmental Management System) (ISO 14001). • We continuously invest in our operations, to ensure compliance with environmental legislation. • The Group has an IT reporting system in over 300 sites ensuring environmental data is reported on a regular basis. • The Group has a centralised co-ordination of all environmental activity providing a key interface to the EU, supported by a committee of senior executives who meet regularly to review such issues, and report directly to the Group CEO. • For newly acquired entities robust environmental due diligence is performed.	–
Legislation and Regulation – Anti-trust		
The Group is subject to anti-trust and similar legislation in the jurisdictions in which it operates.	• Revised Group Competition Law Compliance Policy is in place and communicated to all employees. All managers and market-facing employees are required to formally confirm adherence to the policy for the preceding calendar year by signing a Competition Law Compliance Certificate on an annual basis. • Group General Counsel advises and supports employees and management in this area. • Regular communication and promotion of Competition Law Compliance and other similar legislation to staff and local management. • Continuous process to ensure understanding of issues and implications of regulatory practice and legislative amendments. • Contracts with competitors are recorded in an online register. • Reduced trade association participation.	–
Cyber and Information Security		
The Group, similar to other large global companies, is susceptible to cyber-attacks with the threat to the confidentiality, integrity and availability of data in its systems.	• Formally documented policies in relation to information security including cyber security are in place. • The Group maintains a framework to ensure awareness at each level of the organisation with regard to the implementation of cyber security. This framework is regularly audited. • Specific controls are in place to prevent and detect security issues relating to business critical systems. • Defined business continuity and IT disaster recovery plans are in place and are frequently tested. • The Group is committed to ongoing capital expenditure as appropriate to continually enhance the IT infrastructure. • The Group increased employee communications relating to cyber security since the start of the COVID-19 pandemic to ensure vigilance is maintained.	^

Financial flexibility to invest and grow for the future

The strength of the Group's Balance Sheet provides significant financial flexibility with net debt to EBITDA at 1.6 times.

Ken Bowles
Group Chief Financial Officer

Results
Revenue for 2020 was €8,530 million, 6% down on 2019 or 3% on an underlying basis. This reflects the adverse impact of currency and the impact of falling containerboard prices and the subsequent impact on box prices during the year.

European revenue decreased by €349 million to €6,645 million in 2020, with the underlying decrease of €314 million and negative currency movements of €40 million partly offset by the contribution of €5 million from acquisitions. Although box demand was up approximately 2% for the year, this was more than offset by lower average box prices.

Revenue in the Americas decreased by €169 million in 2020 to €1,885 million, with underlying growth of €36 million, equating to 2%, more than offset by net negative currency and hyperinflationary movements. The underlying increase was driven primarily by increased volumes and higher box prices in Mexico, Brazil and Argentina.

EBITDA for 2020 was €1,510 million, down 9% on 2019. The result reflects the fall in box prices and, to a lesser extent, the impact of the COVID-19 pandemic, mitigated by the resilience of the Group's integrated model, the benefits of our customer-focused, industry-leading innovation and sustainability initiatives, including the launch of new product portfolios to satisfy growing demand in specific market segments, further engagement with customers through virtual seminars, capital spend programme, rigorous cost management and lower year-on-year recovered fibre costs. On an underlying basis, Group EBITDA was down 7% on 2019, with Europe down 11% offset in part by the Americas up 12%.

At €1,180 million, EBITDA in Europe was €152 million lower than in 2019. With the contribution of €1 million from acquisitions more than offset by a negative currency movement of €6 million, underlying earnings were €147 million lower than in 2019. The decrease was driven by lower paper prices and the subsequent effect on average box prices.

At €372 million, EBITDA in the Americas was €12 million higher than in 2019. With the net negative currency and hyperinflationary movements of €29 million partly offset by the contribution of €1 million from acquisitions, the underlying year-on-year move in earnings was an increase of €40 million. The underlying increase was driven by an increase in volumes and higher box prices along with cost containment in the region.

Allowing for the impact of acquisitions, currency movements and hyperinflation, the underlying year-on-year decrease in EBITDA for the Group was €107 million, equating to 7%.

The Group's operating profit before exceptional items decreased by €140 million from €1,062 million in 2019 to €922 million in 2020 due to the year-on-year decrease in EBITDA.

Pre-exceptional net finance costs at €144 million were €48 million lower in 2020 primarily as a result of a decrease in cash interest of €38 million due predominantly to a lower level of borrowing, a lower coupon on our more recent bonds and a lower interest rate environment in general. Non-cash costs were €10 million lower, which was mainly due to a €5 million decrease in interest cost on net pension liabilities and a reduction of €4 million on the net fair value loss on derivatives.

With the €140 million decrease in operating profit before exceptional items partly offset by the €48 million decrease in net finance costs, the pre-exceptional profit before income tax was €779 million, €93 million lower than in 2019.

After exceptional items of €31 million, the profit before tax for the full year of 2020 was €748 million compared to €677 million in 2019. The income tax expense was €201 million compared to €193 million in 2019, resulting in a profit of €547 million for 2020 compared to €484 million in 2019.

Further information in relation to Alternative Performance Measures referenced in this Statement is included in the Supplementary Information section on pages 178 to 183.

Exceptional Items

Net exceptional items charged within operating profit in 2020 amounted to €31 million. €35 million related to reorganisation and restructuring costs in Europe and the Americas and €11 million related to the unique recognition reward given to all permanent employees. These were partly offset by a €15 million gain on the UK pension scheme. In 2019, exceptional items charged within operating profit amounted to €178 million, of which €124 million related to the Italian Competition Authority fine levied on Smurfit Kappa Italia S.p.A., €46 million related to the impairment of goodwill in Brazil and €8 million to the impairment of property plant and equipment and customer related intangible assets in one of our North American corrugated plants.

There were no exceptional finance items in 2020. Net exceptional finance costs charged in 2019 amounted to €17 million, comprised of a redemption premium of €31 million, and accelerated amortisation of debt issue costs of €6 million relating to the refinancing of the senior credit facility and the early redemption of bonds. These were partly offset by a €20 million fair value gain on the put option over the remaining 25% of our Serbian acquisition.

Profit Before Income Tax

After exceptional items, the Group's profit before income tax amounted to €748 million in 2020, comprising the pre-exceptional profit of €779 million and a net exceptional charge of €31 million. In 2019, the profit before income tax was €677 million, comprising the pre-exceptional profit of €872 million and a net exceptional charge of €195 million. The year-on-year increase of €71 million reflected the decrease of €93 million in the pre-exceptional profit more than offset by a lower net charge for exceptional items.

Income Tax Expense

The income tax expense in 2020 was €201 million (comprising a current tax charge of €176 million and a deferred tax charge of €25 million) compared to €193 million (comprising a current tax charge of €200 million and a deferred tax credit of €7 million) in 2019.

There was a net €24 million decrease in current tax. The net decrease is mainly due to changes in profitability and its geographical mix, as well as the impact of non-recurring items and foreign currency.

The movement in deferred tax from a credit of €7 million in 2019 to a tax charge of €25 million in 2020 includes the effects of movements in timing differences on which tax was previously recognised, as well as the use and net recognition of tax losses and credits. The deferred tax in 2019 included a non-recurring tax credit associated with the impairment of goodwill in Brazil.

There was a net tax credit of €9 million on exceptional items in 2020 compared to a €22 million tax credit in 2019.

Earnings per Share

Basic EPS amounted to 227.9 cent in 2020 compared to 201.6 cent in 2019. On a diluted basis, our EPS in 2020 amounted to 225.7 cent compared to 200.0 cent in 2019.

The year-on-year increase in the Group's basic EPS reflected the higher profit before income tax, driven mainly by the impact of lower net finance costs and a lower charge for exceptional items in 2020. On a pre-exceptional basis, our EPS in 2020 decreased by 14% from 274.8 cent in 2019 to 236.9 cent.

The EPS figures are calculated on the basis of the weighted average number of shares in issue during the year, which was 238,758,000 in 2020 compared to 236,071,000 in 2019. The increase is primarily due to the issue of shares as part of the equity capital raise in 2020.

Cash Flow

Free cash flow in 2020 was €675 million compared to €547 million in 2019, an increase of €128 million. An EBITDA reduction of €140 million and exceptional outflows were more than offset by lower outflows for capital expenditure, and cash interest expense and a higher working capital inflow.

The outflow of €18 million for exceptional items in 2020 related to the payment of the recognition reward and part of the costs of the restructuring programme.

Cash interest was €118 million in 2020 compared to €156 million in 2019. The year-on-year decrease mainly reflects the lower level of borrowing, a lower coupon on our more recent bonds and a lower interest rate environment in general.

The working capital inflow was €94 million compared to an inflow of €45 million in 2019. The inflow in 2020 was primarily driven by an increase in creditors, a decrease in stocks along with a decrease in debtors. Working capital amounted to

> **"The strong results delivered in 2020 illustrate the benefits of everything we do from both an investment and cultural perspective."**

Net Debt (million)

€2,375

2019: €3,483

Net Debt to EBITDA (times)

1.6x

2019: 2.1x

Summary Cash Flow	**2020 €m**	**2019 €m**
EBITDA	**1,510**	1,650
Exceptional items	**(18)**	-
Cash interest expense	**(118)**	(156)
Working capital change	**94**	45
Capital expenditure	**(575)**	(730)
Change in capital creditors	**(18)**	19
Tax paid	**(194)**	(222)
Change in employee benefits and other provisions	**(20)**	(73)
Other	**14**	14
Free cash flow	**675**	547
Share issues (net)	**648**	2
Purchase of own shares (net)	**(16)**	(23)
Purchase of businesses, investments and NCI*	**(25)**	(204)
Dividends	**(260)**	(242)
Derivative termination receipts	**9**	1
Premium on early repayment of bonds	**-**	(31)
Net cash inflow	**1,031**	50
Net debt acquired	**(1)**	(7)
Adjustment on initial application of IFRS 16	**-**	(361)
Deferred debt issue costs amortised	**(7)**	(14)
Currency translation adjustments	**85**	(29)
Decrease/(increase) in net debt	**1,108**	(361)

* 'NCI' refers to non-controlling interests.

A reconciliation of the Summary Cash Flow to the Consolidated Statement of Cash Flows, a reconciliation of Other Non-cash Movements to Note 21 to the Consolidated Financial Statements and a reconciliation of Free Cash Flow to Cash Generated from Operations are included in sections K and L in Alternative Performance Measures in the Supplementary Information section on pages 181 to 183.

€501 million at December 2020, representing 5.6% of annualised revenue compared to 7.2% at December 2019. Working capital decreased by €129 million in the year, representing principally the net cash inflow of €94 million and currency translation moves of €58 million partly offset by the decrease in capital creditors of €18 million.

Capital expenditure in 2020 amounted to €575 million (equating to 104% of depreciation) compared to €730 million (equating to 134%) in 2019.

Tax payments in 2020 of €194 million were €28 million lower than in 2019.

The change in employee benefits and other provisions was an outflow of €20 million in 2020 compared to €73 million in 2019. The decrease is primarily due to a positive swing in current provisions from an outflow in 2019 to an inflow in 2020 and a lower outflow for retirement benefits due to the Eurozone discount rate reducing over 2019 which resulted in a higher charge for 2020.

The 'other' net inflow of €14 million in both 2020 and 2019 mainly represented a hyperinflationary adjustment inflow and capital grants received in each year.

Investment and financing cash flows in 2020 amounted to an inflow of €356 million compared to an outflow of €497 million in 2019. The year-on-year move was driven mainly by the net contribution of the equity capital raise of approximately €648 million and a lower outflow for the purchase of businesses, investments and NCI. In addition, there was a lower outflow in respect of share purchases under the Deferred Bonus Plan, a higher inflow from the termination of derivatives compared to 2019 and the absence of a €31 million outflow in 2020 relating to a redemption premium on the early repayment of bonds, partly offset by higher dividend payments in 2020.

The outflow of €25 million for the purchase of businesses, investments and NCI related to the purchase of NCI and the purchase of the remaining interest in an associate in Colombia.

The outflow of €204 million in 2019 related mainly to the acquisitions in Serbia and Bulgaria and the buy-out of a significant portion of the NCI in Colombia along with some deferred consideration for previous acquisitions.

With our free cash flow of €675 million in 2020 increased by the net investment and financing inflows of €356 million, the result was a net inflow of €1,031 million compared to an inflow of €50 million in 2019. After the amortisation of deferred debt issue costs of €7 million, net positive currency translation adjustments of €85 million and net debt acquired of €1 million, net debt decreased by €1,108 million to €2,375 million at December 2020 from €3,483 million at December 2019.

The net positive currency translation adjustments of €85 million in 2020 mainly related to the US dollar, Sterling and the Swedish Krona. The US dollar weakened from US$1.12/euro at December 2019 to US$1.23 at December 2020, resulting in a positive currency translation adjustment of €51 million. Sterling weakened from £0.85/euro at December 2019 to £0.90 at December 2020, resulting in a positive currency translation adjustment of €11 million. The Swedish Krona strengthened from SEK10.45/euro at December 2019 to SEK10.03 at December 2020, resulting in a positive currency translation adjustment of €12 million.

The net negative currency translation adjustments of €29 million in 2019 related mainly to the US dollar and Sterling. The US dollar strengthened from US$1.15/euro at December 2018 to US$1.12 at December 2019, resulting in a negative currency translation adjustment of €13 million. Sterling strengthened from £0.89/euro at December 2018 to £0.85 at December 2019, resulting in a negative currency translation adjustment of €11 million.

With net debt of €2,375 million and EBITDA of €1,510 million, our leverage ratio was 1.6 times at December 2020 compared to 2.1 times at December 2019. The decrease in our leverage was driven primarily by the decrease in net debt partly offset by the decrease in EBITDA.

Capital Resources and Liquidity

Committed facilities (excluding short-term sundry bank loans and overdrafts) amounted to €4,584 million (2019: €4,589 million) of which €2,922 million (2019: €3,255 million) was utilised at 31 December 2020. The weighted average period until maturity of undrawn committed facilities is 4.3 years (2019: 3.8 years).

In line with the Group's ongoing credit strategy of further extending maturity profiles, diversifying funding sources and increasing liquidity, the Group undertook a number of actions in 2020.

In January 2020, the Group secured the agreement of all lenders in its RCF to the exercise of its first extension option under the terms of the facility, extending the maturity date by one year to 28 January 2025. In December 2020, the Group also secured the agreement of all lenders to the exercise of its second extension option under the terms of the facility, extending the maturity date to 28 January 2026. In November 2020, the Group raised approximately €660 million gross equity proceeds which were allocated to repaying variable rate debt under our RCF and securitisation programmes. In December 2020, the Group aligned its sustainability ambitions and targets into its financing by embedding its sustainability targets via KPIs into its RCF, creating a Sustainability Linked RCF. The Sustainability Linked RCF incorporates five KPIs spanning the Group's sustainability objectives regarding climate change, forests, water, waste and people, with the level of KPI achievement linked to the pricing on the facility.

Net debt was €2,375 million at the end of December 2020, resulting in a net debt to EBITDA ratio of 1.6 times, down on the 2.1 times at the end of 2019. With net debt to EBITDA at 1.6 times the strength of the Group's balance sheet continues to secure long-term financial and strategic flexibility. Based on our strong business profile and ability to consistently generate substantial free cash flow, the Group is revising its target leverage range to 1.5x to 2.0x from 1.75x to 2.50x.

During the year, Fitch Ratings upgraded the Group's long-term issuer rating to BBB- with stable outlook from BB+ with positive outlook, highlighting the Group's strengthened financial structure following the equity raise and investment plan announced in 2020 and the Group's plans to finance these investments from equity and cash flow. During the year, Moody's and Standard & Poor's revised the Group ratings outlook to positive from stable, with the Group strongly positioned at the Ba1/BB+ credit rating level with both agencies at 31 December 2020. In February 2021, Moody's and Standard & Poor's upgraded the Group's long-term issuer rating to Baa3 and BBB- respectively with stable outlook.

At 31 December 2020, the Group's average interest rate was 3.13% compared to 3.18% at 31 December 2019. The Group's diversified funding base and long dated maturity profile of 4.9 years provide a stable funding outlook. In terms of liquidity, the Group held cash balances of €901 million at the end of December, which were further supplemented by available commitments of €1.25 billion under its RCF and €412 million under its securitisation programme.

The Group's primary sources of liquidity are cash flow from operations and borrowings under the RCF. The Group's primary uses of cash are for funding day-to-day operations, capital expenditure, debt service, dividends and other investment activity including acquisitions.

Market Risk and Risk Management Policies

The Board of Directors sets the Group's treasury policies and objectives, which include controls over the procedures used to manage financial market risks. These are set out in detail in Note 29 to the Consolidated Financial Statements.

The Group is exposed to the impact of interest rate changes and foreign currency fluctuations due to its investing and funding activities and its operations in different foreign currencies. Interest rate risk exposure is managed by achieving an appropriate balance of fixed and variable rate funding. As at 31 December 2020, the Group had fixed an average of 94% of its interest cost on borrowings over the following 12 months.

The Group's fixed rate debt comprised €500 million 2.375% senior notes due 2024, €250 million 2.75% senior notes due 2025, US$292.3 million 7.50% senior debentures due 2025, €1,000 million 2.875% senior notes due 2026 and €750 million 1.5% senior notes due 2027. In addition, the Group had €100 million in interest rate swaps converting variable rate borrowings to fixed rate which matured in January 2021.

The Group's earnings are affected by changes in short-term interest rates as a result of its floating rate borrowings and cash balances. If interest rates for these borrowings increased by one percent, the Group's interest expense would increase, and income before taxes would decrease, by approximately €3 million over the following 12 months. Interest income on the Group's cash balances would increase by approximately €9 million assuming a one percent increase in interest rates earned on such balances over the following 12 months.

The Group uses foreign currency borrowings, currency swaps, options and forward contracts in the management of its foreign currency exposures.

Conclusion

The strong results delivered in 2020 illustrate the benefits of everything we do from both an investment and cultural perspective – a performance-led culture working on the foundations of a quality asset base and a focus on innovation and sustainability. It is also important to note that these results have been delivered against the backdrop of a global pandemic, a significant operational challenge that the Group worked hard to overcome. The lessons learned and the practices implemented have been a demonstration of the best in our people, who adapted and delivered for one another and most importantly for our customers.

The Group's ability to generate cash, coupled with the equity raise, results in our balance sheet giving significant financial flexibility. Dividends are a key pillar of our capital allocation decision-making process and provide certainty of value to our shareholders. There is no clearer evidence of this than in our actions relating to our dividend through 2020. The increase in the final dividend is yet another illustration of our belief in the future prospects and cash generating ability of SKG. The continual process of investment in the business, together with value enhancing acquisitions, delivering superior returns, facilitates the further strengthening of the balance sheet and in turn ever greater returns to our shareholders.

Ken Bowles
Group Chief Financial Officer

Stakeholder Engagement

Understanding our stakeholders

Customers

How we Engaged

Customer Survey

In 2020, SKG conducted a comprehensive survey of our top 35 customers. The survey was conducted by way of a digital questionnaire and allowed the Group to assess how we are performing using specific criteria in areas such as supply chain, customer service, innovation and sustainability. In the past, we have conducted similar surveys at a country level but this was our first time conducting such wide reaching research which allowed us to engage with close to 2,000 stakeholders from our top customers. This exercise gave us a strong baseline to build upon in the coming years and we will use the findings from the survey to make improvements and drive our agenda for 2021 and beyond. We were very pleased with the positive score the Group received, especially in such a unique and challenging year as 2020, and it really highlighted to us how vital our product is to our customers and what an essential part we play in the supply chain.

Experience Centres

Our worldwide Experience Centres are a way for us to share knowledge with customers and together improve and develop new packaging solutions that deliver real business value.

Webinars

SKG conducted over 100 customer webinars in 2020. The types of webinars fell into two categories; Thought Leadership and Product Development. The Thought Leadership webinars focused on educating our customers on megatrends such as sustainability and e-Commerce. For example, on a recent e-Commerce webinar, we hosted over 230 customers and potential customers as the opportunities and solutions for sustainable e-Commerce packaging were discussed and debated.

The Product Development webinars were more interactive with the focus on product development and seeking solutions for specific customers as well as education on new products and effective implementation.

Number of customer webinars in 2020

100+

Investors

How we Engaged

Ongoing Investor Engagement

Our executive Directors together with the investor relations team maintain active engagement/dialogue with the investment community. During 2020, despite the obvious difficulties posed by the pandemic, the team met with over 300 analysts and portfolio managers from over 200 different investment funds. Conversations took place at various virtual investor conferences and roadshows as well as multiple ad hoc video and telephone calls. We also hosted investors at site visits and investor days in the early part of the year, before the spread of COVID-19.

Annual General Meeting ('AGM')

The Company held its AGM on 30 April 2020. In line with COVID-19 restrictions the AGM was a closed meeting, shareholders were invited to email any questions relating to the items on the agenda and advised that the answers to any questions received would be posted on the Company's website.

Annual Report

The Investors section on the Group's website, smurfitkappa.com, provides the full text of the Annual Report and copies of presentations to analysts and investors. Press releases are also made available in this section of the website immediately after release to the stock exchanges.

ESG Ratings by Rating Agencies

Smurfit Kappa is listed on the FTSE4Good, Euronext Vigeo Europe 120, STOXX Global ESG Leaders, Solactive and ISS index, and Ethibel's sustainable investment register. SKG also performs strongly across a variety of third party certification bodies, including MSCI, CDP and Sustainalytics.

Number of analysts and portfolio managers engaged with in 2020

300+

We want to build a culture that fosters engagement and enables us to build and maintain successful relationships with our stakeholders.

Suppliers

How we Engaged

Compliance with Policies and Audits

We are committed to working with our suppliers in accordance with our sustainability principles and objectives, which highlight our requirements in the areas of compliance, performance risk management, social responsibility and governance. Maintaining transparent and long-term relationships with suppliers is essential for our business. This partnership approach ensures we can audit suppliers on their compliance with our sustainable supply chain standards, and where they fall short, work with them to improve sustainability in their business.

Training

We offer our suppliers a range of training, covering many topics including print technology and process improvement.

Standardisation

We continue to standardise our capital equipment purchases for our corrugated plants. This allows our suppliers the potential to achieve process and manufacturing economies of scale and to reduce their energy consumption and carbon footprint.

Supplier Collaboration

We work with our suppliers to promote better health and safety and continuous improvement in the work environment.

By agreeing with suppliers that shipments can be bundled, they can optimise volume to choose more sustainable transport options with lower emissions, better service levels and lower costs.

Number of supplier audits in 2020

46

Communities

How we Engaged

Smurfit Kappa Foundation

The Smurfit Kappa Foundation supports projects in countries where we operate, focusing on disadvantaged children's health and nutrition, basic care, and early education. The Foundation approved such projects in 2020 in Brazil, Czech Republic, El Salvador, Germany, Ireland, Italy, Mexico, the Netherlands, the United Kingdom and the United States.

In 2020, recipients of donations from the Smurfit Kappa Foundation included children's education, health and social inclusiveness projects.

Our Open Community

COVID-19 has played an enormous part in shaping Smurfit Kappa's actions, and despite the challenges that our colleagues have faced, they continued to donate their time, effort, and expertise to making a positive and lasting impact on their communities during the year.

In 2020, our initiatives covered all aspects of our involvement with our communities around the world and can be captured under these five categories: inspiring our future, protecting our planet, empowering our communities, getting active for our communities and joy of creativity. To find out more about our initiatives please visit smurfitkappa.com/sustainability/priorities/people/communities.

Our colleagues got involved in over 200 initiatives across 27 countries, and additional COVID-19 specific donations of approximately €3 million were made with 53% of those donations going to local hospitals.

This is part of over €20 million, donated by Smurfit Kappa and its employees over the past five years to the communities where we are located, and which will be further supported by an additional €24 million between now and 2026.

COVID-19 donations made during 2020 (approximately)

€3 million

Percentage of COVID-19 donations given to local hospitals

53%

Engaging with our workforce

It is important to us and our Board, that Directors are actively engaged with our people – directly and indirectly. At Smurfit Kappa we have always maintained and valued an on-going two-way dialogue with our diverse 46,000 employees across the world. We are innovating and evolving our ways of working to ensure we have open channels of communication and that employee sentiment and feedback form part of our culture and lived values.

In 2019, in line with the Corporate Governance Code Provision and Guidance relating to the establishment of a method to gather the views of the workforce, the Chair designated accountability for workforce engagement, on behalf of the Board, to the newly established Sustainability Committee in Smurfit Kappa, which has a significant focus on People, as part of the overall governance across ESG.

In accordance with the requirements of provision 5 of the Code, the purpose of the role of the non-executive Sustainability Committee is to assist the Board in understanding the views of the wider workforce, and taking into account employees interests in its discussions and decisions. The Committee operates under formalised Terms of Reference which were approved in December 2020.

During 2020, our business has undertaken a variety of methods to engage with our employees including an all employee pulse survey, virtual plant tour meetings and various recognition programmes. These open and constructive sessions were held virtually, due to the pandemic. The Chair of the Board recently enjoyed and appreciated the high levels of positive engagement and openness during a global virtual event, where he had an opportunity to engage with managers effectively.

2020 Key Themes:
The key themes emerging from the workforce engagement discussions during 2020 were:
- COVID-19 crisis management and employee feedback on this.
- Ethics, Code of Conduct and maintaining a safe trusting working environment.
- Leadership during complexity and ambiguity – leading with head and heart.
- The strength of Smurfit Kappa's culture and values of Safety, Loyalty, Integrity and Respect.
- The importance of inclusion and diversity in our organisation.
- Investment in our people – caring, learning and development, and wellness.
- Investing in our communities locally.
- Talent Development and Succession Planning.
- Rewards and Recognition.
- Launching a new Employee Assistance Programme ('EAP').
- The power of purposeful work and employee communications.

Our COVID-19 employee engagement survey, and the full MyVoice 2021 engagement survey, which has taken place across the organisation since 2014, and is due to be repeated during 2021, ensures we understand our employees perspective and take this into account when making decisions at the most senior levels of our organisation.

Update from the Chair of the Sustainability Committee – Jørgen Buhl Rasmussen on first year of activities and insights on the Committee's role in Workforce Engagement.

"My role as Chair, is essentially to ensure the Committee acts as a communications champion for all colleagues across the business, ensuring that the voice of the workforce is heard in the boardroom and the Board is kept informed and takes into consideration the views and interests of all colleagues when making decisions.

As a Board, we have always recognised the value of listening to colleagues' views and perspectives. Working and partnering closely with the Group Vice President Human Resources, we regularly receive colleague feedback and sentiment on a variety of matters through different channels, including indirectly through engagement surveys, HR presentations four times a year, Health and Safety and Wellness briefings, attendance at leadership events, and reviewing data or trends regarding ethics, employee turnover and inclusion and diversity. More recently we have evolved and enhanced our engagement methods to include: open Q&A sessions with colleagues; quarterly events for 2021 where members of the Committee interact directly with colleagues at all levels and geographies across the Group via MyVoice focus group workshops; and attendance at employee programmes from our learning academy, female focus groups and on-site visits."

Employees

How we Engaged

MyVoice and Our COVID-19 Employee Survey

Our Employee Engagement Survey which is conducted frequently, gives all our 46,000 employees the opportunity to give our leadership their views on how colleagues feel about our Company, leadership, our business and our vision and values. It also helps us understand our strengths and development opportunities. We experience very high completion rates of over 85% across our global business, and develop real action plans with our colleagues locally to address feedback. This year we also introduced an additional newly created COVID-19 employee survey to understand and receive feedback from employees on how we are responding to the pandemic.

Safety First

This unique safety survey gives us an informed understanding and view of how our colleagues feel about health and safety in Smurfit Kappa. The key focus area is whether they feel we are improving with our investments, focus and efforts. This is a great way for our colleagues to give open feedback on health, safety and employee well-being.

Smurfit Kappa Learning Academy

Our Smurfit Kappa Group Learning Academy provides a range of training, learning and developmental opportunities and programmes available for our colleagues. This includes functional and managerial/leadership development programmes, which also provide our colleagues with the opportunity to meet and spend time with the senior leaders and mentors across our global business, as well as providing coaching support.

Works Councils

We collaborate and work with the relevant employee nominated Works Councils and Employee Union/representatives. With regular meetings and updates, we work together to ensure colleague matters are discussed. These cover a range of topics, and collaborations have been very successful and beneficial, supporting local business and colleague needs.

Speak Up Programme

Our newly established Speak Up Programme which was developed and launched in 2019, gives all stakeholders, including employees access to a confidential outsourced hotline where they can express any concerns, or breaches in our Code of Conduct. Any whistleblowing is treated in a professional, confidential manner and investigated accordingly.

Delivering a better tomorrow

Sustainability is a part of SKG's success as a business. 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 our shareholders, guaranteeing them end-to-end sustainability.

In their daily lives, people need food, clothing and household goods. Robust, paper-based packaging will protect these from damage and waste, while delivering them in an efficient and sustainable way. Sustainability has become mainstream and will continue to grow in importance for our stakeholders. The projected global population growth from seven to nine billion by 2050, will offer significant business opportunities and challenges to companies such as SKG. In response to longer term rising global economic and social development, commerce will change and worldwide demand for packaging goods and services will continue to grow.

Climate change, limited natural resources, littering, deforestation, a growing population and increased social equality, are pressing global challenges that require forward thinking and a constructive response from the business community. At SKG, we respond to these challenges through our end-to-end approach to sustainability: from sustainable sourcing of our renewable and recyclable raw materials, to responsible production of sustainable packaging products that help our customers and eventually consumers to lower their footprint. At every important step in our value chain – including our governance, our people, our communities and the environment – we are always considering where we have a positive impact and we are constantly aligning our economic goals with our social, community and environmental responsibilities.

This dedication to sustainability in every fibre positions SKG to play its part in making the UN Sustainable Development Goals ('SDGs') a reality. In our materiality assessment we compared the SDGs against our business strategy and policies, as well as against stakeholder expectations. This allows us to strategically build on opportunities and minimise risks within the sustainability context and transparently report our progress towards these goals. The SKG approach to the SDGs has been introduced in our Sustainable Development Report.

Our success in our end-to-end sustainability strategy, as with all our work, stems from our Code of Conduct. More on our People can be read on pages 52 to 63 of this report. In environmental matters our starting point is that all of our sites operate at least within their permits. We guarantee compliance by employing modern, low environmental impact equipment and smart use of environmental data, including information on permits, incidents and fines. We continuously invest in our sites to keep them state-of-the-art, and proactively follow environmental legislative developments to ensure compliance. We focus our sustainability efforts on our three pillars, introduced in the diagram on page 45. For the Non-Financial Key Performance Indicators reporting statement, SKG publishes its sustainability progress in the annual Sustainable Development Report, available at our website: smurfitkappa.com. All previous Sustainable Development Reports are also available, and our 2020 report will be published in April 2021.

SKG is committed to the principles of the UN Global Compact and reports in line with the Global Reporting Initiative ('GRI') Standards Comprehensive criteria, against which our sustainability data and reporting has been assured since 2009. This third-party assurance guarantees our transparency and credibility to stakeholders, especially customers, investors, and the communities in which we operate.

Three Pillars of Corporate Social Responsibility

To be able to create long-term profitability, the Company has built its business on three pillars of corporate social responsibility. We base our ambition of sustainable growth on making impactful business through our sustainable products and their production, respecting people in our organisations and as stakeholders, continually caring about our planet by minimising our environmental impact and governing responsibly.

Our approach to the three pillars of corporate social responsibility are explained in the following sections and the diagram on the next page.

SDG 01 SDG 02 SDG 03 SDG 04 SDG 05 SDG 10

People

Empowering people & communities

People Values/People Strategy
Communities/Health and Well-being

Having engaged employees is critical for our business. We work safely with talented people in a global, culturally diverse organisation.

SDG 07 SDG 13 SDG 14 SDG 15 SDG 06

Planet

A greener, bluer planet

Climate Change/Forests
Water/Waste

The circular economy is at the core of our business. We use renewable, recyclable, recycled and biodegradable materials to create new products.

SDG 08 SDG 09 SDG 12 SDG 11 SDG 17 SDG 16

Impactful business

Delivering to all stakeholders

Innovation/Governance and
Human Rights/Sustainable Sourcing

As a global group, our activities create sustainable value for our shareholders, customers, employees, suppliers and the communities where we operate.

UN Sustainable Development Goals:

Sustainability continued

Planet

A Greener, Bluer Planet

We are committed to sustainability throughout our value chain. Our strategic environmental priorities are climate change, forest, water and waste. The circular economy is at the core of our business. We use renewable, recyclable, recycled and biodegradable materials to create sustainable packaging solutions and play a part in ensuring that at their end of life, our products are recycled.

Forests where our virgin fibres come from are a closed loop, from which we can positively benefit when they are managed and used sustainably. Within our industry, SKG has pioneered full Chain of Custody, enabling us to sell over 93% of our packaging products as FSC®, PEFC™ or SFI™ certified, driving a sustainable loop for our raw materials. In 2020, we increased our target to sell 95% of our packaging solutions as certified by 2025 up from the existing 90%.

Having integrated paper recycling operations into our business we can efficiently manage our raw material sourcing, ensuring good quality in each region. We take our producer responsibility seriously, having 100% renewable and recyclable fibre, and of our final packaging products over 90% are recovered and brought back into the recycling loop. Sustainably sourcing our fibres benefits us and our stakeholders: with Chain of Custody certified raw material sourcing and production, we have traceability systems that comply with regulations, and with customer and investor requirements.

Sustainable forests and fibrous raw material are primary considerations of our stakeholders. We enhance our customers' brand value by guaranteeing risk management through Forest Certification, and related Chain of Custody Certification. This leads to operational continuity and business growth for SKG.

We seek circular synergies where we can both utilise our side streams and seek collaboration with partners. As part of our commitment, we have rigorously collected sustainability data on our operations for almost 15 years. We use this information to continually improve the efficiency of our processes and resource use and through that support meeting our sustainability targets, such as reducing CO_2 emissions. In 2020, we continued to make progress on our environmental targets. Solid progress was made in the areas of CO_2 reduction, Chemical Oxygen Demand ('COD') discharge reduction and in particular waste to landfill reduction. We also announced targeting Net Zero carbon emissions by 2050 and increased our intermediate carbon CO_2 emission reduction target to 55% by 2030 up from 40% which aligns the target with the EU Green Deal Climate strategy. Finally, we introduced an annual water usage reduction target next to our target to improve our water discharge quality.

We are pleased to be the first FTSE 100 company to receive a five star rating from Support the Goals, the global initiative that was established to rate and recognise those businesses that support the UN 2030 Sustainable Development Goals ('SDGs') to work towards a more sustainable future. The SDGs are a universal call for action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity by 2030. These goals, agreed in 2015 by world leaders, can only be achieved with the support of businesses.

Nettingsdorf Good at Heart

"The recovery boiler is the heart of a pulp mill," says Günter Leitgeb, Pulp Mill Manager of SK Nettingsdorf, Austria, "And our heart was set on increasing sustainability and circularity, as well as combatting climate change."

Nettingsdorf has initiated a Future Energy Plant project, which has upgraded the water treatment plant and installed new drying cylinders on the paper machine. However, the major upgrade is the new recovery boiler.

"We needed the best one on the market – a massive investment of €134 million – but it will pay for itself with a 10% increase in boiler efficiency, as well as combatting climate change by cutting CO_2 emissions by 40,000 tonnes a year," says Günter. "That's two-thirds of our emissions, and an important step in the direction of achieving SKG's 2030 target to reduce its fossil emissions by 55% and ultimately reaching Net Zero carbon emissions by 2050."

Recovery boilers are part of our circular economy, recovering inorganic chemicals as smelt, burning wood-material not needed for paper production, and recovering combustion heat from this as steam.

The new advanced steam engine uses this to efficiently generate bioenergy electricity. The new boiler was needed to cope with the plant's 34% increase in productivity since becoming part of Smurfit Kappa in 1995.

It has advanced process controllers and sophisticated software to finely control combustion, allowing reduction of emissions like nitrous oxides, or dust, which has been reduced to a tenth at under 5mg per cubic meter. There is also a safety gain – the new boiler has a robot for cleaning the 'smelt' spot, formerly a safety concern for human workers in any paper mill.

The boiler began operating in June 2020 and will further help Smurfit Kappa's Net Zero emissions target with a circular energy economy using CO_2 neutral biofuel, and which uses an advanced heat exchanger to extract heat, add it to pre-combustion air, and so increase boiler efficiency.

A five star rating is only awarded to companies who are actively involving their suppliers in their efforts towards reaching these goals. For most businesses, a significant amount of their environmental and social impact comes from the supply chain, therefore it is vitally important to help suppliers understand and support the SDGs.

We have set targets that focus on our strategic areas and that are designed to align the Group with the UN 2030 SDGs.

More of our commitments can be read on page 15 of this report. Our products are also designed to prevent wastage of our customers' product in their supply chains, we are committed to continually reduce waste and find circular uses for our side-streams.

In our paper mills we are resource efficient, using raw materials and their by-products to their fullest. For example, our Piteå mill in Sweden, Parenco mill in the Netherlands and the three Brazilian paper mills Bento, Pirapetinga and Uberaba run almost entirely on biofuels derived from the wood-pulping process. Our Nettingsdorf mill in Austria joined this group in 2020. In many mills, biogases from waste water treatment are fuel for heat and power production, and our Roermond mill in the Netherlands has been internationally recognised for finding circular economy synergies by collaborating with local partners.

Product development and innovation at SKG is data driven, with a proven scientific approach informing good business decisions. Data collected from our operations is combined with ongoing research and analysis of customer challenges and specific markets. We employ a range of tools, 'InnoTools', uniquely exclusive to SKG, enabling us to create the optimal fit-for-purpose paper-based packaging solutions for our customers, thereby adding value to their businesses. Furthermore, the InnoTools feed information to our customer value-added services: SupplySmart; ShelfSmart; and eSmart in the area of supply chain optimisation, brand growth and e-Commerce.

We are proud of the transparency we offer our stakeholders, and the credibility that third-party assured data delivers. This approach is integral to our Group's strategy. A key element in delivering that strategy is engaging and involving our employees.

People

Empowering People & Communities

SKG aims to keep attracting and retaining the best employees. We have found that within our global organisation, people of different backgrounds and experiences will have different skills, perspectives and solutions, which in turn increases our sustainability and efficiency options. SKG is committed to managing its business in accordance with its declared values which recognise that good social citizenship, reflected in the manner in which it interacts with its employees, business partners and local communities, is an essential ingredient in creating and maintaining a sustainable future. SKG invests in employee empowerment ensuring human rights and dignity at work through freedom of association, fair compensation and promotion of diversity in age, gender, sexual orientation, ethnic origin, disability or nationality. We take care that capable people from all these groups are attracted and retained, and so we recruit and promote on merit.

SKG values open, constructive, regular and timely dialogue with its employees and their representatives, particularly in all matters affecting the business including safety, working conditions, profitability, business outlook, investment decisions or the terms and conditions of employment. The European Works Council ('EWC'), which was created to assist in the development of an open two way communication process for all employees and unions on all such matters, had two meetings during the year, with additional meetings with the Select Committee of the EWC. Matters typically discussed at the EWC include employment opportunities, financial status, projected developments, business conditions, relocation, curtailment or business closures and health and safety.

Implementing SKG's Social Citizenship Policy is the responsibility of line management who are supported by the Human Resource Managers at country, segment and Group level. In 2020 we introduced targets in the areas of Gender Balance, Inclusion and Diversity, People Engagement and People Development next to existing targets in Health and Safety and Communities. More on our Human Resources can be read on pages 52 to 63.

Sustainability continued

Health and Safety
SKG has made the health and safety of its workforce an overriding value. We adopt a structured and systematic approach to the management of health and safety considerations in the workplace.

We promote a health and safety culture founded on understanding, responsibility and accountability. We operate with health and safety as a core value, not just a priority. We aim to continually improve our performance by adopting a structured systematic approach to the management of health and safety aspects supported by continual improvement of our systems.

The commitments within the revised Group health and safety policies are consistent with those of the internationally recognised OHSAS 18001 occupational health and safety system specification. Every facility in SKG adopts a suite of good health and safety management systems designed to protect employees, visitors to its sites, contractors and the public at large from injury and ill-health.

All performance reviews at plant, country, division and regional level include a review of recent health and safety performance. On a quarterly basis, the Board receives a progress report outlining key health and safety developments.

The Group introduced the Total Recordable Injury Rate ('TRIR') as its health and safety performance measurement in 2018. The progress in health and safety performance has been positive and the trend remained so in 2020 with a further reduction in TRIR compared to previous years due to a number of health and safety measures and initiatives implemented across the Group. For details of this KPI, see page 30.

SKG is committed to making continual advances in our health and safety management processes. We regularly perform comprehensive health and safety verification and audit processes tailored specifically to our global operations. Based on our internal health and safety standards, this audit process verifies the presence of the appropriate protective measures.

Communities
Beyond our employees, our responsibilities extend to helping the local communities where we are located by behaving as a good corporate citizen. Alongside operating in accordance with the UN Declaration of Human Rights and the Fundamental Principles and Rights at Work, by supporting local education, income generation, collaboration and participation, we can strengthen communities. This is especially true in remote areas with limited opportunities for work.

Smurfit Kappa is focused on breaking the cycle of poverty in the communities in which we are located, beginning with the younger generations. Aligned to our Foundation, we want to break down the barriers which lead to young people and children in these areas being disadvantaged and remaining in poverty. We work to improve their situation through the lens of health and nutrition, basic care and education.

We believe, by working with key organisations in these areas, we can break the cycle of disadvantage, because what happens to us in childhood shapes our future success and the adults we become. Our goal is to help end the poverty and dependence where it exists in these communities, by supporting projects that provide a better start for their young people.

Impactful Business
Delivering to all Stakeholders
SKG has specific policies on key areas of sustainability which are integral in improving future performance. These cover Environment, Sustainable Forestry, Sustainable and Responsible Sourcing, Social Citizenship, and Health and Safety. These policies complement other policies in place, covering: Good Faith Reporting, Code of Conduct, Code of Ethics for Senior Financial Officers, Group Financial Reporting Guide, Group Treasury Policy, Financial Monitoring Policy, Treasury Compliance Programme, and Competition Compliance Programme.

A report on Corporate Governance is detailed on pages 68 to 72 of this Annual Report.

Anti-Bribery and Anti-Corruption
SKG maintains a zero-tolerance policy regarding acts of bribery and corruption. We comply with all anti-bribery and anti-corruption laws in the countries where we conduct business, not only because it is our legal duty to do so, but also because it supports the commitment we make to conducting business ethically and honestly.

Human Rights
SKG is subject to the provisions of the UK Modern Slavery Act. In keeping with the United Nations Guiding Principles on Business and Human Rights and the Fundamental Principles and Rights at Work developed by the International Labour Organisation, we are committed to the principles of respect, diversity, working fairly, fair pay, compensation and benefits which are also applied to our acquisition practices. They are maintained in every country in which we have a presence and are set out in our Code of Conduct, our Social Citizenship Policy Statement and our Sustainability Report.

SKG has thousands of suppliers globally and we consider that our suppliers are an integral part of the value chain of our business. We are committed to working with our suppliers in accordance with our sustainability principles and objectives whereby we distinguish the areas of compliance, performance risk, management, social responsibility and governance. Maintaining transparent and long-term relationships with suppliers is essential for our business. This partnership approach ensures we can audit suppliers on their compliance and our sustainable supply chain standards and, where they fall short, work with them to improve sustainability in their business.

In recognition of the nature and concern about modern slavery we expect our suppliers to ensure compliance with the Modern Slavery regulations.

Task Force on Climate Related Financial Disclosures ('TCFD') Index
The TCFD was established by the Financial Stability Board to develop recommendations in relation to climate-related disclosures that would inform investment and other financial decisions. The recommendations set out an important framework for understanding and analysing climate-related risks. In May 2020, SKG announced its support of the recommendations of TCFD. Following on from that, this is the Group's first year of reporting in line with those recommendations and we would expect this to develop and evolve over time.

The table on the next page sets out the TCFD recommendations and where our responses can be found. We also refer in the following table to the Carbon Disclosure Project ('CDP') Climate Change Response made by the Group in 2020. In line with the current TCFD recommendations we have been reporting to CDP and our disclosures to CDP can be found on our website at www.smurfitkappa.com/sustainability/performance.

Task Force on Climate Related Financial Disclosures ('TCFD') Index

Area	Recommended Disclosures	Source	Page (s)
Governance			
Disclose the organisation's governance around climate-related risks and opportunities.	a) Describe the board's oversight of climate-related risks and opportunities.	AR 2020 SDR 2019 CDP Climate Change response 2020	**AR**: 32-33 **SDR 2019**: 66 **CDP**: Section C.1 Governance
	b) Describe management's role in assessing and managing climate-related risks and opportunities.	AR 2020 SDR 2019 CDP Climate Change response 2020	**AR**: 32-33 **SDR 2019**: 66 **CDP**: Section C.1 Governance
Strategy			
Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.	a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long-term.	CDP Climate Change response 2020	**CDP**: Section C.2 Risk and Opportunities
	b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	CDP Climate Change response 2020	**CDP**: Section C.2 Risk and Opportunities and Section C.3 Business Strategy
	c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	CDP Climate Change response 2020	**CDP**: Section C.3 Business Strategy
Risk Management			
Disclose how the organisation identifies, assesses, and manages climate-related risks.	a) Describe the organisation's processes for identifying and assessing climate-related risks.	AR 2020 CDP Climate Change response 2020	**AR**: 32-33 **CDP**: Section C.2 Risk and Opportunities
	b) Describe the organisation's processes for managing climate-related risks.	AR 2020 SDR 2019 CDP Climate Change response 2020	**AR**: 32-35 **SDR 2019**: 23-29 **CDP**: Section C.2 Risk and Opportunities
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	AR 2020	**AR**: 32-35
Metrics and Targets			
Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	AR 2020 CDP Climate Change response 2020	**AR**: 31, 50-51 **CDP:** Section C.4 Targets and Performance and Section C.6 Emissions Data
	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas ('GHG') emissions, and the related risks.	AR 2020 CDP Climate Change response 2020	**AR**: 31, 50-51 **CDP**: Section C.4 Targets and Performance and Section C.6 Emissions Data
	c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	AR 2020 CDP Climate Change response 2020	**AR**: 31, 50-51 **CDP**: Section C.4 Targets and Performance

AR – Annual Report
SDR – Sustainable Development Report
CDP – Carbon Disclosure Project

Our Sustainability Priorities

Priorities

Forest

Promoting sustainable forest management involves managing supplies of sustainable, renewable fibre, while protecting ecosystems and creating employment in rural areas. Virgin wood fibres will always be needed for paper production to maintain quality. Fibre can be recycled around eight times when producing our paper-based packaging products. It is why using renewable wood fibre, paper recovery and fibre recycling is at the core of our circular economy approach. Furthermore, as our stakeholders, customers and investors expect, we communicate our impact in a transparent way.

Climate Change

Climate change is the most pressing issue of our time. To counter rising global temperatures, carbon neutrality by mid-century is vital. Paper making with current available technology is still energy intensive.

We are achieving CO_2 emission reductions by improving our energy efficiency, as well as by changing from fossil fuels to bio-based energy wherever economically viable.

Water

Clean fresh water is an increasingly scarce commodity, and often cited by our stakeholders as an important sustainability issue.

We need large volumes of fresh water to produce our products, and even though we are not a large consumer of water – we release over 90% of the water we take in back to the environment – availability of fresh water is still essential to us.

Risks and Opportunities

Forest

As growing consumption increases pressure on resources, society places increased value on sustainable consumption and production, integrity of origin, recycling and avoiding litter and packaging waste. Fit-for-purpose packaging has never been more important. We are implementing forest certification and Chain of Custody certification to guarantee origin traceability. Using both recycled and virgin fibres in production, we intend to use this opportunity to deliver fit-for-purpose packaging with the best overall environmental footprint for each product.

Climate Change

Climate change poses different risks and opportunities within the value chain. Risks vary from extreme weather affecting our sites, to increasing costs for the emission of CO_2 and pressure on availability of raw materials. The circular economy is also an opportunity for our business as we seek to use resources efficiently. We are also investing in technology to reduce our energy demands. Finally, we are improving resource and energy efficiency when producing paper products and optimising the use of raw material residual streams, such as black liquor, in bioenergy production.

Water

Our global assessment shows that only 13% of our paper production takes place in areas of fresh water scarcity, representing 5% of our water intake.

The discharge of our water before or after treatment can be a valuable input for some of our neighbours' processes.

To help ensure that our water use is correctly understood, we became a signatory to the CEO Water Mandate, and strive to understand local water related risks and needs so we can address them as and if they arise.

Our Commitment

Forest

At Smurfit Kappa we have committed to promoting sustainable forest management at our sites and throughout our value chain. This means producing and sourcing our fibres, virgin or recycled, as Chain of Custody Certified. We have committed to delivering over 95% of our packaging solutions as Chain of Custody certified. In 2016, we reached our previous target to sell over 90% of our products as Chain of Custody Certified and in 2020 we reached a level of 93.8%. This year we accelerated our target to 95%.

Climate Change

Our approach to the challenges of climate change and energy efficiency sets out to achieve more energy efficient production at our sites, lower energy use in manufacturing and a switch from fossil fuels to biofuels wherever feasible. Our success is measured by our reduction in CO_2 emissions – we have targeted to reach Net Zero carbon emissions by 2050 and we have committed to a 55% reduction in scope 1 and 2 fossil fuels based on CO_2 emissions in our mill system compared to 2005 levels by 2030. In 2020, we reached a 37.3% reduction in the specific CO_2 emissions per tonne of paper produced compared to 2005.

Water

Our focus is on the long-term improvement of the quality of water we discharge, and understanding the risks associated with water availability and its use in the areas where we operate. To increase our global and local impact, we will continue to invest in water treatment facilities and require the same standards from all our paper mills, regardless of their location. In 2020, next to our existing target to reduce our COD discharge intensity by 60% by 2025 compared to 2005, we also introduced an annual water intake reduction target of 1% annually.

Waste

Increasing scarcity of resources demands responsible production and consumption. Avoidance of waste is a key issue for our stakeholders and customers. Our products are specifically designed to prevent loss and damage to the goods they protect.

Our process itself is circular by nature. The fibres our products are made from are renewable, recyclable, recycled and biodegradable. 75% of our raw material is derived from recycled fibre and the remainder is from sustainable sources. Our production process itself generates almost no waste.

Avoiding packaging waste by simply focusing on packaging weight might be seen as a quick way to decrease landfill. This, however, can lead to more waste resulting from greater damage to goods or poor material choices. We see an opportunity to create fit-for-purpose, sustainable packaging with mono-material solutions designed for optimal performance and recyclability. We are also working with the recycling and paper producing industries to keep our raw materials in the recycling loop.

We have a strong focus on innovation. Our Better Planet Packaging initiative drives new efficiency solutions for our raw materials while keeping them in the recycling loop.

We also work towards the increased recovery of any waste delivered to us when recycling recycled fibre, ultimately to avoid landfill with a target to have 30% less waste to landfill by 2025.

In 2020, we reached a reduction in the amount of waste to landfill per tonne of paper produced by over 23% compared to the reference year 2013.

People

Employee Strategy

Smurfit Kappa unites some 46,000 people around the globe, our people are at the heart of all our operations. This includes those for whom we directly and indirectly create jobs, as well as those whose lives we impact. We can only achieve sustainable long-term success by relying on our people's talent, expertise and innovation.

A key challenge is attracting the right talent to ensure succession planning and leadership continuity, particularly for sites in rural locations, where the education needed may not be provided. Obstacles include low awareness of our business-to-business brand. This makes it even more important to gain recognition for our efforts in all aspects of sustainability: environmental responsibility, human rights, equal opportunities and fair pay – all important elements in the opportunity of being seen as a responsible, attractive employer for the best talent.

We want to empower all employees to reach our business objectives. We therefore:

- 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-up;
- Compensate fairly, review performance regularly and offer gender neutral career opportunities and pay; and
- Maintain a good faith 'Whistleblower Code' for reporting any unethical or illegal conduct.

Health and Safety

Our stakeholders expect us to provide a safe and healthy working environment and promote a healthy and safe lifestyle. We are committed to maintaining a safe and productive workplace in every part of our Company by minimising the risk of accidents, injury and exposure to health hazards for everyone on our sites.

As an industrial business operating in 35 countries, we are responsible for the health and safety of a large number of people. Our size creates a challenge to maintain the same standards for all. At Smurfit Kappa we believe that health and safety extends from work to home, creating an opportunity to be acknowledged as a responsible employer. We engage our employees with policies and procedures to deliver, innovate and produce in a safe environment.

We are committed to maintaining a productive and safe workplace by minimising the risk of accidents, injury and exposure to health hazards for every employee and all sub-contractors. To measure our success, we committed to reducing our TRIR by 5% annually. In 2020 we reached a level of 0.60, a 29% improvement compared to 2019.

Communities

Our impact is not only on the people we work with. Our responsibilities extend beyond, to supporting local economies and livelihoods, especially in areas with limited opportunities for work and where we are significant employers.

We see ourselves as a 'corporate citizen' in the communities in which we're privileged to operate. All around the world we actively support positive and lasting changes. If we were not concerned about our locations, we would risk damaging our license to operate. By supporting local education, income generation, collaboration and participation, we can strengthen communities and keep them attractive to our future workforce. The opportunity is to participate in communities, making it attractive for the best talent to join us.

Across Smurfit Kappa we are committed to the communities in which we operate, and our Foundation empower people to improve their lives. Where the cycle of poverty and dependence is an issue, we aim to help end this, strengthening communities around the world. Between 2020 and 2025 we will donate over €24 million to support social environmental and community initiatives.

As a responsible business, we support global human rights and labour standards, and check that our suppliers do too. We are committed to ethical business standards; we work against corruption in all its forms, including extortion and bribery (see Code of Conduct on the Group's website).

People

Our people are the cornerstone of our success

In these extraordinary times, when COVID-19 has changed so much for all of us, affecting how we live, work and interact with each other, it is the resilience, determination and commitment of our people that really stands out.

During this unique and unexpected year, it is our commitment to our people, our focus on employee engagement and communication, our team collaboration, and our embedded culture; combined with our strong values of Safety, Loyalty, Integrity and Respect, which has led to our continued success.

At the start of the year, we began to implement our new and evolved people strategy and plan. However, at that time no one could have predicted the shift the world was about to face, as COVID-19 began to get a foothold across all the countries where we do business. We immediately drew on our collective strengths and acted swiftly to protect each other, while doing all we could to support our organisation, our customers and our communities. Together, the quality of our people and the agility of our organisation have proved to be our most valuable assets in our response to COVID-19 and in delivering for all stakeholders during 2020.

During the year, as we continued to learn, adapt and live with COVID-19, we are pleased to report that we achieved all our people objectives, some ahead of plan, and delivered the first phase of our strategy successfully despite the challenges.

Mid-year we also conducted a Group-wide COVID-19 Employee Engagement Pulse Survey to ensure our people felt safe, supported and connected, and to understand if they felt our response to the pandemic was effective. Their endorsement was positively over-whelming and their ideas invaluable.

Supporting our people safely throughout the pandemic, was our number one priority. Our four key strategic HR pillars: Employee Experience for Performance; Inclusion, Diversity and Belonging; People Development and Talent Management, and Rewards and Recognition, as well as our HR Foundations ensured our people were safe, fully supported by management and connected to each other and the wider organisation at a time when we had to work differently and, in some cases, apart.

I am so proud of the contribution and commitment our people have made this year. In addition to their regular charitable fundraising and local community activities, where we have contributed over €20 million in the past five years to the communities where we are located, our organisation and our employees have donated approximately €3 million extra this year to COVID-19 related causes such as; food for the hungry, support for the homeless, provided PPE to the vulnerable and even helped to set up and kit-out field hospitals in some of our communities.

Additionally, the core foundations of our HR Strategy have under-pinned organisational performance. Health and Safety has been to the forefront of everything we have done, while our Code of Conduct and Speak Up Service has been rolled-out in 21 languages and is now deeply embedded across the organisation.

The Smurfit Kappa team continues to come together, to support the families who have lost loved ones due to COVID-19 related illnesses this year, and we would again like to extend our deepest sympathies to the families and friends of these colleagues.

Sharon Whitehead
Group Vice President Human Resources
Smurfit Kappa Group

Smurfit Kappa – a Globally Admired Employer of Choice

Employee Experience for Performance

Throughout 2020 COVID-19 gave us an opportunity to learn; and opened us up to new possibilities. We have been discovering new efficient and effective ways of working, collaborating and supporting each other. This has helped us to adapt quickly to changing conditions and work environments.

Inclusion, Diversity and Belonging: Remained a Key Focus

We are continuing to build on what we have already achieved within the organisation, while ensuring our recruitment and development processes continue to enhance and support our diverse community of over 46,000 employees, across 35 countries, located in our 350+ sites.

People Development and Talent Management

The past year has underlined the strength of talent we have at every level of the organisation. We have depth and strength to our leadership, which has allowed us to be agile. This ensured we were able to overcome the immediate challenges of the pandemic, while having the resilience needed to continue to adapt, innovate and thrive for the longer term.

Rewards and Recognition: Played a Key Role During 2020

In December, we communicated and implemented a unique Employee COVID-19 Recognition Award for all permanent employees. This was to thank them for their commitment during this difficult time, when we not only delivered for all our key stakeholders but went above and beyond to fulfil our role as an essential partner across many crucial supply chains.

Five fundamentals of our HR strategy

- Safety and Well-being
- Legal Framework
- Industrial Relations
- HR Information Systems
- Internal Communications

See more in our HR section, pages 62 to 63

Employee Experience for Performance

Our Ambition: Create a continuous two-way dialogue, to ensure our people understand our strategy and the role they play in its delivery, to inspire them to perform at their best every day.

Deeply engaged and motivated teams are vital to our success. 2020 has certainly demonstrated the role effective employee engagement and communications play in organisational performance.

As we began our work in the area of Employee Experience at the start of the year, we were committed to building a community of highly engaged employees through; the creation of a continuous listening strategy, a two-way digital communications plan that would reach deep into the hearts of our mills and plants, whilst also creating an employee value proposition for all generations in Smurfit Kappa.

The past year has seen many of these activities accelerated. Our communications cadence, under the theme of *'Safe, Supported and Connected'*, has been fundamental to informing and engaging our 46,000 employees across the Group. And, we have also undertaken a Group-wide Pulse Survey, which you can read about in our case study, to provide a direct feedback loop for all colleagues, during the pandemic.

Another core area of focus was evolving our ways of working. COVID-19 has provided us with an opportunity to accelerate this, as our business and our employees have new expectations on the future of work, based on our learnings during the year. In December we introduced a new business initiative called 'MyWork', a new smarter way of working.

MyWork, will allow us to take forward the efficient ways of working we have experienced during COVID-19, while we continue to invest in providing our teams with the tools and technology, they will need to be successful and deliver. We have embraced these new efficient ways of working together, while building on our culture and values, enabling our aspiration of being a 'Globally Admired Employer of Choice'.

COVID-19 Pulse Survey

The health and safety of our people, which is the number one priority for our organisation came into even sharper focus during COVID-19. Its effects caused unprecedented disruption for our employees, and to connect directly and demonstrate how much we value our people, we undertook a Group-wide Pulse Survey in May.

The aim of the survey was to help us understand if our response to COVID-19 was appropriate and to get feedback from all levels in the organisation. We also needed to know what we could do better and to be fully aware of how people were feeling during the pandemic. This year we dedicated our annual 'Smurfit Kappa Safety Week' to the theme of the survey, which was focused on *'SKG – Your Safety during COVID-19'*.

We asked colleagues how they were feeling; if they felt the leadership was doing enough to help keep them safe and to hear if we could do more. We asked for feedback on our new PPE and safety procedures and we also wanted to understand if they were happy with our level and frequency of communications. We wanted to be sure our approach was right during this crucial time.

The results of the survey were a resounding endorsement of our COVID-19 plan. We received positive scores of over 90%, across all four dimensions of the survey: Concern & Connection; Employee Wellness Health & Safety; Senior Leadership Response & Communication and Work Effectiveness.

2020
MyVoice

Inclusion, Diversity and Belonging

Our Ambition: To create an inclusive workplace where everyone has a real sense of belonging and can be their authentic selves at work, every day.

We truly value the diversity of our 46,000 employees who bring so much to our organisation in terms of culture, perspective, leadership and innovative thinking.

Embracing and celebrating these differences is a core component of our 'EveryOne' programme. We have continued to advance our commitment to nurturing an inclusive culture, where all employees can thrive and contribute to our success.

Our aim is to create a work environment in which all individuals can contribute, free from discrimination or harassment, and in which all decisions are based on merit. It is our commitment not to discriminate against colleagues or candidates on the basis of age, disability, faith, gender, sexual orientation or gender identity, marital or civil partnership, parental responsibilities or race (colour, ethnic or national origin, nationality).

To help deliver on this agenda, we have been making progress by forming key strategic alliances. Earlier this year we announced that we have joined The Valuable 500, a global CEO community revolutionising disability inclusion, through business leadership and opportunity. We have also recently partnered with the Employers Network for Equality and Inclusion ('ENEI'), which is a leading global employer network promoting equality and inclusion in the workplace.

Trinity Centre for People with Intellectual Disabilities: SK 'Lift-Off-Me@MyBest' Programme

For the past two years, Smurfit Kappa has been a patron of The Trinity Centre for People with Intellectual Disabilities ('TCPID'). It aims to offer people with this type of disability the opportunity to participate in a higher education programme, designed to enhance their capacity to fully participate in society as independent adults.

This year, we continued our support by developing a bespoke development programme called Smurfit Kappa 'Lift-Off -Me@MyBest'.

It comprised of eight weekly modules, covering some of the main business functions. It was aimed at helping the graduates understand what it is like to work in a professional environment, while also helping them to sharpen their workplace skills.

Employees at Smurfit Kappa Group Headquarters in Dublin volunteered their time to facilitate these online training sessions for the TCPID students, with the eight-week course concluding with an online graduation ceremony.

Trinity College Dublin
Coláiste na Tríonóide, Baile Átha Cliath
The University of Dublin

Smurfit Kappa Italy Recognised as a Top Female Employer

Smurfit Kappa Italy has recently been recognised as one of the country's 'Best Employers for Women in 2020'.

The Award was presented by Istituto Tedesco Qualità e Finanza, the German Institute of Quality & Finance, which has been active in Italy since 2013. Recognised as the European leader for quality tests and certifications, their approach is based on social listening.

To be listed in the ranking of best employers, a company is required to reach at least 60% in its specific sector. The results, which were published in mid-September, rank the 200 best employers in Italy. Smurfit Kappa is listed in the business sector, under 'Packaging & Container' companies and was awarded a 100% ranking.

This photo was taken before COVID-19 and social distancing/safety protocols were put in place.

We continue to make progress in the area of gender diversity within our organisation. Female employees represent 19% of our workforce, while our manager population and Executive Committee female representation is increasing. At Board level, female representation is now at 33%, with our Group Executive Committee at 31%, demonstrating progress on our journey to gender equality.

We are supporting the 30% Club, which is a global campaign led by company Chairs and CEOs who are committed to taking action to increase gender diversity at board and senior management levels. These partnerships are elements of the next stage of our 'EveryOne' programme, which we will implement in January 2021.

During the year, across Smurfit Kappa, we worked together to celebrate a series of events, which have now become highlights on our annual Inclusion and Diversity calendar. Two such events were International Women's Day (March) and International Pride Day (June). Celebrating these events internally helps us raise awareness of our equality programmes, while educating and inspiring everyone to focus and participate with our wider inclusion and diversity agenda.

People Development and Talent Management

Our Ambition: To help our people grow their careers and deliver on their potential, so we can realise our ambition for the organisation and drive forward.

Further supporting and developing the culture and practice of talent management in the organisation is core to our success. We recognise it is what will guarantee our future performance and the continuation of the values and culture, which underpin our organisation.

Additionally, focusing on talent by having the right succession plans in place, will ensure we can continue to fill key operational and strategic positions. This will help us deliver the right people, with the right skill set, for our various roles as they arise, in order to ensure our ongoing success.

This approach to talent management has delivered many leaders for the organisation. They have built and grown their careers over many years, with an average tenure of 17 years among this cohort. A significant number of them joined us straight from university and have built their careers through a mix of internal and external learning and development programmes, as well as real-life and on-the-job training.

During the year, our approach to our learning and development programmes in the Smurfit Kappa Academy had to change from our usual in-person training to online. We successfully developed and led a number of online modules in virtual classrooms across the globe for our key programmes including; the 'Leading Self' module of our Advanced Management Development ('AMD') programme, while we also completed an engaging, virtual Graduate Workshop in the Americas.

In addition, we created and delivered a virtual learning event for our cohort of leaders who had attended our Open Leadership programme with INSEAD across our global business. Individual countries also innovated and adapted at local level, so they could continue to deliver their own learning events.

During 2020, we worked together to create a blended (online and in person) Smurfit Kappa Academy programme of events for 2021. The Programmes we have designed, continue to have a strong focus on building networks and connections with colleagues and will maintain and enhance the learning objectives of our key programmes.

Open Leadership 'Leading in Uncertainty', Virtual Learning Event

In May 2020, we successfully hosted the first online Smurfit Kappa leadership webinar, with our CEO and the INSEAD Business School titled 'Leading in Uncertainty'.

The event was attended by over 300 senior executives from across the Group and was connected to our Open Leadership Programme at INSEAD. The programme was designed to support our nine 'Open Leadership' capabilities, under the four headings of: Leading Self, Leading People, Leading the Organisation and Leading the Market.

This session was a great opportunity to showcase new ways to connect with senior leaders, while discussing important topics such as communicating in a crisis, leading and embracing change and the role of leadership during the COVID-19 pandemic.

Our Nine Open Leadership Capabilities

Empower and develop people	Take a strategic perspective	Balance global and local
Inspire and engage people in change	Maximise value and innovation for the customer	Be authentic
Open up and make the most of diversity	Deliver operational excellence and results	Know yourself and embrace learning

Rewards and Recognition

Our Ambition: We aim to attract, retain and recognise our employees through competitive working practices. Making sure that people are not just appropriately rewarded from a monetary perspective, but also see their achievements recognised and valued in the workplace.

As 2020 came into focus, we began our four-year plan to review our approach to Rewards and Recognition across Smurfit Kappa. Its purpose was to ensure we have a fair and competitive package of compensation benefits in place, which compares favourably with the market.

We recognise how critical it is for employees to be appreciated at work, because it confirms that both they and their work are valued. It is also critical that our rewards programmes are clearly aligned with pay for performance, so our people can see a clear link to their compensation package when they perform above and beyond what is expected.

The work earlier this year began by helping our senior managers fully understand their total rewards package. We designed 'Total Rewards' statements for our top 500 managers, which were then communicated directly to them.

As an organisation, we are committed to gender pay equality and we continue to proactively monitor the pay of male and female colleagues, in similar roles to ensure it is comparable. For example, under UK legislation, employers with more than 250 employees are required to publish key metrics on their gender pay gap. Our UK business has recently published their report, which shows an improvement over the last few years.

The Group ensures that positive employee and trade/labour union relations are maintained to the highest of standards, so we can ensure fair and sustainable Collective Labour Agreements. In setting our reward packages, Smurfit Kappa takes into consideration the employee's performance, external benchmark data for their role in companies of similar size and scope, while also ensuring internal equity within the Group.

Our key objectives for our Rewards Policy are to:
- Create a framework to enable the Group to attract and retain talented employees;
- Motivate employees at every level of the organisation to achieve the Group's strategic objectives; and
- Provide competitive rewards and benefits that are clearly linked to performance.

'European Plant of the Year and Excellence in Safety' Award

During 2020, we continued to deliver year-on-year improvement in our health and safety performance – 99 of our European sites had zero recordable injuries and we improved our TRIR performance by over 8%.

From our 250 plants across Europe a short-list of five, were nominated for our 'European Plant of the Year and Excellence in Safety' Award, which was a significant achievement for each and every one of them. Due to COVID-19 restrictions, the Awards ceremony took place online and although the occasion was different, the sense of pride and excitement was the same.

Nominees were selected, due to their excellent performance over a sustained period of time, something that doesn't just happen, but is delivered due to an unrelenting commitment and dedication to reducing injuries to both colleagues and contractors.

The overall winner was decided against a number of key criteria including:
- TRIR performance over recent years;
- Contractor health and safety performance;
- Safety survey results;
- Number of high potential near misses; and
- Development and implementation of local safety initiatives.

If was difficult to pick an overall winner from among the five plants, but the Award was presented to Smurfit Kappa Vignate. This was due to the fact that they had more than eleven years without a Lost Time Accident, over four years without a recordable injury, excellent Health & Safety Survey results, a very visible presence for the 'Safety for Life' campaign and strong local leadership.

The judges were also impressed by the level of awareness employees had reached in terms of their own safety and that of their colleagues, the overall approach to good housekeeping and the excellent level of protection around all the machines.

Against the backdrop of a global pandemic, Smurfit Kappa has continued to perform. Our employees across the world excelled and continued to drive the organisation forward. In recognition of these achievements, the Board decided to grant a once-off recognition award to all permanent employees to acknowledge their exceptional contribution.

It was also decided by our top 500 senior managers, that they would donate their share of this award to a fund to help support the families of colleagues who had died due to COVID-19 related illnesses during the year.

Our Human Resources Foundations

Underpinning our four HR strategic pillars are the five fundamentals of our HR strategy:

Five fundamentals of our HR strategy

Safety and Well-being	Legal Framework	Industrial Relations	HR Information Systems	Internal Communications

The health, safety and well-being of our teams across the world is at the core of how Smurfit Kappa operates. It is part of our culture and cemented into our organisational values of; Safety, Loyalty, Integrity, and Respect. Indeed, our vision is to ensure that every day, every Smurfit Kappa employee returns home safely to their families.

Our health and safety culture is founded on authenticity, empowerment and accountability and at the heart of it is our 'Safety for Life' initiative, which endeavours to connect the choices our colleagues make at work, with the choices they are then able to make outside of work (with their families) and in doing so raises awareness around our 'six high-risk areas', outlined in the diagram below.

To deliver our ambition of zero fatalities and serious accidents, these six areas highlight where we need to be the most cautious and alert in our day-to-day work. As our workplace becomes more familiar to us, it is important that we continue to see the dangers around us.

To ensure a safer future for all Smurfit Kappa employees, we always try to learn from our mistakes, to keep everyone from harm.

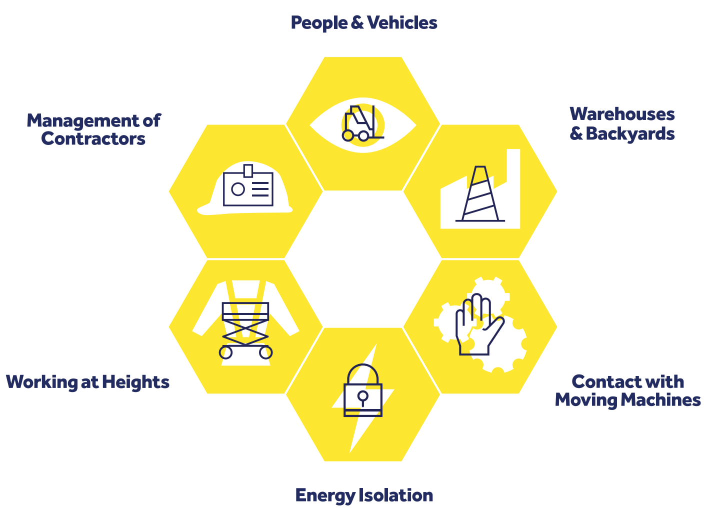
Our COVID-19 management and control has been effective. We have ensured, with a robust set of consistently applied control measures, that our people have remained as safe as possible, while continuing to supply our customers.

We kept our focus on our business-as-usual progress in the area of health and safety. Alongside our COVID-19 new ways of working, we continued to deliver our core programmes including 'Safety for Leaders' across our European business, which helps build resilience, joined up thinking and good teamwork, at a time when it is really needed.

In the Americas, we launched a Behavioural Safety Initiative to improve the safety culture and leadership, particularly among our front-line operational leaders, which will continue into 2021 and beyond.

Our strong audit programme continued, with some disruption due to COVID-19, while we also continued to build on our good governance model.

Aside from our obvious commitment to health and safety, the well-being of our employees is also core to our people agenda. In the third quarter, we launched a new Employee Assistance Programme ('EAP') for all our European colleagues and their families. This means we now have an EAP programme in place across the entire organisation. Supporting mental health has also been a core focus for us during 2020.



One of the most important achievements of our Health & Safety programme this year is the continued positive performance of our TRIR trends. We have achieved a 29% reduction, compared with 2019 and delivered our best year ever, with the lowest number of incidents or injuries.

Equally, we recognise that it is not just about counting incidents and increasingly our focus is on the actions we know will reduce the numbers of injuries; for example, having safety conversations, recognising strong safety performance and further controlling potential risks within our operations.

Despite our best efforts, regrettably we had two contractor fatalities during 2020. This has made us even more determined to ensure our leaders and managers re-double their efforts to be ambassadors of good health and safety and to ensure our people step-up to take personal responsibility.

Global Employee Assistance Programme

As part of our ongoing Health and Well-being agenda, in the third quarter, we completed the roll-out of our Employee Assistance Programme ('EAP') by putting a service in place across Europe.

Provided by Lifeworks, a third-party supplier, it is a free, confidential service to help our colleagues and their families cope with any work, life or health concerns.

This free, confidential service is available 24/7/365, in all languages and provides:

- Local expert support, consultation and counselling;
- Assistance in meeting challenges and resolving work/life issues;
- Solution focused counselling and consulting services;
- Services offered away from the workplace, in confidence;
- Caring advisors who can help you choose a support option that suits your needs and learning style; and
- Support in the case of a crisis situation.

LifeWorks by Morneau Shepell

Our Global 'Speak Up' Service Makes an Impact

A new approach to our Group ethics management processes and governance was launched in the fourth quarter of 2019 to provide enhanced reporting channels, improved case management systems and to guarantee a management process that aligns with the three underlying principles of Smurfit Kappa's Code of Conduct; compliance with the law, ethical behaviour and a commitment to quality and service.

The 'Speak Up' platform allows all stakeholders to easily and confidentially report any issue or instance of wrongdoing. The service is available 24/7/365 and guarantees user confidentiality and/or anonymity and assurance of non-retaliation.

As part of the continuation of this project dedicated to Group Ethics Management Processes & Governance, Group HR launched its worldwide communication campaign to all employees in March 2020.

Our objective was to ensure that in every site, from office to production, every employee was made aware of our new Code of Conduct and Speak Up Service, which are available in all of the languages used across our organisation. Since the launch of the Speak Up website, we have seen regular use of the reporting system and a three-fold increase in reporting.

Following its full first year of usage, the system now provides us with the opportunity to analyse the global data, implement proactive actions and mitigate further risks.

Smurfit Kappa Speak UP


June 2018

Smurfit Kappa

Health & Safety Policy Statement

Our Vision

Every Smurfit Kappa employee must return home safely to their families.

At Smurfit Kappa, we promote a Health and Safety **culture** founded on **authenticity**, **empowerment** and **accountability**.	We operate with **Health & Safety** as a **core value**, not just a priority.	We believe that operating **safely** is **non-negotiable** and no task is so important it can't be done safely.
Tony Smurfit Group CEO	**Saverio Mayer** CEO Europe	**Signature** Country / Cluster CEO

Board of Directors

		
Irial Finan Non-executive Chair	**Anthony Smurfit** Group Chief Executive Officer	**Ken Bowles** Group Chief Financial Officer
Nationality: Irish	Nationality: Irish	Nationality: Irish
Term of office Irial Finan joined the Board in February 2012. He was appointed Chair in May 2019.	Anthony Smurfit has served as a Director of the Group since 1989* and was appointed Group Chief Executive Officer in September 2015.	Ken Bowles was appointed Group Chief Financial Officer in April 2016 and was appointed a Director in December 2016.
Independent Yes**	No	No
Committee membership		
Biography Irial Finan joined the Board in February 2012. He was appointed Chair in May 2019. He was Executive Vice President of The Coca-Cola Company and President of the Bottling Investments Group from 2004 until he stepped down from the role in December 2017 and retired in March 2018. Prior to this Mr Finan served as Chief Executive Officer of Coca-Cola Hellenic Bottling Company SA. He joined the Coca-Cola System in 1981. He also serves on the Boards of Coca-Cola European Partners plc, Coca-Cola Bottlers Japan Holdings Inc. and Fortune Brands Home & Security, Inc.	Anthony Smurfit has worked in various parts of the Smurfit Kappa Group both in Europe and the United States since he joined the Group. He was appointed Group Chief Executive Officer in September 2015, prior to which he was the Group Chief Operations Officer from November 2002. He was also Chief Executive of Smurfit Europe from October 1999 to 2002 prior to which he was Deputy Chief Executive of Smurfit Europe and previously Chief Executive Officer of Smurfit France. He is a Board member of CEPI (Confederation of European Paper Industries), and is also a member of the European Round Table of Industrialists.	Ken Bowles joined the Group in 1994 and has occupied a number of finance roles in various parts of the Group. Mr Bowles was appointed Group Chief Financial Officer in April 2016, prior to which he was the Group Financial Controller from 2010. He was the Group's Head of Tax from 2007 to 2010 prior to which he was appointed as the Group's first Head of Compliance in 2004. Mr Bowles is an associate member of the Institute of Chartered Management Accountants and holds a first class MBA from the UCD Graduate School of Business.

* For Smurfit Kappa Group plc or its predecessor companies, SKG returned to Euronext Dublin and LSE on its IPO in March 2007.
** On his appointment as Chair in May 2019 Irian Finan was independent.

Board Committees

Audit | Remuneration | Nomination | Sustainability | Chair Chair

Anne Anderson
Non-executive Director

Nationality: Irish

Term of office
Anne Anderson joined the Board in January 2019.

Independent
Yes

Committee membership

Biography
Anne Anderson is an experienced international diplomat who most recently served as the Ambassador of Ireland to the United States from 2013 to 2017. Ms Anderson joined the Department of Foreign Affairs in 1972 and was appointed Assistant Secretary General in 1991 serving in this post until 1995. She was then appointed Ireland's Permanent Representative to the United Nations in Geneva after which she became Permanent Representative of Ireland to the European Union in 2001. Following this Ms Anderson was appointed Ambassador of Ireland to France in 2005, where she served until 2009. In 2009 she became Permanent Representative of Ireland to the United Nations in New York. Ms Anderson chairs the Advisory Group for the Peacebuilding Fund at the United Nations. She is also a Board member of the Druid Theatre Galway.

Frits Beurskens
Non-executive Director

Nationality: Dutch

Term of office
Frits Beurskens has served as a Director of the Group since December 2005.*

Independent
No

Committee membership

Biography
Frits Beurskens joined the Kappa Group in 1990 and held various Managing Director positions until his appointment as its President and CEO in 1996 which he held until the merger with Smurfit. He is a former Chair of both the Confederation of European Paper Industries and the International Corrugated Cases Association and a former member of the Board of Sappi Limited. In December 2007 he was knighted and appointed by the Dutch Queen as Officer in the Order of Oranje Nassau.

Carol Fairweather
Non-executive Director

Nationality: British

Term of office
Carol Fairweather joined the Board in January 2018.

Independent
Yes

Committee membership
Chair

Biography
Carol Fairweather was Chief Financial Officer and an executive Director of Burberry Group plc from July 2013 to January 2017. She joined Burberry in June 2006 and prior to her appointment as CFO, she held the position of Senior Vice President, Group Finance. Prior to joining Burberry, Ms Fairweather was Director of Finance at News International Limited from 1997 to 2005 and UK Regional Controller at Shandwick plc from 1991 to 1997.
Ms Fairweather currently serves as a non-executive Director of Segro plc.
Ms Fairweather is a Fellow of the Institute of Chartered Accountants.

Kaisa Hietala
Non-executive Director

Nationality: Finnish

Term of office

Kaisa Hietala joined the Board in October 2020.

Independent

Yes

Committee membership

Biography

Kaisa Hietala spent over 20 years at Neste Corporation, where she was a key architect in the strategic transformation of the company to become the world's largest producer of renewable diesel and renewable jet fuel. She served as Executive Vice President, Renewable Products at Neste Corporation and as a member of the Neste Executive Board from 2014 to 2019. Prior to this she held a number of senior positions including VP, Renewable Fuels, Neste Oil Corporation. Kaisa is currently a partner at Gaia Consulting, a sustainable business consultancy firm focused on helping companies turn climate challenges into profitable business opportunities and serves as a non-executive Director of Kemira Oyj.

James Lawrence
Non-executive Director

Nationality: American

Term of office

James Lawrence joined the Board in October 2015.

Independent

Yes

Committee membership

Biography

James Lawrence is currently Chair of Lake Harriet Capital, LLC, an investment and advisory firm. He served as Chair of Rothschild North America from 2012 to 2015 and previously served as Chief Executive Officer of Rothschild North America from 2010 to 2012. Prior to this, Mr Lawrence served as Chief Financial Officer and an executive Director of Unilever plc. Mr Lawrence joined Unilever from General Mills where he was Vice-Chair and Chief Financial Officer. He previously also held senior positions with Northwest Airlines and Pepsico Inc. He is a non-executive Director of Avnet, Inc. and Aercap Holdings N.V.

Lourdes Melgar
Non-executive Director

Nationality: Mexican

Term of office

Lourdes Melgar joined the Board in January 2020.

Independent

Yes

Committee membership

Biography

Lourdes Melgar is a consultant and scholar recognised for her expertise in the areas of energy, sustainability and public policy. During her career, she held various positions in Mexico's foreign service. During the design and implementation of Mexico's energy reform, Dr Melgar served as Vice-Minister for Electricity from 2012 to 2014 and was appointed Vice-Minister for Hydrocarbons, a position she held until 2016. Dr Melgar is currently a Research Affiliate at the Center for Collective Intelligence at MIT and a non-resident Fellow at the Center of Energy of the Baker Institute. She currently serves on the Board of Grupo Financiero Santander Mexico.

Board Committees

Audit | Remuneration | Nomination | Sustainability | Chair

John Moloney
Non-executive Director

Nationality: Irish

Term of office

John Moloney joined the Board in December 2013.

Independent

Yes

Committee membership

Chair

Biography

John Moloney is the former Group Managing Director of Glanbia plc, a global performance nutrition and ingredients company. He served as Group Managing Director of Glanbia plc from 2001 until he retired from this position in November 2013. He joined Glanbia plc in 1987 and held a number of senior management positions before he was appointed Deputy Group Managing Director in 2000. He is Chair of DCC plc, and currently serves on the board of Shorla Pharma.

Jørgen Buhl Rasmussen
Non-executive Director

Nationality: Danish

Term of office

Jørgen Buhl Rasmussen joined the Board in March 2017.

Independent

Yes

Committee membership

Chair

Biography

Jørgen Buhl Rasmussen is the former Chief Executive Officer of Carlsberg AS. He served as the Chief Executive Officer of Carlsberg AS from 2007 until he retired from this position in 2015 having joined the company in 2006. He previously held senior positions in several global FMCG companies, including Gillette Group, Duracell, Mars and Unilever over the previous 28 years. He is Chair of Novozymes AS and an Advisory Board member of Blazar Capital.

Gonzalo Restrepo
Senior Independent
Non-executive Director

Nationality: Colombian

Term of office

Gonzalo Restrepo joined the Board in June 2015.

Independent

Yes

Committee membership

Chair

Biography

Gonzalo Restrepo is the former Chief Executive Officer of Almacenes Exito SA, a leading retail company in Latin America and a subsidiary of the French company, Casino Group. He served as the Chief Executive Officer of Almacenes Exito from 1990 until he retired from this position in 2013. He is a non-executive Director of Cardif Colombia Seguros Generales SA. He is a member of the Entrepreneurs Council of Proantioquia in Colombia.

Corporate Governance Statement

The Directors continue to be committed to maintaining the highest standards of corporate governance. This Corporate Governance Statement describes how throughout the financial year ended 31 December 2020 Smurfit Kappa Group plc applied the principles of the 2018 UK Corporate Governance Code ('the Code') published by the Financial Reporting Council ('FRC').

The Directors believe that the Group has fully complied with the provisions of the Code throughout the year under review. The Directors have continued to evolve the Group's governance framework following the publication of the Code. The Directors fully recognise the value in developing corporate and Board culture in the knowledge that culture plays a fundamental role in the delivery of our strategy, stakeholder engagement and sustainability, which as this report highlights are critical for SKG if we are to continue to build a sustainable business, ensure compliance with the Code and meet best practice requirements.

A copy of the Code can be obtained from the FRC's website: www.frc.org.uk.

Ensuring Long-Term Success

The Board is primarily responsible for the long-term success of the Group, for setting the Group's strategic aims, for the leadership and control of the Group and for reviewing the Group's system of internal control and risk management. There is a clear division of responsibilities within the Group between the Board and executive management. The Board retains control of strategic and other major decisions under a formal schedule of matters reserved to it which includes:

- Approval of the Group's strategy which is set out on pages 26 to 27;
- Board appointments including those of the Chair, Group Chief Executive Officer and other executive Directors;
- Appointment and removal of the Group Secretary;
- Agreement of terms of appointment of the Chair, Group Chief Executive Officer and other executive Directors;
- Agreement of any fundamental changes to the Group management and control structure;
- Approval of the annual financial budgets;
- Approval of capital expenditure above fixed limits;
- Approval of material acquisitions and disposals of businesses;
- Approval of the Trading Statements, the Interim Report, the Preliminary Results Release and the Annual Report;
- Establishment and review of corporate governance policy and practices;
- Monitoring of the Group's risk management and internal control systems; and
- Confirming that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the position and performance of the Group, its business model and strategy.

As recommended by the Code, the roles of Chair and Group Chief Executive Officer are held by separate individuals and the division of responsibilities between them is clearly established and has been set out in writing and approved by the Board. The Board has delegated responsibility for the day-to-day management of the Group, through the Group Chief Executive Officer, to executive management. The Group Chief Executive Officer is responsible for implementing strategy and policy as approved by the Board. As discussed below, the Board has also delegated some of its responsibilities to Committees of the Board. The powers of Directors are determined by Irish legislation and the Articles of Association of the Company. The Directors have access to independent professional advice at the Group's expense, if and when required. No such advice was sought by any Director during the year. The Board Committees are provided with sufficient resources to undertake their duties.

The Board with the support of the Group Secretary is satisfied that it has the policies, processes, time and information to function effectively.

Membership, Board Size and Independence

Following the appointment of Kaisa Hietala, there are 12 Directors on the Board, comprising: a non-executive Chair, two executive Directors and nine non-executive Directors. The Board recognises the value of gender diversity to the Group and has 33% female representation and is therefore in line with the target of the Hampton Alexander review. The Board of Directors and their biographical details are set out on pages 64 to 67. The Board considers that a Board comprising 12 Directors is not so large as to be unwieldy and that the Directors, having a broad spread of nationalities, backgrounds and expertise, bring the breadth and depth of skills, knowledge and experience that are required to effectively lead the Group.

The Group has in place an effective Board which provides the highest standards of governance to an internationally diverse business with interests spanning three continents and 35 individual countries and whose role is to promote the long-term sustainable success of the Company, generating value for shareholders and contributing to wider society. Each of the Group's non-executive Directors has broad-based international business expertise and many have gained significant and relevant industry specific expertise over a number of years. The composition of the Board reflects the need, as outlined by the Code, for an effective Board to maintain a balance of 'skills, knowledge and experience'. The experience of each Director is set out in their biographies which are detailed on pages 64 to 67.

In particular, a central aspect of maintaining Board effectiveness is an ongoing programme of Board refreshment to ensure robust debate, where challenge, support and teamwork are essential features and where the sharing of diverse perspectives in the boardroom and the generation of new strategies and business ideas is fostered. The Board's ongoing evolvement continued with the appointment of Kaisa Hietala to the Board in October 2020. Ms Hietala, a Finnish citizen, brings a wealth of strategic and operational experience to the Board combined with a strong commitment to sustainability. The Board continues to include an appropriate balance of longer serving and more recently appointed Directors.

The Board through the Nomination Committee reviews the composition of the Board on an annual basis. This includes a review and refreshment of Board policies, Board diversity, including gender diversity and the skills, knowledge and experience of the Directors.

An independent external evaluation of the Board and its Committees was conducted by Independent Audit in 2019 and there was a comprehensive internal evaluation completed in 2020. These processes concluded that overall the Board and its Committees continue to operate effectively. The Board implemented a number of the actions arising from the independent external evaluation during 2020 and will implement the actions arising from the 2020 internal evaluation review in the coming year. Following these reviews, the Board is satisfied that the Board and its Committees have the appropriate balance of skill, experience, diversity, independence and knowledge of the Group to enable the Directors to discharge their respective duties and responsibilities effectively and believe the Board has a sufficient balance of diversity. The culture of the Board is open, transparent and collegiate. The Chair demonstrates leadership and encourages an open and transparent style around the Board table.

The Code recommends that, apart from the Chair, at least half of the Board of Directors of a listed company should comprise non-executive Directors determined by the Board to be independent. During the year under review, the Company complied with the Code recommendation on composition and independence.

The Board reviewed the composition of the Board and determined that Ms Anderson, Ms Fairweather, Ms Hietala, Mr Lawrence, Dr Melgar, Mr Moloney, Mr Buhl Rasmussen and Mr Restrepo are independent. In reaching that conclusion the Board took into account the principles relating to independence contained in the Code and specifically whether any non-executive Director:

- Is or has been an employee of the Group within the last five years;
- Has or has had within the last three years, a material business relationship with the Group;
- Has received or receives remuneration from the Group apart from a Director's fee, participates in the Group's share plans, or is a member of the Group's pension scheme;
- Has close family ties with any of the Group's advisers, Directors or senior employees;
- Holds cross-directorships or has significant links with other Directors through involvement in other companies or bodies;
- Represents a significant shareholder; or
- Has served on the Board for more than nine years from the date of their first appointment.

The Board is satisfied that the independence of the relevant Directors is not compromised by these or any other factors.

While Mr Beurskens was previously an employee of the Group and receives fees from a Group subsidiary, the Board does not believe these facts compromise his independence of judgement, his contribution to the Board or the quality of his oversight.

The Chair was independent on appointment.

Executive and Non-Executive Directors – Experience and Skills

Each of the executive Directors has extensive experience of the paper-based packaging industry. Their knowledge is supported by the general business skills of the individuals involved and previous relevant experience. The non-executive Directors use their broad based skills, their diverse range of business and financial experiences and their international backgrounds in reviewing and assessing any opportunities or challenges facing the Group. These characteristics play an important role, enabling the executive Directors to develop the Group's strategy and scrutinise the performance of management in meeting the Group's goals and objectives. Frits Beurskens has the additional benefit of many years exposure to paper-based packaging companies either as employee, director or stakeholder which complements the experiences of the executive Directors. The diversity of skills and experiences are set out in the biographies of the Directors on pages 64 to 67.

Appointments, Retirement and Re-election to the Board

Any Director co-opted to the Board by the Directors is subject to election by the shareholders at the first Annual General Meeting ('AGM') after their appointment and, pursuant to the Articles of Association of the Company, all Directors are subject to re-election at intervals of no more than three years. However, in accordance with the Code, the Directors individually retire at each AGM and submit themselves for re-election if appropriate.

The procedures governing the appointment and replacement of Directors are contained in the Company's Articles of Association. Changes to the Articles of Association must be approved by the shareholders in accordance with Irish company law.

The standard letter of appointment of non-executive Directors will be available for inspection at the AGM and is available on request, from the Company Secretary.

Ms Hietala is offering herself for election and each of the other Directors are offering themselves for re-election at the 2021 AGM.

External Directorships and Time Commitment

For executive Directors, the Board believe that there is benefit to the Group if they hold non-executive directorships with other companies as it enhances their overall business experience. Consequently, the executive Directors are encouraged to accept a small number of external appointments as non-executive directors or on industry associations. Directors are permitted to retain any payments received in respect of such appointments.

In relation to non-executive Directors, the Chair is satisfied that each has demonstrated that they have sufficient time to meet their Board responsibilities.

Remuneration

Details of remuneration paid to Directors, (executive and non-executive) are set out in the Remuneration Report on pages 76 to 97. Non-executive Directors are paid fees for their services and none of their remuneration is performance related. They are not eligible to participate in the Group's annual bonus scheme or long-term incentive plan ('LTIP'). Non-executive Directors' fees are not pensionable. The Remuneration Report will be presented to shareholders for the purposes of a non-binding advisory vote at the AGM on 30 April 2021. In addition, an updated Remuneration Policy will be presented to shareholders for approval at the AGM. The Directors' Remuneration Policy will be approved by shareholders at least every three years. The proposed Remuneration Policy incorporates two changes to the Remuneration Policy approved by shareholders in 2018 which are summarised on page 76. The Chair of the Remuneration Committee consulted with major shareholders and institutional proxy advisors on these changes during the year.

Chair

Mr Irial Finan, who joined the Board in February 2012, was independent at his time of appointment, as recommended by the Code. The Board is conscious of the provisions of the 2018 Code in respect of the Chair tenure and acknowledges that Mr Finan has subsequent to the year-end completed nine years since his first appointment to the Board (including his time as Chair since his appointment in May 2019). In proposing that Mr Finan continue as Chair, the Board noted the need for continuity in such an important role for the Group and that given Mr Finan's recent appointment to the position there would need to be an effective and orderly succession plan put in place which will be considered by the Board during 2021. The Board recognise Mr Finan's deep understanding of the Group, including its key stakeholders, and the Board believe that his continued and effective leadership remain critical to the successful leadership of the Group. The Chair is responsible for the leadership of the Board and the efficient and effective working of the Board. He sets and manages the Board agenda in order that at appropriate times it addresses all matters reserved to the Board and ensures that adequate time is available for discussion on strategy and the strategic issues facing the Group. He ensures that the Directors receive accurate, timely and clear information, and that the Directors are updated periodically on the views or concerns of the major investors. He also ensures that a culture of openness and debate is fostered to facilitate constructive Board relations and the effective contribution of the non-executive Directors to the Board.

Senior Independent Director

Mr Gonzalo Restrepo's duties as the Group's Senior Independent Director include being available to shareholders if they have concerns which cannot be resolved through the Chair or Group Chief Executive Officer or where contact with either of them is inappropriate. He is available to serve as an intermediary for other Directors where necessary. The Senior Independent Director also conducts an evaluation of corporate governance compliance, the operation and performance of the Board, the Directors, its Committees and the Chair's performance in conjunction with the other non-executive Directors on an annual basis except in the year when an external evaluation takes place.

Corporate Governance Statement continued

Group Secretary

The Directors have access to the advice and services of the Group Secretary who is responsible to the Board for ensuring that Board procedures are followed, applicable rules and regulations are complied with and that the Board is advised on its corporate governance obligations and developments in best practice. The Group Secretary is responsible for formal minuting of any unresolved concerns that any Director may have with the operation of the Company. During the year, there were no such unresolved issues. The Group Secretary also acts as secretary to all of the Board Committees. Ms Gillian Carson-Callan, previously the Assistant Group Secretary, was appointed Group Secretary in June 2020 following the retirement of Mr Michael O' Riordan.

Board Meetings

The Board meets at least five times each year with additional meetings as required. The Board met in person once in 2020 prior to March 2020, and held eleven meetings by way of conference calls for the remainder of the year due to the restrictions imposed by COVID-19. Details of the meetings held during the period are contained in the following schedule, which also includes information on individual attendance. The Board usually holds at least one of its meetings each year at a Group operation site to give the Directors an opportunity to meet with a wider range of management and to see and remain familiar with the Group's operating activities. This was not possible due to the restrictions imposed by COVID-19. The Board is supplied on a timely basis in advance of Board meetings with a Board Report comprising strategic updates, operational, financial, health and safety, and investor relations information together with Board papers on key issues in a form and of a quality to enable it to discharge its duties effectively. In addition, during 2020 the Board received regular updates from management in relation to COVID-19. The Board papers also include the minutes of all Board Committee meetings and at each Board meeting the Chair of each Committee gives a report on major agenda items discussed at Committee meetings held since the last Board meeting.

When Directors are unable to attend a meeting, having been advised in the Board papers circulated prior to the meeting of the matters to be discussed, they are given an opportunity to make their views known to the Chair or the Group Chief Executive Officer prior to the meeting.

Attendance at Board Meetings During the Year to 31 December 2020

	A*	B*
I. Finan	12	12
A. Anderson	12	12
F. Beurskens	12	11
C. Fairweather	12	12
K. Hietala***	4	4
J. Lawrence	12	12
L. Melgar**	12	12
J. Moloney	12	12
J. Buhl Rasmussen	12	12
G. Restrepo	12	12
A. Smurfit	12	12
K. Bowles	12	12

* Column A indicates the number of meetings held during the period the Director was a member of the Board and was eligible to attend and Column B indicates the number of meetings attended.
** Dr Melgar joined the Board in January 2020.
*** Ms Hietala joined the Board in October 2020.

Induction and Development

On appointment, all non-executive Directors receive comprehensive briefing documents on the Group, its operations and their duties as a Director. They are also given presentations by the senior management team and are given the opportunity to visit sites and meet with the local management. Having been appointed in October 2020, Kaisa Hietala completed a comprehensive induction process including a briefing on directors duties under Irish company law and relevant securities laws applicable to Smurfit Kappa Group. In addition, a training and development programme was introduced during the year for non-executive Directors which provides monthly development sessions covering a range of business, industry, legal and regulatory updates. Due to the restrictions imposed by COVID-19, visits to Group operations were not possible during 2020. Directors also receive regular briefings and presentations on a wide range of the Group's activities together with all significant analyst and rating reports. All Directors are encouraged to undergo training to ensure they are kept up to date on relevant legal developments or changes in best practice.

Succession Planning and Diversity

The Board believes that appointing the best people to the Group's Board is critical to the success of the Company and as a result all appointments are made purely on merit regardless of gender, race, religion, age or disability. The Board recognises that diversity is an essential cornerstone for building long-term business success and ensures different perspectives are introduced into Board discussion. The Board's policy on diversity considers gender, ethnicity, tenure and a wide geographical experience base to be essential aspects of diversity for a company with businesses in 35 countries worldwide, with eight nationalities represented on the Board. This policy plays a key role in the Group's succession planning when considering new appointments to the Board such as Ms Hietala's appointment in October 2020. Suitable candidates are selected on the basis of their relevant experience, employment background, skills, knowledge and insight, having due regard to the benefits of diversity to the Board. The Board has not set any policy regarding age; the ages of the Directors range from 49 to 73 years which the Nomination Committee believes is appropriate at the current time. In accordance with the Terms of Reference of the Nomination Committee, the Board considered the fact that one non-executive Director had reached the upper age of 72 years. Following assessment it was concluded that this Director continues to make a valuable contribution to the Board. The Board recognises the need for orderly succession and has a comprehensive succession plan in place.

During the year, the Nomination Committee evaluated the composition of the Board with respect to the balance of skills, knowledge, experience and diversity, including geographical, gender diversity and ethnicity on the Board and updated a policy document on Board succession.

Internal Board Evaluation

As an independent external evaluation was conducted in 2019 in accordance with the requirement of the Code to have an evaluation externally facilitated every three years, the Senior Independent Director co-ordinated a rigorous annual internal evaluation of the operation and performance of the Board, the Directors, its Committees and the performance of the Chair in 2020. The evaluation process involved the completion of a detailed questionnaire by each Director and separate discussions with each Director. In addition, the Chair conducted an annual evaluation of the performance of the Directors. The Committees also undertook an annual evaluation of their performance which was reported back to the Board. At least once a year the Chair meets with the non-executive Directors without the executive Directors to review the Board's performance. The Board discussed the results of its evaluations in order to identify and address areas in which the effectiveness of the Board might be improved and the resulting recommendations will be put in place during 2021.

Share Ownership and Dealing

Details of Directors' shareholdings are set out on pages 92 and 96. The Group has a policy on dealing in shares that applies to restricted persons comprising all Directors, senior management and certain other employees. Under the policy, restricted persons are required to obtain clearance from prescribed persons before dealing. Restricted persons are prohibited from dealing in SKG securities during designated closed periods and at any other time when the individual is in possession of Inside Information (as defined by the Market Abuse Regulation (EU 596/2014)).

Board Committees

As recommended by the Code, the Board has established three Committees to assist in the execution of specific matters within its responsibility. These are the Audit Committee, the Remuneration Committee and the Nomination Committee. In addition in 2019, the Board established a Sustainability Committee with responsibility to provide direction and oversight of the sustainability strategy of the Group. The responsibilities of each of these Committees are set out clearly in written terms of reference, which are reviewed annually and are available on the Group's website. The Chair of each Committee reports to the Board on the major agenda items discussed since the last Board meeting and the minutes of all Committee meetings are circulated to all of the Directors.

The current membership of each Committee, details of attendance and each member's tenure are set out in the individual Committee reports on pages 73 to 100.

Stock Exchange Listings

Smurfit Kappa Group plc, which is incorporated in Ireland and subject to Irish company law, has a premium listing on the London Stock Exchange and a secondary listing on Euronext Dublin.

For this reason, Smurfit Kappa Group plc is not subject to the same ongoing listing requirements as those which would apply to an Irish company with a primary listing on Euronext Dublin.

Communication with Shareholders

The Board gives a high priority to effective communications with shareholders and recognises the benefits of shareholder engagement in order to foster mutual understanding of the Company's strategy and the views of major investors. On a day-to-day basis, contact with institutional shareholders is the responsibility of the Group Chief Executive Officer, the Group Chief Financial Officer and the Head of Investor Relations.

There is regular dialogue with individual shareholders and the investment community. During the year, despite the restrictions imposed by COVID-19, there continued to be ongoing engagement with shareholders, various virtual investor conferences and roadshows, and numerous conference calls and presentations. This engagement takes place as applicable, and at the time of the release of the Annual Report, preliminary and interim reports and trading statements. The Chair, Senior Independent Director and any other member of the Board are available to meet or virtually engage with investors if required.

The papers for each Board meeting include a comprehensive report summarising investor relations activity during the preceding period including contacts between executive management and current and prospective institutional shareholders.

The Group issues its Annual Report, preliminary and interim reports and trading statements promptly to shareholders and also publishes them on the Group's website: smurfitkappa.com. The Group operates an investor relations section on the website, which in addition to the above reports and statements, contains investor presentations and all press releases immediately after their release to the relevant Stock Exchanges.

The Group's AGM affords each shareholder the opportunity to engage with and question the Chair of the Board, the Chairs of all Committees and all other Board members. The 2020 AGM was a closed meeting in line with the restrictions imposed by COVID-19, however, shareholders were invited to email any questions relating to the items on the agenda and were advised that the answers to any questions received would be posted on the Company's website. The Notice of the AGM and related papers together with the Annual Report are sent to shareholders at least 20 working days before the meeting. In addition, the Group responds throughout the year to numerous queries from shareholders on a broad range of issues.

Shareholder Meetings and Shareholder Rights

Shareholders' meetings are governed by the Articles of Association of the Company and the Companies Act 2014 (as amended) (the 'Companies Act').

The Company must hold an AGM each year in addition to any other shareholder meeting in that year and must specify whether the meeting is an AGM or an Extraordinary General Meeting in the notice calling it. The Directors may convene general meetings. Extraordinary General Meetings may also be convened as provided by the Companies Act. Notice of a general meeting must be provided as required by the Companies Act. An Extraordinary General Meeting was held on 5 February 2021 to seek shareholder approval to the migration of the Company's securities to Euroclear Bank's central securities depository and to approve associated changes to the Articles of Association of the Company.

At its general meetings, the Company proposes a separate resolution on each substantially separate issue and does not bundle resolutions together inappropriately. Resolutions on consideration of the Annual Report, the Directors' Remuneration Report and the Remuneration Policy (on adoption or renewal) are put to shareholders at the AGM.

The Chair of the Board of Directors or, in his absence, another Director nominated by the Directors will preside as Chair of a general meeting. Ordinary Shares carry voting rights. Two members entitled to vote at the meeting present either in person or by proxy constitute a quorum. Votes may be cast either personally or by proxy. Under the Articles of Association, voting can take place either by a show of hands, where each shareholder has one vote, or by way of a poll, where each shareholder has one vote for each Ordinary Share held. Following the migration to the Euroclear Bank's central securities depository, it is anticipated that all voting will be conducted by way of a poll. At the Extraordinary General Meeting held on 5 February 2021, shareholders approved an amendment to the Articles of Association to the effect that resolutions put to a vote at a general meeting will be voted on by way of a poll instead of a show of hands. Voting by way of a poll is considered better governance as it is more representative of shareholders as there is one vote per share held and following the recent migration, will enable Euroclear Bank or its nominee to vote for/against resolutions on behalf of the Euroclear Bank participants.

The Companies Act provides for a number of key powers of general meetings, including the right to elect or re-elect a Director, the right to give authority to the Company to disapply pre-emption rights, the right to give authority to the Company to buy back shares and the right to amend the Memorandum and Articles of Association of the Company.

The Companies Act also provides for a number of shareholder rights in respect of the general meeting and the methods of exercising those rights, which are set out in the notes to the Notice of the AGM, including the right a) to table agenda items and resolutions for inclusion on the agenda of an annual general meeting, b) to table a draft resolution in respect of an item already on the agenda of the general meeting, c) to ask questions in relation to an item on the agenda of a general meeting and d) to appoint a proxy electronically. The migration to the Euroclear Bank central securities depositary will have an impact on how these rights can be exercised. Updates have been made to the Company's Articles of Association to facilitate the exercise of certain of these rights following migration. To the extent that these rights are not facilitated under the Company's Articles of Association the rules of the Euroclear Bank system will dictate how these rights can be exercised.

Corporate Governance Statement continued

Code of Conduct
The Smurfit Kappa Code of Conduct includes principles of best practice in this area which apply to the Group's Board of Directors, officers and employees worldwide. We also require individuals, entities, agents or anyone acting on the Group's behalf to comply with its Code of Conduct. The Code of Conduct also incorporates the Speak Up Policy and is available on the Group's website: smurfitkappa.com and is translated into 21 languages.

Sustainability
In order to create long-term value, our Company has built its business on three pillars of sustainability – Planet, People and Impactful Business. This means respecting the social environment we are in, and ensuring that the impacts on nature and natural resources do not exceed the needs of future generations. SKG manages its business in a way which recognises its key responsibilities in all material aspects of sustainability especially in the areas of Environment, Sustainable Forestry, Social Citizenship and Health and Safety. The Group's principles are summarised on pages 44 to 51 and are described in detail in the Sustainable Development Report for 2019 which is available on the Group's website. The Sustainable Development Report for 2020 will be published in April 2021. The Board Sustainability Committee is responsible for guiding and overseeing the Group's sustainability strategy.

Risk Management and Internal Control
The Board has overall responsibility for the Group's system of risk management and internal control and for monitoring and reviewing its effectiveness, in order to safeguard shareholders' investments and the Group's assets. Details in relation to Risk Management and Internal Control are included in the Risk Report on pages 32 to 35.

The Directors confirm there is an ongoing process for identifying, evaluating and managing the emerging and principal risks faced by the Group which is in accordance with the FRC's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting. This process has been in place throughout the accounting period and up to the date of approval of the Annual Report and Consolidated Financial Statements and is subject to regular review by the Board.

The Directors confirm that they have carried out a robust assessment of the emerging and principal risks facing the Group's business model, future performance, solvency and liquidity. The Directors also confirm they have conducted an annual review of the effectiveness of the Group's risk management and system of internal control up to and including the date of approval of the Annual Report and Consolidated Financial Statements. This had regard to the emerging and principal risks that could affect the Group's business (as outlined on pages 32 to 35), the methods of managing those risks, the controls that are in place to contain them and the procedures to monitor them. In addition, given the unprecedented year as a result of the pandemic, the potential impact of COVID-19 on the principal risks of the Group was reviewed for each emerging and principal risk.

Financial Reporting
As part of its overall system of internal control, the Group has in place control and risk management systems to govern the Group's financial reporting process and the process for the preparation of the Group's Consolidated Financial Statements. The requirements for producing financial information are governed by the Group's Financial Reporting Guide and Financial Monitoring Policy which gives guidance on the maintenance of records that accurately and fairly reflect transactions, provide reasonable assurance that transactions are recorded correctly to permit the preparation of Consolidated Financial Statements in accordance with International Financial Reporting Standards and that require reported data to be reviewed and reconciled. These systems include the following financial reporting controls: access controls, reconciliations, verification controls, asset security controls and segregation of duties. Segment management and the Group's executive management team review the results of the operations on a monthly basis. The Group's executive management team receive detailed monthly reports from all operations and meet with segment management at least on a quarterly basis to review the year-to-date results against budget and rolling forecasts enabling them to monitor and challenge any variance against the expected financial outcome for the period. Internal Audit review financial controls in different locations on a test basis each year and report quarterly to the Audit Committee. Each operation through to segment level is required to self-assess on the effectiveness of its financial control environment. This includes the completion of an Internal Control Questionnaire which is reviewed by the Group Financial Controller and audited on a test basis by Internal Audit. Senior management representations with respect to the Group Consolidated Financial Statements showing a true and fair view are also required and supplied at year-end.

Directors' Report
The Change of Control, Capital Structure and Purchase of Own Shares information are set out on page 103 of the Directors' Report and form part of this Corporate Governance Statement.

Audit Committee Report

"Dear Shareholder, I am pleased to present the Audit Committee report for the 2020 financial year. The purpose of this report is to provide an overview of how we have carried out our responsibilities during the year including our work considering any impact the COVID-19 pandemic had on internal control and risk management systems, internal and external audit processes and the preparation of financial statements."

Carol Fairweather
Chair of Audit Committee
12 March 2021

Committee Members

C. Fairweather (Chair)
J. Lawrence
L. Melgar
J. Moloney
K. Hietala

The Role of the Audit Committee

The Committee is responsible for providing oversight and assurance to the Board regarding:

- The integrity of the published financial statements and the significant financial reporting judgements;
- Internal financial controls and risk management and internal control systems;
- The Internal Audit function;
- The External Audit arrangements; and
- Whether the Annual Report taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

The Terms of Reference of the Committee were reviewed and updated in December 2020 and are available on smurfitkappa.com.

Attendance Record	A*	B*	Appointment Date
C. Fairweather (Chair)	6	6	2018
K. Hietala**	0	0	2021
J. Lawrence	6	5	2015
L. Melgar***	6	6	2020
J. Moloney	6	6	2014

* Column A indicates the number of meetings held during the period the Director was a member of the Board and was eligible to attend and Column B indicates the number of meetings attended.
** Ms Hietala was appointed to the Committee in January 2021.
*** Dr Melgar was appointed to the Committee in January 2020.

Membership of the Committee

The Committee is currently comprised of five independent non-executive Directors with Kaisa Hietala joining the Committee in January 2021. Each Committee member has considerable commercial experience and Jim Lawrence and I bring recent and relevant financial experience. The biographical details of each member are set out on pages 64 to 67.

Meetings

The Committee met six times during the year under review. Details of the Committee members and meetings attended are provided in the adjacent table. The Group Chief Financial Officer, the Group Internal Auditor, and senior members of the Group finance team normally attend meetings of the Committee. The Group Chief Executive Officer periodically attends meetings of the Committee. The External Auditor also attends all meetings and together with the Group Internal Auditor have direct access to the Committee Chair at all times. In advance of every meeting, the Committee Chair meets individually with the Group Chief Financial Officer, Group finance team, the Group Internal Auditor and the External Auditor.

COVID-19 Pandemic

The Committee spent a considerable amount of time throughout the year considering whether the COVID-19 pandemic had any impact on the internal control and risk management systems, the external and internal audit and the preparation of financial statements. This work included:

- Receiving regular updates on whether there had been any changes to the internal control environment as a result of remote working and thereby obtaining confirmation that both the internal controls and risk management systems continued to work effectively;
- Considering the Financial Reporting Council's and IAASA's guidance on reporting on COVID-19;
- Reviewing and approving changes to the Internal Audit plan to take account of the move to remote working;
- Regular updates to the Committee on cyber security matters;
- Understanding and challenging the impact of how the COVID-19 pandemic had been considered in the risk management process;

- Specific considerations of the impact of COVID-19 on the going concern and viability processes (see Note 2 *Summary of Significant Accounting Policies* on page 120 for further detail on these considerations);
- Understanding how the approach to the external audit, from both a risk assessment and logistics perspective, was updated to consider and respond to the impact of COVID-19; and
- Closely monitoring together with management and the external auditor the progress on the preparation of the half year and full year financial statements to ensure the timetable for completion could be met with adequate time for review.

How the Committee has Discharged its Responsibilities

In addition to the work on COVID-19 detailed above, over the course of the year, we continued our usual work in relation to financial and risk related matters as set out below. We also focused on:

- The continued evolution of the Group's risk function and the identification of emerging risks;
- The external quality assessment of Internal Audit (see below);
- The combined assurance mapping exercise (see Risk Management and Internal Control section); and
- Presentations to the Committee from the Group Director of Tax, Group Treasurer in relation to insurance matters, the Group Head of Cyber Security and the Group VP of Human Resources.

Financial Reporting and Significant Matters Related to the Consolidated Financial Statements

The Group's Consolidated Financial Statements are prepared by finance personnel with the appropriate level of qualifications and expertise. The Committee reviewed all published financial and narrative statements of the Company, including the annual and interim reports, preliminary results' announcement, trading statements and any other formal announcement relating to its financial performance. The Committee reported its views to the Board to assist in the Board's approval of the results announcements.

The Committee assessed whether suitable accounting policies had been adopted and whether management has made appropriate estimates and judgements. The Committee considered management's position in relation to the main significant matters and financial reporting judgements, as detailed below.

The Committee also reviewed reports by the External Auditor on the hard-close and year-end audit procedures which highlighted any matters identified from the work undertaken on the external audit.

Fair, Balanced and Understandable

The Code requires that a fair, balanced and understandable assessment of the Company's position and prospects be presented by the Board and that they consider that the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

The Committee, on behalf of the Board, considered and discussed with management the key processes that they have in place for the preparation of the Annual Report including their comprehensive review procedures. This allowed the Committee to confirm to the Board that the Annual Report, taken as a whole, is fair, balanced and understandable and that it provides the necessary information for shareholders to assess the Group's position and performance, business model and strategy. In addition, the Committee noted the formal processes performed by KPMG in relation to the Annual Report.

Viability Statement and Going Concern

The Committee is responsible for ensuring that the process in place to allow the Board to make the viability statement is robust. The Committee reviewed the process that had been followed, the stress testing scenarios that had been applied based on the Group's principal risks and the additional scenarios and reverse stress testing presented to take account of the potential impact of the COVID-19 pandemic. The Committee confirmed to the Board that it was comfortable with the process that had been followed to make the Viability Statement on page 32.

The Committee reviewed and was comfortable with the recommendation setting out the support for adopting the going concern basis in preparing the financial statements, including extended scenarios in relation to the pandemic. The Board's statement on going concern is set out on page 33.

Internal Audit

The Group operates an internally resourced Internal Audit function which reports directly to the Committee. The Committee reviewed and approved the annual Internal Audit plan and the amended plan following the move to remote working, and related resourcing requirements to deliver the plan.

The Committee reviewed the quarterly reports from the Internal Auditor summarising audit findings, agreed actions and recommendations and reviewed progress on addressing the actions and recommendations. A periodic independent external quality assessment of the Group Internal

Significant Matters Related to the Consolidated Financial Statements

Significant Matter	Action Taken/Conclusions
Assessment of the Carrying Value of Goodwill The Group has goodwill of €2,344 million at 31 December 2020. The Group performs an impairment review at least annually and at any time an impairment is considered to exist.	The Committee considered management's assessment of the carrying value of goodwill relating to groups of cash-generating units ('CGUs'). The Committee considered the methodology applied and the key assumptions (including future profitability and terminal growth and discount rates) used in the assessment. The Committee also considered a number of different scenarios to test the sensitivity of the model to changes in its key drivers and to understand the level of headroom available at a CGU level. The Committee was satisfied that the judgements made by management are reasonable and that goodwill is not impaired, and the disclosures in Note 13 to the Consolidated Financial Statements are appropriate.
Valuation of Defined Benefit Obligations The Group has defined benefit obligations totalling €853 million at 31 December 2020.	The Committee considered the key assumptions management used in determining the defined benefit liabilities (which included a full actuarial valuation of the unfunded liabilities undertaken by independent experts) and was satisfied that they were reasonable, appropriate and consistent with market practice.
Exceptional Items The Group has recognised exceptional charges totalling €31 million in 2020.	The Committee considered management's proposed treatment of each of the items included within exceptional charges which totalled €31 million, of which €35 million related to reorganisation and restructuring costs in both Europe and the Americas and €11 million related to a Group-wide COVID-19 employee recognition reward, partly offset by a €15 million gain on the UK pension scheme as a result of future pension increases being linked to CPIH instead of RPI. The Committee was satisfied that the size and nature of the items included within the exceptional charge were consistent with the Group's accounting policy and were appropriately disclosed.

Audit function was carried out by EY during the year, in compliance with the Chartered Institute of Internal Auditors ('CIIA') requirements. The objectives of this External Quality Assessment ('EQA') were to independently assess the effectiveness of the Group Internal Audit function in line with the International Standards for the Professional Practice of Internal Auditing ('IIA Standards') and to benchmark it against similar industry peers. The assessment concluded that the Internal Audit function was performing well in accordance with its current mandate but that there were opportunities to develop the mandate of Internal Audit which are now being considered.

The Committee reviewed the effectiveness of the Internal Audit function and was satisfied it was operating effectively within the current remit. The Committee met privately with the Internal Auditor during the year.

Whistleblowing
The Committee is responsible for ensuring that the Group maintains suitable whistleblowing arrangements. The Group has a Code of Conduct in place which incorporates the Group Good Faith Reporting Policy (Whistleblower Code). There is also a Speak Up service which allows employees to raise concerns across all key communication channels which is available in 21 different languages and provides confidentiality and/or anonymity and assurance of non-retaliation (see page 63 for further details). The Committee received regular updates on matters raised via the Speak Up process from the Group VP of Human Resources. No significant matters of concern were raised.

Risk Management and Internal Control
The Group's internal control and risk management systems are embedded within the organisation structure.

The Committee is responsible for reviewing the adequacy and effectiveness of the internal control system and risk management on behalf of the Board.

The Committee has reviewed the adequacy and effectiveness of the Group's internal control systems regularly through various activities including:
- Reviewing the effectiveness of its risk management processes;
- Reviewing and challenging management's self-assessment of the internal control framework;
- The work undertaken by internal and external auditors in relation to internal controls; and
- The regular reporting on any control, fraud related or whistleblowing issues.

In addition, a combined assurance mapping exercise was completed by Internal Audit in conjunction with PwC during the year. This indicated strong, well established preventative and detective measures, and robust management oversight across the Group risks. There were some recommendations made which will be considered and implemented as appropriate. In addition, a review of the Group risk management process was undertaken by PwC during the year. They noted the comprehensive process in place and the strong awareness of risk across the Group. They noted some recommendations which will be considered as part of the continuous evolution of the Group's risk management processes during 2021.

Having completed its review of the effectiveness of the Group's system of internal controls including risk management, and the areas identified as having increased risk as a result of COVID-19, the Committee confirms that it has not been advised of, or identified, any significant failings or weaknesses. The infrastructure of the Group and the control environment has been tested during the year as a result of the pandemic and has been proven to be robust and strong.

For further details on the Group's Risk Management and Internal Control, please see the Risk Report on pages 32 to 35.

External Auditor
The Committee is responsible for overseeing the relationship with, and the performance of, the External Auditor. This includes making a recommendation on the appointment, reappointment and removal of the External Auditor, assessing their independence, involvement in fee negotiations and assessing their performance. The External Auditor is required to rotate the audit partner responsible for the Group audit every five years. Roger Gillespie acted as audit partner for the year ended 31 December 2020, his third year as audit partner.

Prior to the commencement of the 2020 year-end audit, and taking into consideration the impact of the pandemic, the Committee approved the External Auditor's strategy and plan and agreed the scope of the audit, the key risks, the proposed audit fee and the terms of engagement.

During the year, the Committee considered the effectiveness and independence of the External Auditor and confirmed its satisfaction on both. This review involved discussions with both Group management and Internal Audit, feedback provided by divisional management and review of the ratio of audit to non-audit fees. Following these considerations, the Committee has recommended to the Board that KPMG be proposed for reappointment at the forthcoming AGM.

KPMG has been the Group's auditor since 2018, following a formal tender process.

KPMG attended all the Audit Committee meetings during the year and had a number of private meetings with the Committee during the year where no significant matters of concern were raised.

External Auditor Non-audit Services
The Committee recognises that the independence of the External Auditor is an essential part of the audit framework and the assurance that it provides. The Committee has adopted a policy which sets out the types of permitted and non-permitted non-audit services and those which require explicit prior approval.

Non-audit services provided by the External Auditor must be considered by the Committee to be necessary in the interests of the business and by their nature, these services could not easily be provided by another professional auditing firm.

The provision of tax advisory services and due diligence/transaction services may be permitted with the Committee's prior approval. The provision of internal audit services, valuation work and any other activity that may give rise to any possibility of self-review are not permitted under any circumstance.

All contracts for non-audit services in excess of €50,000 must be notified to and pre-approved by the Chair of the Committee. Details of the amounts paid to the External Auditor during the year for audit and other services are set out in Note 5 on page 132. Fees paid to KPMG for non-audit work in 2020 amounted to €0.4 million and total 4.8% of the fees paid for the statutory audit (2019: 3.5%).

During the year, there were no circumstances where KPMG was engaged to provide services which might have led to a conflict of interests or compromised their independence.

Committee Evaluation
An internal evaluation of the Committee was undertaken in 2020. The conclusion from that process was that the performance of the Committee and of the Chair of the Committee were satisfactory.

Coming Year
During the coming year, we will continue to focus on the evolution of the risk process and will consider the potential to develop further the mandate of the Internal Audit function.

We will also continue to follow the various reviews that are taking place on audit reform and respond as appropriate.

Remuneration Report

"Dear Shareholder, I present our Directors' Remuneration Report for the financial year ended 31 December 2020 and our updated Remuneration Policy."

John Moloney
Chair of Remuneration Committee
12 March 2021

Committee Members

J. Moloney (Chair)
J. Buhl Rasmussen
C. Fairweather
I. Finan
G. Restrepo

The Role of the Remuneration Committee

- Determine the remuneration framework or broad policy for the Company's Chair, Chief Executive Officer, executive Directors and Company Secretary and other senior executives;
- Continually review the ongoing appropriateness and relevance of the Remuneration Policy;
- Approve the design and determine targets for any performance related pay schemes;
- Determine the policy for and scope of pension arrangements for executive Directors and other senior executives;
- Review the workforce remuneration trends and related policies across the Group and the alignment of incentives and reward with the Company's culture;
- Oversee any major changes in employee benefits throughout the Group; and
- Ensure effective engagement with relevant stakeholders in relation to remuneration and related policies and practices.

The Terms of Reference of the Committee were reviewed and updated in December 2020 and are available on smurfitkappa.com.

Attendance Record	A*	B*	Appointment Date
J. Moloney (Chair)	5	5	2015
C. Fairweather	5	4	2018
I. Finan	5	5	2012
J. Buhl Rasmussen	5	5	2017
G. Restrepo	5	5	2015

* Column A indicates the number of meetings held during the period the Director was a member of the Board and was eligible to attend and Column B indicates the number of meetings attended.

I am pleased to report that Group performance has been resilient in what has been a difficult year for the global economy. Over 2020, our executives continued to deliver against our strategic ambitions, delivered strong operational performance and increased shareholder returns.

Remuneration Policy Review

In line with the normal three-year cycle, during the course of 2020, the Remuneration Committee spent time reviewing the Remuneration Policy to ensure that it continues to:

- Support the Group's strategic priorities; and
- Align with external views on compensation.

Overall, the Remuneration Committee is satisfied that the existing Policy, supported by 97.4% of shareholders at the 2018 AGM, largely remains well-aligned with our strategic priorities and market practice. There were, however, two areas that we felt needed to be addressed:

- Whether more could be done to align executives with Smurfit Kappa's sustainability priorities; and
- Whether the overall remuneration opportunity is appropriate for a business of the size and complexity of Smurfit Kappa and the quality of its executives.

This review was done against the backdrop of the Company delivering significant shareholder value, which at the end of 2020 was €3.85 billion (€3,137 million growth in market capitalisation and €711 million in dividend payments) since the end of 2017.

Link to Sustainability
Under the current approach, the incentive arrangements for the executives are primarily focused on financial metrics (Earnings before Interest and Tax ('EBIT'), ROCE and Free Cash Flow for the annual bonus and EPS, ROCE and Total Shareholder Return ('TSR') for the LTIP).

As a business, however, in addition to the above, we have always seen the environment, the personal development of employees and our respect for local communities and the environment as being inseparable from our goal of creating value for our shareholders. With the events of 2020 demonstrating the ever increasing importance of maintaining this focus, the Remuneration Committee has agreed that metrics linked to the key strategic sustainability and corporate social responsibility pillars: 'People'; 'Planet'; and 'Impactful Business' should be embedded within the remuneration framework.

Key Pillar	Inclusion Within the Incentive Framework	Key Metrics for Measurement
People	Annual bonus – initial weighting of 10% *Included in annual bonus as it allows targeted actions to be taken and rewarded over the short to medium-term.*	• People development/ leadership • Employee engagement • Inclusion and Diversity • Ethics – Speak Up *Metrics to be reviewed annually*
Planet	PSP – initial weighting of 15% (may be increased over time) *Included within the long-term incentive plan as it recognises that this is a long-term commitment.*	*Equally weighted, metrics measured over three years:* • Water reduction • CO_2 reduction • Waste reduction
Impactful Business	Currently captured in multi-faceted way through personal/strategic goals in the annual incentive and ultimately financial performance metrics – therefore no changes proposed.	

Incentive Opportunity
The other key area of focus for the Committee has been whether the current incentive opportunities were appropriate in light of the size and complexity of the Group's operations and continued to reflect both the performance and calibre of the executive Directors. Since the last Policy review, the Group has performed well, with EBITDA growing by 22% to €1,510 million; and EBITDA margin improving by 320 bps to 17.7%.

Against this backdrop, the Committee is proposing to increase the PSP opportunity for each of the executive Directors by 25% of salary. This will mean a maximum award of 250% and 205% for the CEO and CFO respectively. Following the increase, the total remuneration opportunity for the CEO and CFO will remain positioned around market median relative to other FTSE 100 companies.

The Committee recognises the need to exercise caution in the current market. In considering the award levels for 2021, the Committee took into account the overall financial performance of the Group and share price performance during the course of 2020 (up approximately 11%). Reflecting on these factors, and the wider contribution of the executive Directors, subject to shareholder approval of the new Policy, awards will be made in line with the new proposed maximum.

Executive Director Pensions
In line with the requirements of the UK Corporate Governance Code and reflecting on the external sentiment on executive Director pensions, the Committee has also agreed with the executive Directors to reduce their pension contributions on a phased basis to be in line with the wider workforce by the end of 2022 (i.e. effective 1 January 2023), with further details set out on pages 79 and 87.

The Committee consulted at length with the Group's largest shareholders and the proxy advisors on the above changes, who were supportive of the direction of travel. I would like to thank shareholders for their time during the consultation process and the feedback provided.

Policy Implementation in 2021
Other than the changes noted above, no material changes are proposed to the implementation of the Remuneration Policy in 2021. Executive Director salary increases will be in line with the wider workforce rate of 1.5% in Ireland, with details on base salaries for 2021 provided on page 85.

Performance Share Plan ('PSP') Targets 2021-2023
Each year, the Committee reviews targets for long-term performance share awards to ensure that they continue to incentivise executives to achieve clearly defined stretching long-term targets. Performance targets for the 2021 award have taken into account the following factors:
- The Group's annual budgeting, Medium-Term Planning and Viability Statement processes, which are built taking into account a number of factors including the budget and external economic factors including the OECD expectations on GDP growth.
- The share placing undertaken in November 2020 to capitalise on structural drivers of growth; to invest in sustainability; and to increase our operating efficiencies and the consequent impact this placing will have on both the EPS and ROCE targets for the 2021 to 2023 period. Further details on the targets are set out on page 85.

The Committee believe the proposed targets, which are detailed on page 85, balance being suitably stretching to reward out-performance, reflect the impact of the placing on medium-term financial performance, with EPS targets set on a cumulative basis and ROCE targets set on a three-year average basis, whilst also being incentivising for the management team.

There are over 200 managers within the Group participating in the PSP plan with the same targets as the executive Directors.

As ever, the Committee will use its judgement to review the formulaic outcomes across all the metrics, to ensure that vesting levels accurately reflect the underlying performance of the business. Any adjustment to the formulaic outcome will be communicated to investors at the end of the performance period.

2020 Performance and Incentive Out-turns
Notwithstanding an extremely challenging macro-economic environment, Smurfit Kappa reported strong results, with EBITDA of €1,510 million, ahead of our stated guidance, EBITDA margin of 17.7%, record free cash flow of €675 million and ROCE of 14.6%. In addition, while not material, the Group has repaid all government support related to the COVID-19 pandemic. In this context, the Committee reviewed performance against the metrics under the annual bonus plan for 2020 and approved a bonus of 82.6% for the CEO and CFO, in line with the Policy, with 50% of the annual bonus being deferred into shares for three years.

2020 also marked the conclusion of the first performance period under the PSP, implemented on the conclusion of the last Policy review. Demonstrating the consistency of performance over the last three years, with cumulative three-year EPS of 804.2 cent; three-year average ROCE of 17.4%; and out-performing the upper quartile of the Group's global paper and packaging peers, the Award vested at 78.35% of maximum.

Further details on performance against the targets are set out on pages 87 to 89.

Remuneration Report continued

From a wider standpoint, to recognise the effort and dedication of our 46,000 employees during such a difficult period, the Group awarded all employees (excluding the executive Directors) a unique recognition award in the fourth quarter, which has been very well received.

Other Matters

The Report this year includes information on how the remuneration for our Directors has changed relative to our wider workforce. The Committee welcomes such disclosures for strengthening boardroom focus on wider workforce matters, and has previously voluntarily published its CEO pay ratio to evidence this commitment. The Committee balances decisions around executive remuneration against the views and interests of all stakeholders. As market practice evolves, the Committee will continue to explore new ways of bringing the voice of the workforce into the boardroom, affirming our mission of being a sustainable company that builds excellent relationships with employees and customers, and earns the respect of the people and communities where we operate.

The Committee recognises the importance of effective corporate governance and transparent disclosure. It is therefore voluntarily adopting a number of the requirements of the UK remuneration reporting regulations, despite being a Company incorporated in Ireland. This is also the inaugural report which meets new disclosure requirements under the Shareholder Rights Directive, which was transposed into Irish law in 2020.

I hope that you find it accessible and informative.

Conclusion

On behalf of the Committee, I thank you for your continued support and hope that you will feel able to support the remuneration related resolutions at the upcoming AGM. As ever, I welcome any comments you have.

John Moloney
Chair of Remuneration Committee

Remuneration Policy

Introduction

The Remuneration Policy ('the Policy') is designed to attract, retain and motivate Directors and senior management of the highest calibre who are expected to deliver superior performance and to provide strong leadership to the Group. In return, the Group aims to provide an attractive compensation package which ensures that management are focused to deliver on those corporate metrics. These are designed to support the Group's business strategy and the objective of developing superior sustainable returns and value at acceptable levels of risk but with a clear and intelligible link to performance and the financial prosperity of the Group and consequently its stakeholders.

The current Remuneration Policy, which was refreshed at the 2018 AGM following detailed consultation with the Group's largest shareholders and the proxy advisory bodies, received strong support at the 2018 AGM. Following a review of the Policy during 2020 to ensure that it continues to support the Group's strategic priorities and align with external views on compensation, the Committee determined that broadly the Policy and structure remained fit-for-purpose. Minor changes have, however, been proposed to reflect the continuing growth of both Smurfit Kappa and the experience of the executive team, developments in market practice and to reflect the requirements of the Shareholder Rights Directive, as implemented in Ireland. The Committee has engaged with shareholders regarding the updates to the Policy, who were supportive of the approach. The Policy will be subject to an advisory vote at the 2021 AGM, and subject to approval will be effective from that date, for a period of up to three years.

The Key Changes Proposed to the Policy for Re-approval are:

- Expand the performance measures for use within the annual bonus and PSP to include sustainability metrics. The actual performance metrics will be determined by the Committee on an annual basis and disclosed in the Directors' Remuneration Report in respect of the financial year;
- Increase the maximum opportunity available under the Performance Share Plan to 250% of base salary for the CEO and 205% of base salary for the CFO;
- Expand recovery terms to include corporate failure (formalising the change communicated in the 2019 Annual Report);
- Expand shareholding requirements so that executive Directors will normally be expected to retain an interest in shares after they step down from the Board (formalising the change communicated in the 2019 Annual Report); and
- Set out a timetable to harmonise the pension contribution rates for executive Directors with the contribution available to the wider workforce.

In determining the Policy, the Committee discussed the detail of the Policy over several meetings. The Committee considered the strategy of the business, developing market practice and investor guidance. Input was sought from various stakeholders, while ensuring that conflicts of interests were suitably mitigated. Our independent advisers provided external counsel. The Committee also assessed the Policy against the principles of clarity, simplicity, risk, predictability, proportionality and alignment to culture, and consulted with major shareholders and proxy advisory bodies.

Executive Director Policy Table

<table>
<tr><th>Component</th><th>Purpose and Link to Strategy, Long-term Interests and Sustainability</th><th>Operation</th><th>Opportunity</th><th>Performance Metrics</th></tr>
<tr><td>(i) Basic Salary</td><td>Competitive salaries are set to attract, retain and motivate executives to deliver superior performance in line with the Group's business strategy.</td><td>Reviewed annually; changes are generally effective on 1 January.

Set by taking into consideration the individual's skills, experience, performance and position against peers.

When determining increases, consideration is given to: (i) scope of role and responsibility; (ii) personal performance; (iii) Group performance; (iv) step changes in responsibility; (v) remuneration trends across the Group; and (vi) competitive market practice.</td><td>Whilst there is no maximum salary level, basic salary increases will normally be in line with the range of increases for the wider workforce.

The Committee may at its discretion award larger increases in certain circumstances, such as a change in responsibilities or development in the role.</td><td>Not applicable.</td></tr>
<tr><td>(ii) Benefits</td><td>Competitive benefits taking into account market value of role.</td><td>Benefits relate principally to the use of company cars.

Other benefits may be provided, including but not limited to club subscriptions.

In the event of recruitment or relocation, additional benefits may be provided as considered appropriate by the Committee.</td><td>The level of benefit provision is determined based on the cost to the Company and as such no maximum level is set.</td><td>Not applicable.</td></tr>
<tr><td>(iii) Pension</td><td>To provide a market competitive package to attract and retain executives.</td><td>Contributions are made to the Group's defined contribution pension arrangement, or equivalent cash allowances are paid.

The defined benefit plan was closed to future accrual with effect from 30 June 2016. The Group continues to honour legacy arrangements.</td><td>Current executive Directors – maximum Company contribution, or cash equivalent, of 21% of salary.

The contribution rates for executive Directors will be harmonised with the wider workforce, as follows:
<table><tr><th></th><th>CEO</th><th>CFO</th></tr><tr><td>2021</td><td>20.5%</td><td>17%</td></tr><tr><td>2022</td><td>15.5%</td><td>13.5%</td></tr><tr><td>2023</td><td>10%</td><td>10%</td></tr></table>
The rate for new hires will be aligned with the rate available to the majority of employees in the relevant jurisdiction.</td><td>Not applicable.</td></tr>
</table>

Executive Director Policy Table continued

Component	Purpose and Link to Strategy, Long-term Interests and Sustainability	Operation	Opportunity	Performance Metrics
(iv) Annual Bonus Plan	To incentivise the executives to achieve clearly defined stretching annual targets (financial and non-financial) which are aligned with the Group's strategy. A deferral element in shares provides a retention element and aligns executives with shareholder interests.	Performance measures, their respective weightings and targets are normally set each year by the Committee to ensure continued alignment with the Group strategy. Payouts are determined by the Committee after the year-end taking into account performance against targets. The Committee retains the discretion to review out-turns to ensure they are appropriate in the context of overall performance and how it was delivered. 50% of any bonus award is normally deferred into shares for a period of, normally, three years. Deferred awards may include the right to receive (in cash or shares) the value of the dividends that would have accrued during the vesting period. Malus and clawback provisions are in place. The Committee may adjust and amend awards in accordance with the rules.	The maximum bonus opportunity in respect of a financial year is 150% of basic salary. 25% of the bonus pays out for threshold performance.	Performance is measured against a range of key financial, operational/strategic, sustainability and individual performance metrics. No less than 60% of the bonus will be based on financial measures.
(v) Performance Share Plan	To incentivise the executives to achieve clearly defined stretching long-term targets which are aligned with the Group's long-term strategic and sustainability ambition.	Annual awards are normally subject to a performance period of no less than three years. Subject to performance, awards will then normally be subject to a holding period of two years. Performance measures, their weightings and targets are normally reviewed each year by the Committee to ensure continued alignment with the Group's long-term strategy. Vesting levels are determined by the Committee after the end of the performance period taking into account performance against targets. The Committee retains the discretion to review out-turns to ensure they are appropriate in the context of overall performance and how it was delivered. Awards may include the right to receive (in cash or shares) the value of the dividends that would have accrued during the performance period and any holding period. Malus and clawback provisions are in place. The Committee may adjust and amend awards in accordance with the rules.	The maximum PSP award opportunity in respect of a financial year is 250% of basic salary. Up to 25% of the award pays out for threshold performance.	Performance measures for the PSP are selected by the Committee to be aligned with the Group's long-term strategic priority of delivering sustainable returns to shareholders. Prior to each grant, the Committee will select performance measures and targets. Measures may be financial, non-financial, share-price based, strategic, and sustainability-focused or on any other basis that the Committee considers appropriate. PSP awards for 2021 will be subject to the following performance measures: • Earnings per share (28%); • Return on capital employed (28%); • Relative TSR (29%); and • Sustainability (15%).

Executive Director Policy Table continued

Other Features

Share ownership requirements	The Group Chief Executive Officer is required to build a shareholding equivalent to 300% of basic salary, and other executive Directors a shareholding equivalent to 200% of basic salary. Executives will normally also be subject to a post-cessation shareholding requirement. Details on this post-cessation shareholding policy are provided in this Remuneration Report.
Recovery provisions	Recovery provisions (clawback and malus) may apply where stated in the table above. The provisions may be enforced in the event of: • A material misstatement of the Group's consolidated audited financial statements; • Where an award was determined by reference to an assessment of a performance condition which was based on an error, or inaccurate or misleading information; • Fraud or other material financial irregularity affecting the Group; • The occurrence of an event that causes or is likely to cause reputational damage to the Group; • Serious misconduct by a participant; • Corporate failure; or • Other circumstances which the Committee in its discretion considers to be similar in their nature or effect as the above. Recovery provisions may be enforced in respect of the cash bonus for three years following payment, in respect of deferred shares for three years from grant and in respect of PSP awards for five years from grant.

Notes to the Remuneration Policy Table

Committee Discretion in Relation to Existing Commitments

The Committee reserves the right to make any remuneration payments and payments for loss of office, notwithstanding that they are not in line with the Policy set out above, where the terms of the payment were agreed: (i) before the Policy set out above, or (ii) at a time when a previous Policy, approved by shareholders, was in place provided the payment is in line with the terms of that Policy, or (iii) at a time when the relevant individual was not a Director of the Company and the payment was not in consideration for the individual becoming a Director of the Company. For these purposes, payments include the Committee satisfying awards of variable remuneration. This means making payment in line with the terms that were agreed at the time the award was granted.

Committee Discretion in Relation to Future Operation of the Remuneration Policy

The Committee will operate variable pay plans according to the respective rules of the plans. The Committee will retain flexibility in a number of areas regarding the operation and administration of these plans, including (but not limited to): change of control, variation of share capital, demerger, special dividend, winding up or similar events.

The Committee also retains the discretion within the Policy to amend targets and/or set different measures and weightings if events happen that cause it to determine that the original targets or conditions are no longer appropriate and the amendment is required so that the targets or conditions achieve their original purpose. Revised targets/measures will be, in the opinion of the Committee, no less difficult to satisfy than the original conditions.

The Committee may make minor amendments to the Remuneration Policy without obtaining shareholder approval for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation. The Committee may accelerate the vesting and/or the release of awards if an executive Director moves jurisdictions following grant and there would be greater tax or regulatory burdens on the award in the new jurisdiction.

Approach to Setting Performance Measures and Targets

Performance measures and targets (both short and long-term) are set each year taking into account a range of internal and external factors including internal forecasts, prior year performance, degree of stretch within the business plan, market conditions and expectations, and sector and regulatory developments. Performance targets will take account of market expectations with regards to future developments in the Group's external environment, which in turn feed into specific objectives based on strategy.

The combination of performance measures and targets for the incentive arrangements (both short and long-term) are chosen to create direct alignment to the successful implementation of our strategy which will result in the delivery of sustainable long-term shareholder value.

Remuneration Report continued

The following table sets out why the performance measures for the purpose of the incentive plans were chosen.

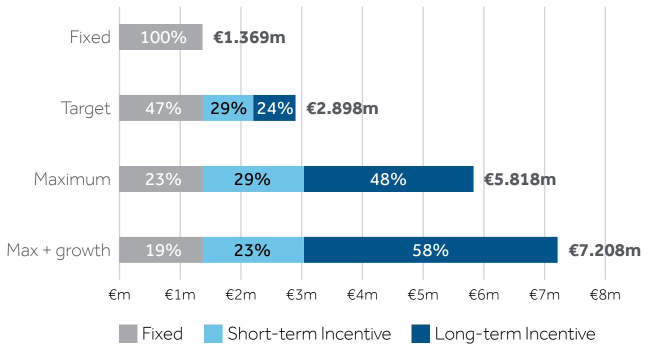
Element of Reward	Bucket of Metrics	Rationale/Types of Metrics Used
Annual Bonus Plan	Financial metrics	Measures chosen to support delivery of the Group's annual business plan. Metrics vary annually but may include metrics linked to: • Profitability; • Cash generation related metrics; and • Any other metrics considered appropriate by the Committee.
	Non-financial metrics	Measures chosen to support delivery of the Group's annual strategic priorities. Metrics vary annually but may include metrics linked to: • Health and safety; • Sustainability (e.g. people); • Individual objectives; and • Any other metrics considered appropriate by the Committee.
Performance Share Plan	Financial/sustainability metrics	Measures chosen to support delivery of the Group's long-term strategic and sustainability priorities. Metrics vary annually but may include metrics linked to: • Profitability (e.g. EPS); • Efficient use of capital employed (e.g. ROCE); • Total shareholder return (e.g. relative TSR); and • Sustainability (e.g. water reduction/climate change).

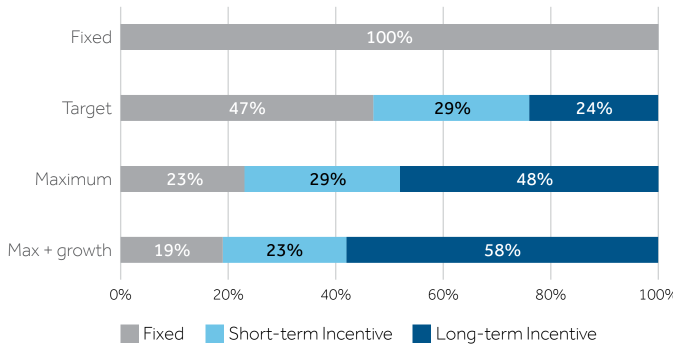
Value and Composition of Remuneration Packages

The Committee believes it is important, for executive Directors and the senior management that a significant portion of the package is performance related and a significant portion is delivered in shares to align their interests with shareholders. The potential value and composition of the executive Directors' remuneration packages at below threshold, target and maximum scenarios under the proposed Policy are set out in the charts below.

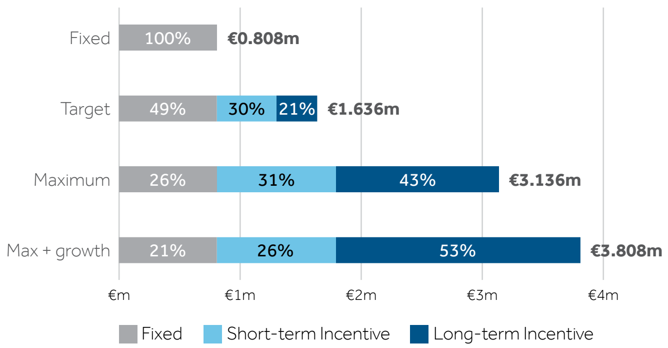
Value and Composition of Package

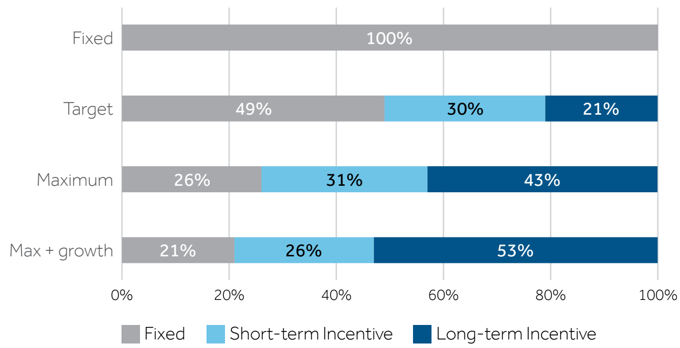
CEO





CFO





In developing the scenarios the following assumptions have been made:

- Salary: Salary at 1 January 2021.
- Benefits: Estimate based on benefits received in 2020.
- Pension: Cash in lieu rate or contribution rate applied to salary.
- Below Threshold: No pay-outs under any incentive plan.
- Target: Up to 50% of the maximum potential under the annual bonus plan and 25% of the maximum PSP awards to be made in 2021 are earned.
- Maximum: The maximum potential under the incentive plans for 2021 is earned.
- Maximum plus share price growth of 50%: The maximum potential under the incentive plans for 2021 is earned, plus share price growth of 50%.
- Other: No share price (unless otherwise stated), dividends or discount rate assumptions have been included.

Recruitment Policy

In determining the recruitment package for a new executive Director, the Committee would have regard to the following principles:

- The package should be market competitive to facilitate the recruitment of individuals of sufficient calibre to lead the business. At the same time, the Committee would intend to pay no more than it believes is necessary to secure the required talent.
- So far as practical, the Committee would seek to align the remuneration package for any incoming executive Director with the Remuneration Policy set out above.
  - In terms of fixed pay (including basic salary, benefits and pension), these would be set in line with the Policy table and at a suitable level to recruit individuals with the required calibre, skills and experience to deliver the Company's strategy.
  - In terms of variable pay (including short and long-term incentives), the maximum level of variable remuneration which may be awarded (excluding 'buy-outs') in the first year of appointment is 400% of salary (which is made up of the maximum annual bonus opportunity (150%) and maximum PSP opportunity in the plan rules (250%)).
- Where an individual forfeits outstanding variable pay opportunities or contractual rights at a previous employer as a result of appointment, the Committee may offer compensatory payments or awards, in such form as the Committee considers appropriate taking into account all relevant factors including the form of awards, expected value and vesting timeframe of the forfeited opportunities. When determining such a 'buy-out' the guiding principle would be that awards would be on a 'like for like' basis to those forfeited.
- To facilitate the awards outlined above, the Committee may make awards under Company incentive plans, or other available structures as appropriate, for the purpose of making 'buy-out' awards.
- In the case of internal promotions, the Committee will honour existing commitments entered into before promotion.

Executive Directors' Service Contracts and Loss of Office Payment Policy

Details of the service contracts of the executive Directors are as follows. Contracts are available for inspection at the Company's office:

	Effective Date of Contract	Notice Period	Termination Payments
A. Smurfit	9 March 2007 (amended 1 September 2015)	12 months notice	Annual salary, the highest annual bonus for the most recent three years, the regular pension contribution in respect of the annual salary and the cash value of any benefits.
K. Bowles	1 April 2016	12 months notice	Annual salary, the regular pension contribution in respect of the annual salary and the cash value of any benefits.
Policy going forward	n/a	12 months notice	For any new executive Director, any payment in lieu of notice would solely include salary, pension and other benefits.

The Committee reserves the right to make any other payments (including appropriate legal fees) in connection with an executive Director's cessation of office or employment where the payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement of any claim arising in connection with the cessation of that executive Director's office or employment.

Treatment of Incentives on Cessation

In the event of an executive Director's departure from the Group, any outstanding share awards will be treated in accordance with the relevant plan rules.

The following table sets out the treatment of annual bonus, deferred share awards and PSP awards for good and bad leavers, for awards made in respect of 2018 onwards. A good leaver is an executive Director who ceases to be an employee of the Group by reason of:

- Death;
- Ill health, injury or disability;
- Redundancy;
- Retirement with the agreement of the Committee;
- The sale of the individual's employing business or company out of the Group; or
- Other circumstances at the discretion of the Committee.

Awards	Bad Leavers	Good Leavers
Annual bonus	Not eligible to receive a bonus, except where a contractual entitlement exists.	If the termination date falls during the performance year, eligible for a bonus pro-rated for time and performance as appropriate. Awards will be paid in the normal manner, including an appropriate balance of cash and shares, subject to the Committee determining a different approach should apply (e.g. on death).
Deferred bonus awards	Awards lapse in full on cessation of employment.	Outstanding awards will be retained by participants and would vest in full at the normal time. The Committee retains discretion to accelerate vesting where it is considered appropriate (e.g. on death).

Awards	Bad Leavers	Good Leavers
PSP awards	For leavers during the performance period, awards lapse in full on cessation of employment.	During the performance period, outstanding awards will be retained and would vest at the normal time taking into account the extent to which the performance conditions have been achieved (measured at the normal time) and time in employment as a proportion of the performance period. For any leavers during the holding period, outstanding awards will be released at the normal time, except where a participant is summarily dismissed, in which case awards lapse in full on cessation of employment. The Committee retains discretion to accelerate the vesting or release of awards where it is considered appropriate (e.g. on death).

In the event of a change of control, awards will be treated in line with the respective plan rules.

Non-executive Directors and the Chair

Terms and Conditions for Non-executive Directors

All non-executive Directors have letters of appointment for a period of three years which are renewable but generally for no more than three terms in aggregate. In compliance with the UK Corporate Governance Code, all Directors will retire at each AGM and offer themselves for re-election. A copy of the letter of appointment is available for inspection at the Company's registered office during normal business hours and at the AGM. Non-executive Directors are not eligible to participate in the annual bonus plan or the long-term incentive plans and their service as a non-executive Director is not pensionable.

Non-executive Director Policy Table

Approach to Fees	Operation	Other Items
Fees for the Chair and non-executive Directors are set at an appropriate level to reflect the time commitment, responsibility and duties of the position and the contribution that is expected from non-executive Directors. The remuneration of the non-executive Directors is determined by the Board within the limits set out in the Articles of Association.	The Chair receives an aggregate fee. The Remuneration Policy for non-executive Directors is to pay: (i) a basic annual fee; and (ii) fees for additional board responsibilities (including the Senior Independent Director and the Chair and membership of a committee). Additional fees may also be paid where the time commitment in a particular year was significantly more than anticipated. The Board retains discretion to remunerate the non-executive Directors in shares rather than cash where appropriate.	Non-executive Directors are reimbursed for travel and reasonable personal expenses (including any related tax liability on such expenses). Additional fees or benefits may be provided at the discretion of the Board.

If a new Chair or non-executive Director is appointed, the remuneration arrangements will normally be in line with those detailed in the table above.

Consideration of Remuneration Arrangements Throughout the Group

As the Group is multinational, remuneration packages in each geographical location must be fair and competitive for that location and at a most senior level, on an international basis. Our objectives are to a) ensure that SKG can attract and retain talented employees of the calibre necessary for it to compete in all its markets, b) motivate employees at every level of the organisation to achieve the Group's objectives, both short and long-term, in order to create sustainable value and c) align remuneration packages with the Group's values of supporting a performance culture.

The employees are rewarded in line with their individual and business performance. In setting remuneration levels, SKG takes into consideration the employees' performance appraisal, external benchmark data for their role in companies of similar size and scope in their geographical area while also ensuring reasonable internal equity within the Group.

Given the scale of the Group's operations, the Group does not specifically invite employees to comment on the Directors' Remuneration Policy.

Consideration of Shareholder Views

The Company is committed to ongoing shareholder dialogue when considering changes to the Remuneration Policy. As set out in the letter from the Committee Chair, the Committee consulted with the Group's largest shareholders on certain aspects of the Remuneration Policy going forward, namely the approach to performance metrics and an increase to the quantum for the PSP. Investors consulted with were supportive of the proposed changes to the Policy.

Annual Remuneration Report
Executive Directors

<table>
<tr><th rowspan="2">Component of pay</th><th colspan="2">Implementation in 2021 (subject to approval of our new Policy)</th></tr>
<tr><th>Group Chief Executive Officer</th><th>Group Chief Financial Officer</th></tr>
<tr><td rowspan="2">Basic Salary</td><td colspan="2">The Group CEO's salary is not being increased for 2021. The Group CFO's salary is being increased by 1.5% which is in line with the approach taken for the wider workforce.</td></tr>
<tr><td>A. Smurfit = €1,112,133 p.a.</td><td>K. Bowles = €655,638 p.a.</td></tr>
<tr><td>Benefits</td><td colspan="2">Market competitive benefits provided in line with Remuneration Policy.</td></tr>
<tr><td>Pension</td><td>A. Smurfit=20.5% of salary (cash allowance)
Will reduce to align to workforce rate by 1 January 2023</td><td>K. Bowles=17% of salary (cash allowance)
Will reduce to align to workforce rate by 1 January 2023</td></tr>
<tr><td rowspan="3">Annual Bonus</td><td colspan="2">Performance will be measured over one year against the following key financial, operational/strategic and individual performance metrics:
<table>
<tr><th>Measure</th><th>Weighting</th></tr>
<tr><td>EBIT</td><td>35%</td></tr>
<tr><td>Free Cash Flow</td><td>35%</td></tr>
<tr><td>Health and Safety</td><td>10%</td></tr>
<tr><td>Personal/Strategic Goals</td><td>10%</td></tr>
<tr><td>ESG – People</td><td>10%</td></tr>
</table></td></tr>
<tr><td colspan="2">In line with previous years the actual targets have not been disclosed prospectively. The target setting process will be in line with the prior year and the targets will be published retrospectively in the Annual Report.
50% will de delivered in cash and 50% will be deferred into Company shares for three years.</td></tr>
<tr><td>A. Smurfit (maximum) = 150% of salary</td><td>K. Bowles (maximum) = 150% of salary</td></tr>
<tr><td rowspan="2">Performance Share Plan ('PSP')</td><td colspan="2">Performance measured over three years against four quadrants. Awards are subject to a post-vesting holding period such that they are released following the fifth anniversary of the grant date.
<table>
<tr><th>Measure</th><th>Weighting</th><th>Threshold Vesting (25% of maximum)</th><th>Maximum Vesting (100% of maximum)</th></tr>
<tr><td>EPS (pre-exceptional items – cumulative over three years)[1]</td><td>28%</td><td>635c</td><td>775c</td></tr>
<tr><td>ROCE (three-year average)[1]</td><td>28%</td><td>13.0%</td><td>16.0%</td></tr>
<tr><td>Relative TSR*</td><td>29%</td><td>Median Performance</td><td>Upper Quartile</td></tr>
<tr><td>ESG – Planet</td><td></td><td></td><td></td></tr>
<tr><td>CO_2 Emissions Reduction[2]</td><td>5%</td><td>39.5%</td><td>45.5%</td></tr>
<tr><td>Water Discharge Reduction[3]</td><td>5%</td><td>45%</td><td>55%</td></tr>
<tr><td>Waste to Landfill Reduction[4]</td><td>5%</td><td>25%</td><td>27%</td></tr>
<tr><td></td><td></td><td colspan="2">Straight line vesting between points</td></tr>
</table>
* Measured against the following peers: Billerud Korsnas, Cascades, DS Smith, Empresas CMPC, Graphic Packaging, International Paper, Klabin, Mayr-Melnhof, Metsa Board, Mondi, Packaging Corporation of America, Stora Enso, UPM Kymmene and WestRock.
1 As set out in the letter from the Remuneration Committee Chair on page 77 the reduction of EPS and ROCE targets on the prior PSP cycle reflects the increase in the number of shares in issue following the November 2020 share placing (the placing shares represented approximately 8.1% of the issued share capital immediately prior to the placing) and the consequent, significant capital investment programme (which will drive strong long-term earnings growth, operating efficiencies and enhance our sustainability credentials, but in the medium-term place pressure on ROCE), planned over the next three years.
2 Intensity reduction in fossil CO_2 emissions in our global paper and board mill system compared with our baseline year 2005.
3 Intensity reduction of COD content of water returned to the environment from our global paper and board mill system compared with our baseline year 2005.
4 Intensity reduction in waste sent to landfill by our global paper and board mill system compared with our baseline year 2013.</td></tr>
<tr><td>A. Smurfit (maximum) = 250% of salary</td><td>K. Bowles (maximum) = 205% of salary</td></tr>
<tr><td>Share Ownership Requirements</td><td>A. Smurfit is required to build a shareholding equivalent to 300% of basic salary.</td><td>K. Bowles is required to build a shareholding equivalent to 200% of basic salary.</td></tr>
<tr><td>Post-employment Share Ownership Requirements</td><td colspan="2">The share ownership requirement will apply for the first year post-departure and 50% of the requirement will apply for the second year post departure.</td></tr>
</table>

Remuneration Report continued

The following table summarises how the Remuneration Policy fulfils the factors set out in Provision 40 of the 2018 UK Corporate Governance Code:

Code	SKG Remuneration
Clarity	
Remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.	The annual bonus and PSP have been designed to incentivise executives to achieve clearly defined stretching targets. Performance measures and targets are reviewed each year by the Committee to ensure that they continue to be clear and appropriate.
Simplicity	
Remuneration structures should avoid complexity and their rationale and operation should be easy to understand.	In 2018, the Committee replaced our deferred bonus matching plan with a new performance share plan aligned with market practice. This move supports our aim of operating a simple remuneration structure with a single long-term incentive plan operating separately from the annual bonus.
Risk	
Remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated.	The Remuneration Policy (subject to approval at the AGM) has been designed to support the Group's business strategy and the objective of developing superior, sustainable returns and value at acceptable levels of risk but with a clear and intelligible link to performance and the financial prosperity of the Group.
Predictability	
The range of possible values of rewards to individual Directors and any other limits or discretions should be identified and explained at the time of approving the policy.	The Committee believes it is important for executive Directors and senior management that a significant portion of the package is performance related. The potential value and composition of the executive Directors' remuneration packages at below threshold, target and maximum (including share price performance) scenarios under our Remuneration Policy are set out on page 82.
Proportionality	
The link between individual awards, the delivery of strategy and the long-term performance of the Company should be clear. Outcomes should not reward poor performance.	Payments from the annual bonus and PSP require delivery against stretching performance conditions. The performance conditions are directly linked to the Group's strategy and KPIs. The Committee has discretion to override formulaic out-turns to ensure that they are appropriate and reflective of overall performance.
Alignment to Culture	
Incentive schemes should drive behaviours consistent with company purpose, values and strategy.	Smurfit Kappa is a multinational Group and it is important that remuneration packages in each geographical location are fair and competitive for that location and at a most senior level, on an international basis. Details of how our remuneration arrangements support delivery of the Group's strategy (including changes to increase the emphasis on sustainability metrics) are set out on pages 78 to 85.

Non-executive Directors

The table below sets out a summary of non-executive Director fees. No changes are proposed to the fees from 2020.

	Annual Fee
Chair	**€350,000**
Non-executive Director base fee	**€70,000**
Additional Fees:	
Senior Independent Director fee	**€60,000**
Committee Chair fee	**€60,000**
Committee membership fee	**€20,000**

Total Executive Directors' Remuneration in 2020

The following table shows a single figure of total remuneration for each executive Director for the years 2020 and 2019.

				Total Annual Bonus		LTIP[2]					
2020	Basic Salary €'000	Pension €'000	Benefits[1] €'000	Cash €'000	Deferred Shares €'000	PSP Shares €'000	Share Appreciation[3] €'000	Total LTIP €'000	Total Fixed €'000	Total Variable €'000	Total €'000
A. Smurfit	**1,112**	**228**	**29**	**689**	**689**	**2,108**	**408**	**2,516**	**1,369**	**3,894**	**5,263**
K. Bowles	**646**	**110**	**41**	**400**	**400**	**920**	**178**	**1,098**	**797**	**1,898**	**2,695**
2019											
A. Smurfit	1,112	228	31	592	592	856	259	1,115	1,371	2,299	3,670
K. Bowles	624	106	36	332	332	396	120	516	766	1,180	1,946

1 Benefits include the use of a company car, club subscriptions or cash equivalent.
2 For 2020, this represents conditional share awards granted under the Group's 2018 Performance Share Plan in 2018 that vested in February 2021 at the grant price in 2018. They vested at 78.35% of the maximum as a result of the achievement of the relevant performance targets in the three-year period ended 31 December 2020. The vested shares (post-tax) are subject to holding periods and are to be released in three equal tranches: one was released in February 2021; and the subsequent shares will be released in February 2022 and February 2023. For 2019, this represents the deferred bonus matching shares (legacy plan) that vested in February 2020 at the grant price in 2017. They vested at 100% of maximum as a result of the achievement of the relevant performance targets for the three-year period ended 31 December 2019.
3 Share price appreciation element – the additional value generated through share price growth over the grant price in 2018 and 2017. For 2018 grants, the share price used is €39.77 compared to the grant price of €33.32. For the 2017 grants, the share price used was €33.49 compared to the grant price of €25.71 per share.

Pensions

Mr Smurfit and Mr Bowles previously participated in a Group contributory defined benefit pension plan based on an accrual rate of 1/60th of pensionable salary for each year of pensionable service and was designed to provide two thirds of salary at retirement for full service. The defined benefit plan which Mr Smurfit and Mr Bowles are members of closed to future accrual with effect from 30 June 2016 and was replaced by a defined contribution plan. All pension benefits are determined solely in relation to basic salary.

For 2020, the non-pensionable cash allowance for Mr Smurfit represented 20.5% of salary and for Mr Bowles represented 17% of salary. This is in line with the approach for 2019. As set out in the Committee Chair's letter, the Committee has committed to aligning the pension contribution rate to the wider workforce rate by 1 January 2023, which currently stands at 10% of salary.

Annual Bonus

Executive Directors participate in an annual bonus scheme which was based on the achievement of clearly defined stretching annual financial targets, together with targets for Health and Safety and personal/strategic goals for each of the executive Directors.

2020 Annual Bonus

The key target areas as well as their weightings and the specific targets for the 2020 annual bonus plan are set out in the table below:

Performance Metrics	Threshold	Target	Maximum	Resultant Payout (% of max.)
EBIT (23%)	€923m			13.8% (60%)
	€660m	€880m	€1,100m	
ROCE (24%)	14.6%			15.8% (66%)
	10.2%	13.5%	16.9%	
FCF (23%)	€675m			23% (100%)
	€380m	€472m	€565m	
Health and Safety (10%)	The Group TRIR was 0.60. 100% payout for under 0.7			10% (100%)
Personal/Strategic Goals – Mr Smurfit (20%)	Strong progress against personal/strategic goals. Further details set out overleaf.			20% (100%)
Personal/Strategic Goals – Mr Bowles (20%)	Strong progress against personal/strategic goals. Further details set out overleaf.			20% (100%)

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Remuneration Report continued

Personal/Strategic Goals

The following table sets out the executive Directors' achievements against their personal/strategic objectives for 2020:

Executive	Achievement Against Personal/Strategic Objectives
A. Smurfit	**People** • Successful strategic talent review and assessment process for over 500 senior executives. • Comprehensive review of critical roles, and preparation of a robust succession plan to ensure low talent risk to the Group. • New 'Beyond Gender Inclusion and Diversity Framework' developed, approved and rollout commenced. • Achievement of 31% female representation in the Group Executive Committee. • Successful development and completion of a Global COVID-19 Engagement Survey and engagement plan implemented. **Sustainability** • Creation and development of an internal Executive led SKG Sustainability Committee. • Strong progress made against Sustainability metrics, including: – 100% of fibres are from sustainable origin; – Over 93% of deliveries were certified versus a target over 90%; and – Targets achieved in reduction of CO_2, water and waste. • Improved CDP score from B to A-. **Innovation** • 48 industry awards in 2020 related to innovation in packaging. • Six Worldstar global packaging awards in recognition of our growth in the area of e-Commerce. **Strategy** • Successfully completed a €660 million equity raise in November 2020. • New Capital Expenditure plans/strategy in place as a result of the equity raise for growth.
K. Bowles	**People** • Successful strategic talent review and assessment process for over 500 senior executives. • Comprehensive review of critical roles, and preparation of a robust succession plan to ensure low talent risk to the Group. • New `Beyond Gender Inclusion and Diversity Framework' developed, approved and rollout commenced. • Achievement of 31% female representation in the Group Executive Committee. • Successful development and completion of a Global COVID-19 Engagement Survey and engagement plan implemented. **Sustainability** • Creation and development of an internal Executive led SKG Sustainability Committee. • Strong progress made against Sustainability metrics, including: – 100% of fibres are from sustainable origin; – Over 93% of deliveries were certified versus a target over 90%; and – Targets achieved in reduction of CO_2, water and waste. • Improved CDP score from B to A-. **Innovation** • Global IT transformation plan designed, developed, and approved Phase I commenced. **Strategy** • Successfully completed a €660 million equity raise in November 2020. • New Capital Expenditure plans/strategy in place as a result of the equity raise for growth. **Capital Structure** • Upgrade to positive outlook from Moody's and Standard & Poors and to BBB- with stable outlook from Fitch. • Record free cash flow of €675 million.

Following the consideration of performance against the targets, and in the context of the wider performance of the Group, the Committee did not consider it necessary to apply discretion to the outturns and approved the following annual bonuses for 2020:

	2020				
		Bonus Payable	Annual Cash Bonus	Deferred Shares	Total Bonus
Executive Directors	**(% Maximum)**	**(% Salary)**	**€'000**	**€'000**	**€'000**
A. Smurfit	**82.6**	**123.9**	**689**	**689**	**1,378**
K. Bowles	**82.6**	**123.9**	**400**	**400**	**800**

In line with the Remuneration Policy, half of the bonuses shown above were paid in cash and half were deferred into Company shares which vest after three years subject to the continuity of employment of the executive or in certain circumstances based on normal good leaver provisions.

Performance Share Plan

Awards Vesting in Respect of Performance to 31 December 2020

In 2018, Mr Smurfit and Mr Bowles were granted their first awards under the new PSP. These awards were based on the following performance criteria: EPS (pre-exceptional); Return on Capital employed; and Total Shareholder Return against a bespoke peer group. Performance was measured on a straight-line basis between threshold and maximum.

Performance Metrics	Threshold (25% Vesting)	Maximum (100% Vesting)	Achievement	Level of Vesting
EPS (pre-exceptional items – cumulative over three years) (33%)	720c	880c	804.2c	21.49%
ROCE (three-year average) (33%)	15.3%	18.7%	17.4%	23.53%
TSR vs. a select peer group (33%)	Median	Upper quartile	Upper quartile	33.33%
Overall vesting				78.35%

The peer group used for the TSR measure comprised the following companies: Billerud Korsnas, Cascades, DS Smith, Empresas CMPC, Graphic Packaging, International Paper, Klabin, Mayr-Melnhof, Metsa Board, Mondi, Packaging Corporation of America, Stora Enso, UPM-Kymmene and WestRock. SKG finished in first place in terms of TSR outcome against the peer group for the performance period and therefore were in the upper quartile in terms of the achievement for the 2018 award. In line with our normal approach, we exclude items which would affect comparability such as acquisitions and disposals, the impacts of IFRS 16, *Leases* and the equity raise.

Following consideration of performance against the targets, and in the context of the wider performance of the Group, the Committee did not consider it necessary to apply discretion to the out-turns and approved the level of vesting of the 2018 PSP awards.

Share Awards Granted During the Year

During the year, executive Directors were granted Deferred Share Awards in respect of the 2019 annual bonus. They were also granted PSP Awards that may vest based on the achievement of performance targets for the three-year period ending on 31 December 2022. PSP Awards are subject to a holding period such that they are released following the fifth anniversary of the grant date. Details of the performance conditions attached to these awards are set out on page 67 of the 2019 Annual Report.

Details of the executive Directors' awards are set out below. Further detail on the executive Directors' outstanding shares are set out on pages 93 to 94.

	Type of Interest	Face Value €'000	Basis on Which Award Made	% Vesting at Threshold	Performance Period
Deferred Bonus[1]					
A. Smurfit	Deferred shares	592	Deferred bonus	n/a	n/a
K. Bowles	Deferred shares	332	Deferred bonus	n/a	n/a
Performance Shares[2]					
A. Smurfit	Performance shares	2,502	225% of salary	25%	01/01/2020-31/12/2022
K. Bowles	Performance shares	1,163	180% of salary	25%	01/01/2020-31/12/2022

1 Share price of deferred shares granted in March 2020 was €33.91. Awards will vest based on continued employment to February 2023 (subject to leaver provisions within the plan rules).
2 Share price of performance shares granted in March 2020 was €26.70. These awards are subject to three equally weighted performance conditions: EPS (pre-exceptional); ROCE; and TSR against a bespoke peer group. Details of the underlying targets are set out in the Annual Report 2019.

Remuneration Report continued

Annual Percentage Change in Remuneration of Directors and Employees

Details of the percentage change in the salary, annual bonus and benefits from 2019 to 2020 for the Directors of the Company, along with that applicable to an average FTE employee of Smurfit Kappa, is set out below:

	Basic Salary	Total Bonus	Benefits
Executive Directors			
Group Chief Executive Officer – A. Smurfit	0%	16%	(6%)
Group Finance Director – K. Bowles	3.50%	20%	14%
Non-executive Directors[1]			
I. Finan	26%	n/a	n/a
A. Anderson	2%	n/a	n/a
F. Beurskens	0%	n/a	n/a
C. Fairweather	0%	n/a	n/a
K. Hietala[2]	n/a	n/a	n/a
J. Buhl Rasmussen	40%	n/a	n/a
J. Lawrence	0%	n/a	n/a
L. Melgar[2]	n/a	n/a	n/a
J. Moloney	11%	n/a	n/a
G. Restrepo	40%	n/a	n/a
Average employee of Smurfit Kappa Group (FTE)	2%	16%	n/a*

1 Page 95 provides the underlying single figure of remuneration for non-executive Directors used to calculate the figures above. Changes primarily relate to non-executive Directors who have served only part of the year or who had a change in responsibility.
2 Dr Melgar and Ms Hietala joined the Board in January 2020 and October 2020 respectively.
* Due to data availability, it is not possible to calculate the percentage change in benefits for all employees for the purpose of this table.

Chief Executive Officer Pay Ratio

Although this legislation does not apply to SKG, the Committee has voluntarily published the ratio. The following table sets out the Group CEO pay ratio against Irish employees within the Group, which is considered the most relevant reference point as the Group's headquarters are in Ireland.

Year	Population	25th percentile	50th percentile	75th percentile
2020	Irish employees	132	97	72
2019	Irish employees	92	68	50

Total remuneration for each individual in the above data has been calculated on the same basis as the Group CEO's annual total remuneration for the same period in the single figure table. For part-time employees, their relevant pay and benefit components have been adjusted to the equivalent full-time figure for the relevant business.

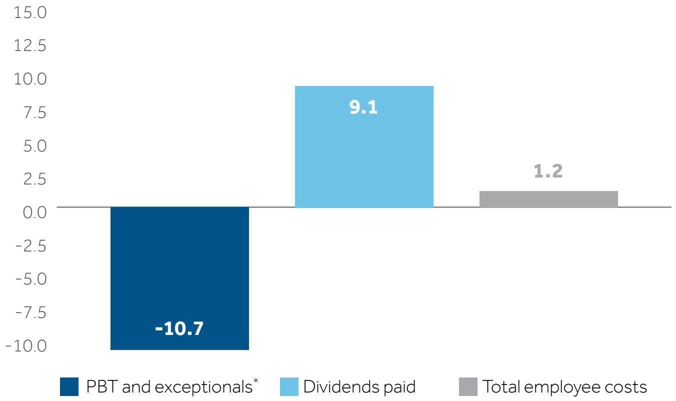
Relative Importance of Spend on Pay

The following tables set out the change in profit, dividends, total employee costs and for the financial year ended 31 December 2020 against a five year comparative.

	2020 €m	2019 €m	2018 €m	2017 €m	2016 €m	2015 €m
Profit before income tax and exceptional items	**779**	872	938	601	657	654
Dividends paid to shareholders	**260**	238	213	191	166	141
Total employee costs[1]	**2,218**	2,195	2,139	2,070	1,968	1,944
Directors Remuneration	**9**	7	6	5	4[2]	11

1 Total employee costs for continuing operations, includes wages and salaries, social insurance costs, share-based payment expense, pension costs and redundancy costs for all employees. The average full time equivalent number of employees and part-time employees in continuing operations was 46,375 (2019: 46,563).
2 Mr Bowles who was appointed Group Chief Financial Officer on 1 April 2016 was appointed a Director on 8 December 2016.

Percentage Change of Spend on Pay 2020 vs 2019

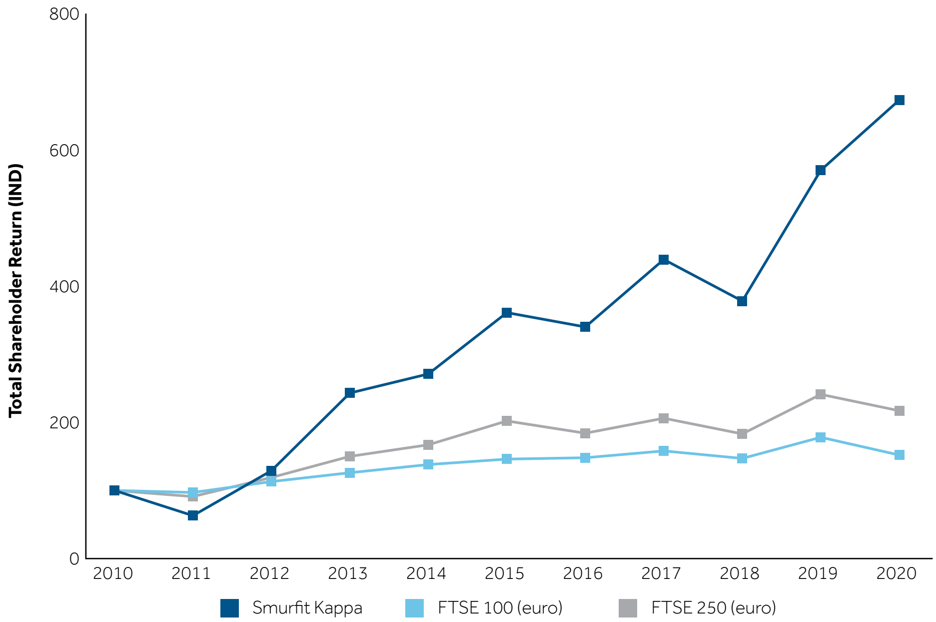


* Profit before income tax and exceptional items.

Total Shareholder Return Performance

The performance graph below shows the Group TSR performance from 31 December 2010 to 31 December 2020 against the performance of the FTSE 100 and FTSE 250 over the same period. Both the FTSE 100 and FTSE 250 have been chosen, as during the relevant period these are the two broad equity market indices of which the Group has been a member.

Total Return Indices – Smurfit Kappa vs FTSE 100 and FTSE 250



Remuneration Report continued

Group Chief Executive Officer Remuneration

The table below summarises the single figure of total remuneration for the Group Chief Executive Officer for the past ten years as well as how the actual awards under the annual bonus and LTIP compare to the maximum opportunity.

		Single Figure of Total Remuneration €'000	Annual Bonus Award Against Maximum Opportunity*	LTIP Award Against Maximum Opportunity
	Group Chief Executive Officer			
2020	A. Smurfit	5,263	82.6%	78.35%[1]
2019	A. Smurfit	3,670	71%	100%[2]
2018	A. Smurfit	3,372	97.3%	51.6%[2]
2017	A. Smurfit	2,477	41%	45%[2]
2016	A. Smurfit	2,407	35%	45%[2]
2015	A. Smurfit (appointed 1 September)	1,180	42%	67%[2]
2015	G. McGann (retired 31 August)	3,837	42%	67%[2]
2014	G. McGann	7,203	55%	75%[2]
2013	G. McGann	5,278	54%	93%[2]
2012	G. McGann	3,169	60%	30%[3]
2011	G. McGann	3,358	65%	100%[4]

1 The Performance Share award granted in 2018 vested in February 2021 based on the achievement of the relevant performance targets for the three-year periods ending on 31 December 2020. Awards will be released in three equal tranches.
2 The Matching and Conditional Matching Awards granted in 2017, 2016, 2015, 2014, 2013, 2012 and 2011 vested in February 2020, 2019, 2018, 2017, 2016, 2015 and 2014 respectively based on the achievement of the relevant performance targets for the three-year periods ending on 31 December 2019, 2018, 2017, 2016, 2015, 2014 and 2013.
3 The awards under the 2007 Share Incentive Plan ('SIP') vested 30% in February 2013 with the TSR condition being at the median.
4 The SIP awards vested 100% in February 2012 with the TSR condition being in the upper quartile of the peer group.
* The annual bonus award was paid 50% in cash and 50% in Deferred Share Awards.

The information below forms an integral part of the audited Consolidated Financial Statements as described in the Basis of Preparation on page 120.

Pension Entitlements – Defined Benefit

	Increase/ (Decrease) in Accrued Pension During Year €'000	Transfer Value of Increase/ (Decrease) in Accrued Pension €'000	**2020 Total Accrued Pension[1] €'000**
Executive Directors			
A. Smurfit	–	–	**276**
K. Bowles	–	–	**79**

1 Accrued pension benefit is that which would be paid annually on normal retirement date.

Additional Information

Payments to Former Directors

There were no payments made to former Directors in the year.

Payments for Loss of Office

There were no payments for loss of office made in the year.

Executive Directors' Interests in Share Capital at 31 December 2020

The table below summarises the personal shareholdings of each executive Director. The figures include beneficially owned shares and unvested share awards which are not subject to further performance criteria (other than continued employment) on a net of tax basis.

Name	Beneficially Owned at 31 December 2019	Beneficially Owned at 31 December 2020	Unvested Awards Not Subject to Performance Criteria (Net of Tax)	**Total Shareholding as at 31 December 2020**	Shareholding (% of Salary)	Shareholding Guideline (% of Salary)	Shareholding Guideline Met?
A. Smurfit	1,227,010	1,258,490	29,841	**1,288,331**	3,607%	300%	Yes
K. Bowles	34,626	47,374	16,414	**63,788**	308%	200%	Yes

The changes in the executive Directors' interests (beneficially owned shares) between 31 December 2020 and 12 March 2021 were as follows: Mr Smurfit and Mr Bowles increased their holdings by 74,630 and 16,172 shares respectively in February 2021, following the vesting of the Deferred share awards and the vesting of the Performance Share Plan.

External Appointments

The Company recognises that, during their employment with the Company, executive Directors may be invited to become non-executive Directors of other companies and that such duties can broaden their experience and knowledge. Executive Directors may, with the written consent of the Company, accept such appointments outside the Company, and the policy is that any fees may be retained by the Director.

Deferred Annual Bonus Plan and Deferred Bonus Plan Awards

Deferred Share Awards and Matching Share Awards

Deferred Share Awards were granted to eligible employees in 2020 in respect of the financial year ended 31 December 2019.

	31 December 2019		Granted (Lapsed) in Year 2020		Shares Distributed on Vesting		31 December 2020			
	Deferred	Matching	Deferred	Matching	Deferred	Matching	Deferred	Matching	Market Price on Award Date	Performance/ Holding Period
Directors										
A. Smurfit										
	11,093	11,093			(11,093)[1]	(33,279)[1]	–	–	25.71	01/01/2017 –31/12/2019
	11,362	–					11,362[2]	–	30.09	01/01/2018 –31/12/2020*
	30,861	–					30,861	–	26.13	01/01/2019 –31/12/2021*
	–	–	17,460				17,460	–	33.91	01/01/2020 –31/12/2022*
K. Bowles										
	5,128	5,128			(5,128)[1]	(15,384)[1]	–	–	25.71	01/01/2017 –31/12/2019
	6,198	–					6,198[2]	–	30.09	01/01/2018 –31/12/2020*
	16,833	–					16,833	–	26.13	01/01/2019 –31/12/2021*
	–	–	9,798				9,798	–	33.91	01/01/2020 –31/12/2022*
Secretary										
G. Carson-Callan**										
	1,033	–					1,033[2]	–	30.09	01/01/2018 –31/12/2020*
	3,347	–					3,347	–	26.13	01/01/2019 –31/12/2021*
	–	–	1,969				1,969	–	33.91	01/01/2020 –31/12/2022*

1 The deferred shares vested and were distributed in February 2020. The market price at date of distribution was €33.49.
Based on the achievement of the relevant performance targets for the three-year period ending on 31 December 2019, the matching shares vested in February 2020 with a match of 3 times the level of the Matching Share Award and were distributed in February 2020. The market price at the date of distribution was €33.49.
2 The deferred shares vested in February 2021 and were distributed. The market price at the date of distribution was €39.77.
* Deferred awards are subject to holding period and are not subject to performance conditions.
** Michael O'Riordan retired on 1 June 2020 and was replaced by Gillian Carson-Callan on that date.

The market price of the Company's shares at 31 December 2020 was €38.04 and the range during 2020 was €20.98 to €39.10.

Performance Share Plan Awards

PSP Awards were granted to eligible employees in 2020. Awards may vest based on the achievement of the relevant performance targets for the three-year period ending on 31 December 2022.

	31 December 2019	Granted (Lapsed) in Year 2020*	Shares Distributed on Vesting	31 December 2020	Market Price on Award Date	Performance Period**
Directors						
A. Smurfit	74,651	–	–	74,651[1]	33.32	01/01/2018 –31/12/2020
	101, 472	–	–	101,472	24.66	01/01/2019 –31/12/2021
		93,719		93,719	26.70	01/01/2020 –31/12/2022
K. Bowles	32,575	–	–	32,575[1]	33.32	01/01/2018 –31/12/2020
	45,555	–	–	45,555	24.66	01/01/2019 –31/12/2021
	–	43,547	–	43,547	26.70	01/01/2020 –31/12/2022
Secretary						
G. Carson-Callan	2,161	–	–	2,161[1]	33.32	01/01/2018 –31/12/2020
	6,813	–	–	6,813	24.66	01/01/2019 –31/12/2021
	–	7,865	–	7,865	26.70	01/01/2020 –31/12/2022

1 Based on the achievement of relevant performance targets for the three year period ending on 31 December 2020, the conditional share awards including dividend equivalents vested at 78.35% in February 2021. The market price at the time of distribution was €39.77. The vested shares (post-tax) are subject to holding periods and are to be released in three equal tranches: one was released in February 2021; and the subsequent shares will be released in February 2022 and February 2023.

* Awards are eligible to accrue dividend equivalents during the performance period.

** Awards are subject to a holding period. Awards granted in 2019 and 2020 are released to executive Directors on the fifth anniversary of the date of grant.

Directors' Remuneration

	2020 €'000	2019 €'000
Executive Directors		
Basic salary	1,758	1,736
Annual cash bonus	1,089	924
Annual bonus deferred shares	1,089	924
Pension	338	334
Benefits	70	67
Total LTIP	3,614	1,631
Executive Directors' remuneration	7,958	5,616
Average number of executive Directors	2	2
Non-Executive Directors		
Fees	1,302	1,357
Non-executive Directors' remuneration	1,302	1,357
Average number of non-executive Directors	10	10
Directors' Remuneration	9,260	6,973

Individual Remuneration for the Financial Year Ended 31 December 2020

	Total 2020* €'000	Total 2019 €'000
Non-executive Directors		
I. Finan	**350**	277
A. Anderson	**90**	88
F. Beurskens[2]	**150**	150
C. Bories[3]	**-**	83
C. Fairweather	**130**	130
K. Hietala[1]	**12**	-
J. Buhl Rasmussen	**130**	93
L. Melgar[1]	**90**	-
J. Lawrence	**90**	90
J. Moloney	**130**	117
R. Newell[3]	**-**	119
L. O'Mahony[3]	**-**	117
G. Restrepo	**130**	93
	1,302	1,357

* Non-executive Director remuneration is entirely fixed.
1 Dr Melgar and Ms Hietala joined the Board in January 2020 and October 2020 respectively.
2 Mr Beurskens' fees include additional fees of €60,000 (2019: €60,000) for services as a Director of a Group subsidiary and advisory services.
3 Ms Bories and Mr Newell both retired from the Board in December 2019. Mr O'Mahony retired from the Board in May 2019.

Share-based Payment

The executive Directors receive Deferred Share Awards and Performance Share Awards, details of which are outlined on pages 93 to 94 of this report. The share-based payment expense recognised in the Consolidated Income Statement for the executive Directors in the year totalled €2,704,216 (2019: €2,578,164).

Non-executive Directors' Interests in Share Capital at 31 December 2020

The interests of the non-executive Directors and Secretary in the shares of the Company as at 31 December 2020 which are beneficial unless otherwise indicated are shown below. The Directors and Secretary have no beneficial interests in any of the Group's subsidiary or associated undertakings.

Ordinary Shares	**31 December 2020**	31 December 2019
Directors		
I. Finan	**19,709**	17,650
A. Anderson	**5,874**	–
F. Beurskens	**5,300**	2,500
C. Fairweather	**3,000**	3,000
K. Hietala	**1,471**	–
J. Lawrence	**335,000**	335,000
L. Melgar	**–**	–
J. Moloney	**10,206**	8,000
J. Buhl Rasmussen	**6,146**	2,469
G. Restrepo	**–**	–
Secretary		
G. Carson-Callan	**441**	–

The changes in the non-executive Directors' and Secretary's interest between 31 December 2020 and 12 March 2021 were as follows:

- Mr Lawrence decreased his holding by 165,000 shares in February 2021 following a sale of shares.
- Ms Carson-Callan increased her holding by 575 shares in February 2021 following the vesting of the share plans.

End of information in the Remuneration Report that forms an integral part of the audited Consolidated Financial Statements.

The Remuneration Committee

The Remuneration Committee is chaired by Mr John Moloney and currently comprises five non-executive Directors. The Directors' biographical details on pages 64 to 67 demonstrate that the members of the Committee bring to it a wide range of experience in the area of senior executive remuneration in comparable companies.

The Committee receives advice from independent remuneration consultants, as appropriate, to supplement their own knowledge and to keep the Committee updated on current trends and practices. In 2020, the Committee received independent advice from its independent advisors, Deloitte LLP, on the approach to executive remuneration in the Group going forward. The Committee considers that the advice provided by Deloitte LLP, who do not have any other affiliation with the Group, is objective and independent. The total fees paid to Deloitte LLP in relation to Remuneration Committee work during 2020 were £67,850 (excluding VAT). Deloitte LLP are signatories to the Remuneration Consultants' Group code of conduct in relation to executive remuneration consulting in the UK.

The role and responsibilities of the Committee are set out in its Terms of Reference which were updated and approved in December 2020 and are available on the Group's website: smurfitkappa.com. As detailed on page 70, the Board conducts an annual evaluation of its own performance and that of its Committees, Committee Chairs and individual Directors except in years when an external evaluation is carried out. In accordance with the UK Corporate Governance Code, an internal evaluation was conducted in 2020. The conclusion from the 2020 process was that the performance of the Remuneration Committee and of the Chair of the Committee were satisfactory.

The Committee met five times during the year. Details of Committee members and meetings attended are provided in the table on page 76. The Group Chief Executive Officer normally attends the meetings and the Group VP Human Resources attends when appropriate (neither are involved in discussions concerning their own remuneration).

Statement on Shareholder Voting

The Company is committed to ongoing dialogue with our shareholders regarding executive remuneration. We engaged extensively with our largest stakeholders during the recent Policy review. If there are substantial numbers of votes against resolutions in relation to Directors' remuneration, the Company will seek to understand the reasons for any such vote and will provide details of any actions in response to such a vote.

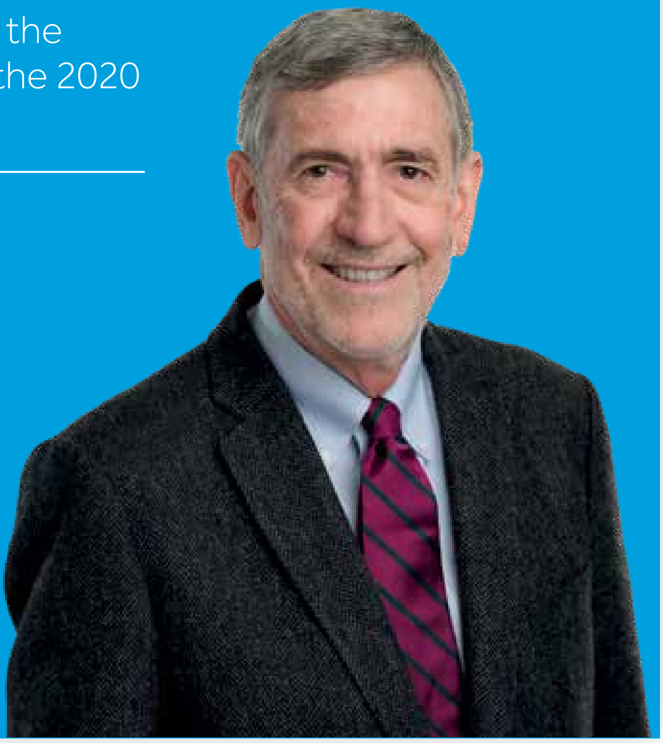
The following table shows the voting outcome at the 30 April 2020 AGM for the 2019 Directors' Remuneration Report and the voting outcome at the 4 May 2018 AGM for the Directors' Remuneration Policy.

Item	Votes For and Discretionary	% Votes Cast	Votes Against	% Votes Cast	Total Votes Cast	Vote Withheld
Directors' Remuneration Report (2020 AGM)	157,804,195	94.41%	9,338,128	5.59%	167,142,323	1,879,718
Directors' Remuneration Policy (2018 AGM)	139,293,606	97.37%	3,765,320	2.63%	143,058,926	3,757,828

Nomination Committee Report

"Dear Shareholder, I am pleased to present the Nomination Committee report covering the work the Committee performed during the 2020 financial year."

Gonzalo Restrepo
Chair of Nomination Committee
12 March 2021



Committee Members
G. Restrepo (Chair)
A. Anderson
F. Beurskens
I. Finan
J. Lawrence

The Role of the Nomination Committee
- Lead the process for appointments to the Board and make recommendations to the Board;
- Evaluate the balance of skills, knowledge, experience and diversity, including geographical, gender, age and ethnic diversity, on the Board and its Committees to ensure they operate effectively;
- Prepare descriptions of the role and requirements for new appointees; and
- Give full consideration to succession planning for Directors and senior management.

Where necessary, the Committee uses the services of external advisors in order to assist in the search for new appointments to the Board. Advisors are provided with a brief which takes into consideration the skills, experience and diversity, including geographical, gender, age and ethnic diversity, required at the time to give balance to the Board. When suitable candidates have been identified, some Committee members will meet with them and if a candidate is agreed upon, the Committee will then recommend the candidate to the Board. All appointments to the Board are approved by the Board as a whole.

All newly appointed Directors are subject to election by shareholders at the AGM following their appointment and in compliance with the Code, all Directors are required to retire at each AGM and offer themselves for re-election.

The terms and conditions of appointment of non-executive Directors are available on request from the Company Secretary for inspection at the Company's registered office during normal business hours and at the AGM of the Company.

The role and responsibilities of the Committee are set out in its Terms of Reference which are available on the Group's website: smurfitkappa.com. The Terms of Reference were reviewed and updated in December 2020.

Attendance Record	A*	B*	Appointment Date
G. Restrepo (Chair)	4	4	2019
A. Anderson	4	4	2019
F. Beurskens	4	4	2013
I. Finan	4	4	2019
J. Lawrence	4	4	2015

* Column A indicates the number of meetings held during the period the Director was a member of the Committee and was eligible to attend and Column B indicates the number of meetings attended.

Membership of the Committee
The Committee is currently comprised of five non-executive Directors. The Committee met four times during the year under review. Details of Committee members and meetings attended are provided in the adjacent table. The Group Chief Executive Officer normally attends meetings of the Committee and the Group VP of Human Resources attends as appropriate.

Main Activities During the Year
The Committee has fully complied with the principles of the UK Corporate Governance Code ('Code'), which includes up to date guidance for Nomination Committees of companies listed on Euronext Dublin and the LSE throughout the accounting period.

The primary role of the Committee is to monitor and maintain an appropriate balance of skills, experience, independence and diversity on the Board while regularly reviewing its structure, size and composition. It is also responsible for ensuring there is a formal, rigorous and transparent process for the appointment of new Directors to the Board. Succession planning is a fundamental aspect of the Committee's work both for Directors and senior management. Our succession planning process is regularly reviewed by the Committee, aided by regular updates from our Group VP of Human Resources and senior management on the development of the talent pipeline and recruitment throughout the organisation.

Refreshing the Board and its Committees

During the year, the Committee evaluated the composition of the Board with respect to the balance of skills, knowledge, experience and diversity, including geographical, gender, age and ethnic diversity and following the review, the Board subsequently oversaw the nomination process resulting in the appointment of a new non-executive Director. This process involved the Committee instructing MWM Consulting to identify appropriate candidates for appointment to the Board based on a profile and skillset agreed by the Chair and the Committee. The Committee also provided input into the shortlist of candidates with members meeting candidates prior to recommending their appointment to the Board. After considering a number of candidates put forward by MWM Consulting as meeting the required profile and skill set, and following a robust interview process carried out in accordance with the Code's supporting principle that Board appointments should be made "on merit, against objective criteria and with due regard for the benefits of diversity on the Board", the Committee recommended the appointment of Kaisa Hietala to the Board. The appointment of Ms Hietala, with effect from 30 October 2020, was approved by the Board. Ms Hietala brings a wealth of strategic and operational experience to the Board combined with a strong commitment to sustainability and her appointment further broadens the expertise and diversity of the Board. With effect from 1 January 2021, Ms Hietala joined both the Audit and Sustainability Committees. Ms Hietala's biography is set out on page 66. MWM Consulting have no other affiliation with the Group.

As a Committee, we also lead oversight of the annual Board evaluation process to assess the performance of individual Directors and the effectiveness of the Board and its Committees. An internal evaluation of the Committee was undertaken in 2020. There were some minor recommendations to improve processes and activities of the Committee which are being addressed but overall the Committee was considered to be operating effectively and efficiently. In addition, a number of the actions arising from the Independent Audit evaluation of the Board and its Committees conducted in 2019 by Independent Audit were implemented during the year.

Board Balance and Effectiveness

As is the case each year, the Committee reviewed the size and performance of the Board during 2020. Key elements of ensuring the Board continues to operate at a high standard is independent oversight and a diverse background of skills, which allows non-executive Directors to scrutinise and, when necessary, challenge management proposals and strategy. The Committee continues to review that each of the non-executive Directors, excluding the Chair, remain impartial and independent in order to meet the challenges of their roles.

Throughout the year, over half of the Board comprised independent non-executive Directors. Gonzalo Restrepo is the Senior Independent Director of the Company. The Senior Independent Director provides a sounding board for the Chair and serves as an intermediary for the other Directors and shareholders when necessary.

The Board has had due regard to various matters which might affect, or appear to affect, the independence of certain of the Directors. The Board considers that other than Mr Beurskens, each of the non-executive Directors is independent. In determining the independence of the non-executives, the Committee scrutinised any issues relating to actual or perceived conflicts of interest.

Boardroom and Senior Management Diversity

As a global business, diversity is an integral part of how we do business. The Board and Committee recognise the value of gender diversity to the Group and is committed to increasing the representation of females within senior management roles. During 2020, two female Directors were appointed to the Board resulting in a 33% female representation at Board level in line with the target of the Hampton Alexander review. The Group currently has 31% female representation at Group Executive Committee level. The Board and Committee gives due regard to all aspects of diversity including ethnic and social diversity. The Board is ethnically diverse and includes Directors from eight different nationalities.

Notwithstanding this policy, any search for Board candidates and any subsequent appointments are made purely on merit regardless of ethnicity, gender, religion, age or disability. We look to ensure we have the appropriate balance of skills, diversity of knowledge and thinking, professional and geographic backgrounds and experience on our Board and recruit accordingly. We are committed to appointing the best people and ensuring that all employees have an equal chance of developing their careers within the Group. As such, we do not think it is appropriate to set specific targets for Board appointments.

Sustainability Committee Report

"As Chair, I am pleased to present the 2020 report of the Sustainability Committee."

Jørgen Buhl Rasmussen
Chair of Sustainability Committee
12 March 2021

Committee Members

J. Buhl Rasmussen (Chair)
A. Anderson
K. Hietala
L. Melgar

The Role of the Sustainability Committee

The Committee has responsibility for the direction and overall strategic guidance of the Smurfit Kappa Sustainability strategy which is based on three key strategic sustainability and corporate responsibility pillars ('the "Pillars'); People; Planet and Impactful Business and to have particular regard to the alignment of the Group's sustainability strategy with global best practice.

The Terms of Reference of the Committee were approved in December 2020 and are available on smurfitkappa.com.

Attendance Record	A*	B*	Appointment Date
J. Buhl Rasmussen (Chair)	5	5	2019
A. Anderson	5	5	2019
K. Hietala**	0	0	2021
L. Melgar***	5	5	2020

* Column A indicates the number of meetings held during the period the Director was a member of the Committee and was eligible to attend and Column B indicates the number of meetings attended.
** Ms Hietala was appointed to the Committee in January 2021.
*** Dr Melgar was appointed to the Committee in January 2020.

As a leading company in sustainability, at Smurfit Kappa we base our ambition of sustainable growth on three pillars: Planet, People and Impactful Business. Our strategic environmental priorities are climate change, forest, water and waste. We understand that our success is driven by our highly valued and motivated team, and want to ensure the health, well-being and safety of our people. Our commitment extends to all of the communities we interact with and where we are located. We create sustainable value for our stakeholders: customers, investors, employees, suppliers and communities. We strive for the highest standards of corporate governance and ethical business conduct.

In 2019, the Board reviewed the Group's sustainability and corporate social responsibility objectives and decided to establish a permanent sub-committee of the Board with responsibility for Sustainability. The purpose of the Committee is to provide direction and oversight of SKG's sustainability strategy for the benefit of all of the Group's stakeholders.

The Committee, in its first full year, had an active and productive year with the Group completing many developments in its sustainability agenda over the course of 2020 which have been outlined and summarised below and throughout this Annual Report.

The Group announced ambitious new sustainability targets as part of 'Better Planet 2050' which were approved by the Committee and the Board in December 2020, focusing on a further reduction of our environmental footprint, increased support for the communities in which we operate and further enhancement to the lives of our employees. These targets build upon our well established sustainability record, on which we have been reporting since 2005. Details of the targets and the background to the 'Better Planet 2050' initiative are included on page 15.

Earlier in 2020, we set out the Group's most ambitious target to date when we announced a goal to achieve at least Net Zero CO_2 emissions by 2050. The Group will have its intermediate 2030 CO_2 reduction target validated by the Science Based Target initiative ('SBTi') as being in line with the objectives of the Paris Agreement. We also announced our support for TCFD, and have included our first disclosure relating to this within the Sustainability section on page 49.

In May 2020, the Group released its 13th annual Sustainable Development Report ('SDR'), and the next report for 2020 will be published at the end of April 2021.

Details of the outcome of certain Key Performance Indicators are outlined on pages 28 to 31 and show the significant progress and investment we are making in sustainability. One example of a recent investment was the significant CO_2 reduction achievement following the successful start-up of the new recovery boiler at the Nettingsdorf kraftliner mill in Austria. This reduction was attained following a €134 million investment that cuts CO_2 emissions by 40,000 tonnes, a further 1.5% towards the Group's total CO_2 emissions reduction target. Further details on this project are included on page 46.

During 2020, we recently aligned the Group's sustainability ambitions and targets into its financing by embedding the sustainability targets via Key Performance Indicators into the existing €1.35 billion RCF, creating a Sustainability Linked RCF.

Our commitment to provide innovative, sustainable packaging solutions for our customers, remains embodied in our 'Better Planet Packaging' initiative which is intended to provide our customers with sustainable packaging solutions to address their sustainability needs today and tomorrow.

As the business has evolved, we have also expanded our focus to provide customers with innovative, fit-for-purpose sustainable packaging solutions which reduces their product waste and which not only provides an attractive merchandising medium but also provides an efficient and environmentally friendly transport and packaging solution which can reduce transport costs and associated emissions. Details of some innovations and solutions we have provided to customers are included on pages 8 to 14.

In line with the requirements of the 2018 UK Corporate Governance Code, the Committee is also responsible for engaging with the workforce on behalf of the Board. During 2020 the Committee had a number of indirect methods of employee engagements put in place, including the Speak Up programme, an Employee Engagements Survey, Health and Safety data collated and communicated and Training and Development programmes for employees. A plan for more direct engagement is underway for 2021 and will include the Committee's attendance at some employee focus groups, attendance at virtual SKG learning academy sessions and meetings with employees at annual visits. Please see further details on workforce engagement on pages 42 to 43.

We look forward to reporting on our continued progress to all of our stakeholders in the years ahead.

Membership of the Committee

The Committee is currently comprised of four non-executive Directors. The Committee was established during 2019 and in 2020 it met five times. Details of Committee members and meetings attended are provided in the table on page 100. The Group Chair, Group Chief Executive Officer, Group Chief Financial Officer, Group VP Human Resources and Group VP Sustainable Development may attend meetings of the Committee.

Directors' Report

Report of the Directors
The Directors submit their Report and Audited Financial Statements for the financial year ended 31 December 2020.

Principal Activity and Business Review
The Group is an integrated paper and paperboard manufacturer and converter whose operations are divided into Europe and the Americas. Geographically, the major economic environments in which the Group conducts its business are Europe (principally the Eurozone, Sweden and the United Kingdom) and the Americas (principally Argentina, Brazil, Colombia, Mexico and the United States).

The Chair's Statement, Group Chief Executive Officer's Statement, Strategy Statement, Finance Review (including financial risk management policies), Stakeholder Engagement, Sustainability Report and People Report on pages 16 to 27 and 36 to 63 report on the performance of the Group during the year and on future developments.

Results for the Year
The results for the year are set out in the Consolidated Income Statement on page 112.

Financial Key Performance Indicators are set out on pages 28 to 30. The Consolidated Financial Statements for the financial year ended 31 December 2020 are set out in detail on pages 112 to 177.

Dividends
In September 2020, an interim dividend of 80.9 cent per share was paid to holders of ordinary shares, and in December 2020, a second interim dividend of 27.9 cent per share was paid to holders of ordinary shares. The Board is recommending a final dividend of 87.4 cent per share for 2020. Subject to shareholders' approval at the AGM on 30 April 2021, it is proposed to pay the final dividend on 7 May 2021 to all holders of ordinary shares on the share register at the close of business on 9 April 2021.

Share Placing
In November 2020, the Company completed a share placing of 19,411,765 shares representing 8.1% of the issued share capital at an issue price of €34.00 per share which represented a discount of approximately 5.8% to the Euronext Dublin closing price on 19 November 2020. The new shares rank pari passu in all respects with the existing ordinary shares of the Company, including the right to receive all future dividends and other distributions declared or paid after the date of placing. The closing of the placing and admission of the shares to the premium listing segment of the Official List of the Financial Conduct Authority of the United Kingdom and to trading on the London Stock Exchange plc and to a secondary listing on the Official List of The Irish Stock Exchange plc, trading as Euronext Dublin and to trading on the Euronext Dublin Market operated by Euronext Dublin took place on 24 November 2020. The gross proceeds from the placing, amounting to approximately €660 million, together with internally generated cash flows, will enable the Group to accelerate investment over the subsequent three years, and enable the Group to deliver for our customers with enhanced financial flexibility.

Research and Development
The Company's subsidiaries are engaged in ongoing research and development aimed at providing innovative paper-based packaging solutions and improving products, processes and expanding product ranges. Expenditure on research and development in the year amounted to €8 million (2019: €8 million).

Accounting Records
The Directors are responsible for ensuring that adequate accounting records, as outlined in Section 281-286 of the Companies Act, are kept by the Company. The Directors are also responsible for the preparation of the Annual Report. The Directors have appointed professionally qualified accounting personnel with appropriate expertise and have provided adequate resources to the finance function in order to ensure that those requirements are met. The accounting records of the Company are maintained at the Group's principal executive offices, located at Beech Hill, Clonskeagh, Dublin 4, D04 N2R2.

Directors
The current members of the Board of Directors are named on pages 64 to 67 together with a short biographical note on each Director. Ms. Kaisa Hietala was appointed to the Board as a non-executive Director on 30 October 2020.

Any Director co-opted to the Board by the Directors is subject to election by the shareholders at the first AGM after their appointment. Pursuant to the Articles of Association of the Company, all Directors are subject to re-election at intervals of no more than three years. However, in compliance with the Code, all Directors will retire at the 2021 AGM and put themselves forward for election.

To enable shareholders to make an informed decision on the election or re-election of each Director, reference should be made to pages 64 to 67 which contains a biographical note on each Director offering themselves for re-election and to the Notice of the AGM which explains why the Board believes the relevant Directors should be re-elected. The Directors intend to confirm at the AGM that the performance of each individual seeking re-election continues to be effective and demonstrates commitment to the role.

Shareholders are referred to the information contained in the Corporate Governance Statement on pages 68 to 72 concerning the operation of the Board and the composition and functions of the Committees of the Board.

Directors' and Secretary's Interests
Details of the Directors' and Company Secretary's interests in the share capital are set out in the Remuneration Report on pages 92, 93 and 96 and are incorporated into this Directors' Report.

Principal Risks and Uncertainties
Under Irish company law (Section 327 of the Companies Act), the Directors are required to give a description of the principal risks and uncertainties which the Group faces. These principal risks and uncertainties are set out on pages 34 to 35, and form part of this report as required by Section 327 of the Companies Act.

Corporate Governance
Under Section 1373 of the Companies Act, the Directors' Report is required to include a Corporate Governance Statement. The Directors' Corporate Governance Statement is set out on pages 68 to 72 and forms part of this report. The Audit Committee Report, the Remuneration Report and the Nomination Report are set out on pages 73 to 99.

Subsidiary and Associated Undertakings
A list of the Group's principal subsidiaries and associates as at 31 December 2020 is set out in Note 32 to the Consolidated Financial Statements.

Substantial Holdings

	31 December 2020		**12 March 2021**	
	Number of Shares	% of Issued Ordinary Share Capital	**Number of Shares**	**% of Issued Ordinary Share Capital**
Norges Bank	16,702,373	6.47	16,702,373	**6.45**
BlackRock, Inc	14,583,732	5.65	14,583,732	**5.63**

The table above shows all notified shareholdings of 3% or more of the issued ordinary share capital of the Company as at 31 December 2020 and 12 March 2021.

Audit Committee

The Group has established an Audit Committee. The responsibilities of the Audit Committee are outlined on page 73.

Non-financial Information

Pursuant to the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017 (the 'Non-Financial Regulations'), the Group is required to report certain non-financial information to provide an understanding of its development, performance, position and the impact of its activities. We have set out the location below of the information required by the Non-Financial Regulations in this Annual Report. Each referenced section of the Annual Report is deemed to form part of this Directors' Report:

Requirement	Relevant Policies	Section(s) in Annual Report	Pages
Environmental Matters	Environmental Policy, Sustainable Sourcing Policy, Sustainable Forestry and Fibre Sourcing Policy	Sustainability	44 to 51
Social Matters	Social Citizenship Policy	Sustainability, People	44 to 63
Employee Matters	Code of Conduct, Health and Safety Policy, Social Citizenship Policy	Sustainability, People	44 to 63
Human Rights	Code of Conduct, Social Citizenship Policy	Sustainability	44 to 51
Anti-corruption and Bribery	Code of Conduct	Sustainability	44 to 51
Business Model		Our Business Model	6 to 7
Principal Risks		Risk Report	32 to 35
Non-financial KPIs		Key Performance Indicators	30 to 31

In addition to the information required by the Non-Financial Regulations, the Group publishes a comprehensive, assured Sustainable Development Report which details our sustainability strategy, corporate social responsibilities and commitments to social matters. The 2020 Sustainable Development Report will be published on our website in April 2021.

Purchase of Own Shares

Special resolutions will be proposed at the AGM to renew the authority of the Company, or any of its subsidiaries, to purchase up to 10% of the Company's ordinary shares in issue at the date of the AGM and in relation to the maximum and minimum prices at which treasury shares (effectively shares purchased by the Company and not cancelled) may be re-issued off-market by the Company. If granted, the authority will expire on the earlier of the date of the AGM in 2022 or 29 July 2022.

A similar authority was granted at the AGM in 2020, which is due to expire on the earlier of the date of the AGM in 2021 or 29 July 2021. Information on the acquisition and disposal of own shares is set out in Note 23 to the Consolidated Financial Statements.

Change of Control

On a change of control following a bid, the Lenders under the new RCF would have the option to cancel the commitments under the facility and/or to declare all outstanding amounts immediately due and payable, and under the Senior Notes Indentures the Group is obliged to offer to repurchase the notes at 101% of the principal amount due.

Capital Structure

Details of the structure of the Company's capital are set out in Note 23 to the Consolidated Financial Statements and are deemed to form part of this Directors' Report. Details of the Group's long-term incentive plans are set out in the Remuneration Report and Note 26 to the Consolidated Financial Statements and are incorporated into this Directors' Report.

Directors' Compliance Statement

The Directors acknowledge that they are responsible for securing compliance by the Company of its relevant obligations as set out in the Companies Act (the 'Relevant Obligations').

The Directors further confirm that there is a Compliance Policy Statement in place setting out the Company's policies which, in the Directors' opinion, are appropriate to ensure compliance with the Company's Relevant Obligations.

The Directors also confirm that appropriate arrangements and structures are in place which, in the Directors' opinion, are designed to secure material compliance with the Company's Relevant Obligations. For the financial year ended 31 December 2020, the Directors, with the assistance of the Audit Committee, have conducted a review of the arrangements and structures in place. In discharging their responsibilities under Section 225 of the Companies Act, the Directors relied on the advice of persons who the Directors believe have the requisite knowledge and experience to advise the Company on compliance with its Relevant Obligations.

Financial Instruments

In the normal course of business, the Group has exposure to a variety of financial risks, including foreign currency risk, interest rate risk, liquidity risk, refinancing risk and credit risk. The Group and Company financial risk objectives and policies are set out in Note 29 to the Consolidated Financial Statements.

Disclosure of Information to the External Auditor

Each of the Directors individually confirm that:

- In so far as they are aware, there is no relevant audit information of which the Company's External Auditor is unaware; and
- They have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's External Auditor is aware of such information.

External Auditor

KPMG, Chartered Accountants, were first appointed statutory auditors on 4 May 2018 and have been reappointed annually since that date and pursuant to section 383(2) will continue in office.

A. Smurfit
Director

K. Bowles
Director

12 March 2021

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the Group and Company Financial Statements, in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Company Financial Statements for each financial year. The Directors are required to prepare the Group Financial Statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union and applicable law including Article 4 of the IAS Regulation. The Directors have elected to prepare the Company Financial Statements in accordance with IFRS as adopted by the European Union as applied in accordance with the provisions of Companies Act 2014.

Under company law, the Directors must not approve the Group and Company Financial Statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Group and Company and of the Group's profit or loss for that year. In preparing each of the Group and Company Financial Statements, the Directors are required to:
- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable IFRS (as adopted by the European Union) have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and its Parent Company will continue in business.

The Directors are also required by the Transparency (Directive 2004/109/EC) Regulations 2007 and the Central Bank (Investment Market Conduct) Rules 2019 to include a management report containing a fair review of the business and a description of the principal risks and uncertainties facing the Group.

The Directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the assets, liabilities, financial position and profit or loss of the Company and which enable them to ensure that the Financial Statements of the Company comply with the provisions of the Companies Act 2014. The Directors are also responsible for taking all reasonable steps to ensure such records are kept by its subsidiaries which enable them to ensure that the Financial Statements of the Group comply with the provisions of the Companies Act 2014 including Article 4 of the IAS Regulation. They are responsible for such internal controls as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibilities for safeguarding the assets of the Company and the Group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for preparing a Directors' Report that complies with the requirements of the Companies Act 2014.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's and Company's website. Legislation in the Republic of Ireland concerning the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility Statement as Required by the Transparency Directive and UK Corporate Governance Code

Each of the Directors, whose names and functions are listed on pages 64 to 67 of this Annual Report, confirm that, to the best of each person's knowledge and belief:
- The Group Financial Statements, prepared in accordance with IFRS (as adopted by the European Union) and the Company Financial Statements prepared in accordance with IFRS (as adopted by the European Union) as applied in accordance with the provisions of Companies Act 2014, give a true and fair view of the assets, liabilities, and financial position of the Group and Company at 31 December 2020 and of the profit or loss of the Group for the year then ended;
- The Directors' Report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risk and uncertainties that they face; and
- The Annual Report and Financial Statements, taken as a whole, provides the information necessary to assess the Group's performance, business model and strategy and is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

On behalf of the Board

A. Smurfit	**K. Bowles**
Director	Director

12 March 2021

Independent Auditor's Report to the Members of Smurfit Kappa Group plc

Opinion

We have audited the Financial Statements of Smurfit Kappa Group plc ('the Company') and its consolidated undertakings (together 'the Group') for the year ended 31 December 2020 set out on pages 112 to 177, which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated and Company Balance Sheets, Consolidated and Company Statements of Changes in Equity, Consolidated and Company Statements of Cash Flows, and the related notes, including the *Summary of Significant Accounting Policies* set out in Note 2. The financial reporting framework that has been applied in their preparation is Irish Law and International Financial Reporting Standards ('IFRS') as adopted by the European Union and, as regards the Company Financial Statements, as applied in accordance with the provisions of the Companies Act 2014.

In our opinion:

- The Financial Statements give a true and fair view of the assets, liabilities and financial position of the Group and Company as at 31 December 2020 and of the Group's profit for the year then ended;
- The Group Financial Statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- The Company Financial Statements have been properly prepared in accordance with IFRS as adopted by the European Union, as applied in accordance with the provisions of the Companies Act 2014; and
- The Group and Company Financial Statements have been properly prepared in accordance with the requirements of the Companies Act 2014 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) ('ISAs (Ireland)') and applicable law. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* section of our report. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Audit Committee.

We were appointed as auditor by the shareholders on 4 May 2018. The period of total uninterrupted engagement is the three years ended 31 December 2020. We have fulfilled our ethical responsibilities under, and we remained independent of the Group in accordance with, ethical requirements applicable in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority ('IAASA') as applied to public interest entities. No non-audit services prohibited by that standard were provided.

Conclusions Relating to Going Concern

In auditing the Financial Statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the Financial Statements is appropriate.

We evaluated the Directors' assessment of the Group's and Company's ability to continue to adopt the going concern basis of accounting. In our evaluation of the Directors' conclusions, we considered the inherent risks to the Group's and Company's business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. We incorporated additional downside sensitivities to management's underlying cash flow models to consider the potential future impact of COVID-19. There were no risks identified that we considered were likely to have a material adverse effect on the Group's and Company's available financial resources over this period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or the Company's ability to continue as a going concern for a period of at least twelve months from the date when the Financial Statements are authorised for issue.

In relation to the Group's and the Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the Financial Statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Key Audit Matters: Our Assessment of Risks of Material Misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the Financial Statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, and which were unchanged from 2019, were as follows:

Goodwill Impairment Assessment €2,344 million (2019 – €2,383 million)

Refer to Note 2 (accounting policy) and Note 13 (financial disclosures)

The Key Audit Matter	How the Matter Was Addressed in our Audit
The Group has significant goodwill arising from acquisitions amounting to €2,344 million at 31 December 2020. Goodwill is required to be tested at least annually for impairment irrespective of whether there are indicators of impairment. The Group has performed an impairment assessment as of 31 December 2020. The goodwill is allocated to 15 groups of cash-generating units ('CGUs') – three of which individually account for between 10% and 20% of the total carrying amount. The recoverable amount of goodwill is arrived at by forecasting and discounting future cash flows to determine value-in-use for each CGU. We focus on this area due to the significance of the balance compared to total assets of the Group and the inherent judgement and assumptions involved in forecasting future cash flows, including revenue growth, cost synergies, paper pricing, discount rates and terminal values, having particular regard to the economic uncertainty arising from the impact of COVID-19.	We obtained and documented our understanding of the process followed by management in calculating the recoverable amount of each CGU and tested the design and implementation of the relevant controls therein. We paid particular attention to the Brazil and Argentina and Chile CGUs due to these CGUs having limited headroom in the past. We assessed the Group's valuation models and calculations by: • Checking the mathematical accuracy of the model; • Assessing the methodology applied within the model in the context of the requirements of the relevant accounting standard; • Assessing and challenging the appropriateness of the discount rates applied and the future operating cash flow assumptions in determining the value-in-use of each CGU using our valuation specialist and by comparing the assumptions, where possible, to externally derived data as well as our own assumptions; • Assessing and challenging the reasonableness of the long-term economic growth rate applied for each CGU by comparing the Group's assumptions, where possible, to externally derived data as well as our own assumptions, considering the COVID-19 pandemic; • Performing sensitivity analysis on the impact of changes in the assumptions, considering the COVID-19 pandemic through applying additional downside sensitivities to the forecasted cashflows for 2021 and 2022 with recovery assumed thereafter; and • Comparing the Group's market capitalisation to the carrying value of the Group's net assets. We assessed the disclosures in the Financial Statements relating to the impairment testing methodology, sensitivity analysis and other matters. We found that management's judgements were appropriate and supported by reasonable assumptions. We found the disclosures to be adequate.

Key Audit Matters: Our Assessment of Risks of Material Misstatement continued

Defined Benefit Pension Liability – Valuation of €853 million (2019 – €899 million)

Refer to Note 2 (accounting policy) and Note 25 (financial disclosures)

The Key Audit Matter	How the Matter Was Addressed in our Audit
The Group operates a number of defined benefit pension schemes. Accounting for such schemes gives rise to an element of judgement and volatility arising from movements in actuarial assumptions and the selection of same. We focus on this area due to the level of estimation uncertainty involved and the sensitivity of the pension liabilities to changes in assumptions applied, in particular the discount rate.	We obtained and documented our understanding of the process for the accounting for defined benefit pension schemes and tested the design and implementation of the relevant controls. We inquired as to any changes or proposed changes to pension arrangements to assess any impact on the accounting treatment applied. We inspected Board minutes to identify any items arising that may impact on the pension arrangements in place. We performed substantive testing on the key data underlying the actuarial assessment and the maintenance of each scheme's membership data. We challenged, with the support of our actuarial specialist, the assumptions applied to this data to determine the Group's gross obligation, being the discount rates, inflation rate and mortality/life expectancies. This included a comparison of these assumptions against externally derived data. We also considered the adequacy of the Group's disclosures in respect of the sensitivity of the net deficit to these assumptions. We found the assumptions used in, and the resulting estimate of, the valuation of the defined benefit pension liability within the Group to be reasonable and the related disclosures to be adequate.

Company Key Audit Matter

Investment in Subsidiaries – Carrying Value €2,872 million (2019 – €2,100 million)

Refer to Note 2 (accounting policy) and Note 14 (financial disclosures)

The Key Audit Matter	How the Matter Was Addressed in our Audit
The investment in subsidiary undertakings is carried in the Balance Sheet of the Company at cost less impairment. There is a risk in respect of the carrying value of these investments if future cash flows and performance of these subsidiaries is not sufficient to support the Company's investments. We focus on this area due to the significance of the balance to the Company Balance Sheet and the inherent uncertainty involved in forecasting and discounting future cash flows, having particular regard to the economic uncertainty arising from the impact of COVID-19.	We obtained and documented our understanding of the process surrounding impairment considerations and tested the design and implementation of the relevant controls therein. We considered management's assessment of impairment indicators. We compared the carrying value of investments in the Company's Balance Sheet to the net assets of the subsidiary Financial Statements and to the market capitalisation of the Company. We considered the audit work performed over the impairment testing of goodwill as outlined in the Group Key Audit Matter above. We found management's assessment of the carrying value of the investment in subsidiary undertakings to be appropriate.

Independent Auditor's Report to the Members of Smurfit Kappa Group plc continued

Our Application of Materiality and an Overview of the Scope of our Audit

Materiality

The materiality for the Group Financial Statements as a whole was set at €31 million (2019: €36 million). This has been calculated based on the Group EBITDA of €1,510 million (2019: €1,650 million) of which it represents approximately 2.1% (2019: 2.2%). In determining that EBITDA was the most appropriate benchmark, we considered the prevalence of EBITDA as a measure of performance for the Group and the wider industry within analyst reports, industry commentaries and investor communications. We considered the determined materiality in the context of other commonly used benchmarks including pre-exceptional profit before tax, revenue and net assets and determined materiality of €31 million to be reasonable.

We report to the Audit Committee all corrected and uncorrected misstatements we identified through our audit in excess of €1 million (2019: €1 million), in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

Materiality for the Company Financial Statements as a whole was set at €21 million (2019: €21 million) determined with reference to a benchmark of the Company's total assets of which it represents 1% (2019: 1%).

Scoping

The scope of our audit was influenced by materiality, tailored to reflect the Group's structure, activities and financially significant operations. The Group is structured across two operating segments, Europe and the Americas. The operations of the Group are significantly disaggregated, split across a large number of operating plants in 35 countries. Reporting components are considered by individual operating plants, a combination of plants or on a geographical basis.

We used materiality in our scoping procedures to identify those reporting units for which we deemed that a complete financial audit was required, due to size, potential risks identified and to ensure appropriate coverage. We also subjected certain reporting units to specified risk-focused audit procedures. Such reporting units were not individually financially significant enough to require a full scope audit for Group purposes but did present specific individual risks to be addressed. The reporting units identified amounted to 88% (2019: 85%) of the Group's EBITDA, 78% (2019: 79%) of the Group's revenue, and 83% (2019: 85%) of the Group's total assets.

The approach to the audit scoping is consistent with that applied in previous years with some components subject to rotational scoping to introduce a level of unpredictability and respond to the additional uncertainty arising as a result of COVID-19.

Involvement with Component Teams

In establishing our overall audit approach to the Group audit, we determined the type of work to be undertaken across the Group's components. The Group audit team interacted regularly with the local KPMG component audit teams during each stage of the audit, as set out below. The Group audit team instructed component auditors as to the significant areas to be addressed, including the relevant risks detailed above, and the information to be reported to the Group audit team and was responsible for the overall scope and direction of the audit process.

The Group audit team approved the materiality for components, which ranged from €1.6 million to €7.6 million (2019: €1.8 million to €10 million), having regard to the mix of size and risk profile of the components across the Group. The work on all components was performed by component auditors and the audit of the Company was performed by the Group team. For the residual components, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these components.

We maintained continuous and open dialogue with the component audit teams in addition to holding formal meetings to ensure that we were fully aware of their progress and results of their procedures. Due to the restrictions on travel across many jurisdictions, enacted as a response to the global pandemic, these communications and meetings were held virtually using video and telephone conference meetings. The frequency of meetings and communications with component audit teams was increased from previous periods as a result of COVID-19 and remote working. At these meetings, a review of workpapers was undertaken by the Group audit team using technology and share-screen functionality, we used materiality to assist us in determining the scope of these reviews, and the findings reported to the Group audit team by the component auditor were discussed in detail. Audit closing meetings with Group and local management were also carried out virtually.

Other Matter – Our Response to COVID-19

Since early 2020, the COVID-19 pandemic has caused significant disruption to business and economic activity on a global level. Government measures taken to contain the virus have had an impact not only on the way businesses operate, but also on the way in which an audit can be performed. In response to the COVID-19 pandemic we held discussions with the component engagement teams, with Group and Divisional management to identify the areas of risk to the Financial Statements as a result of the impacts of the pandemic. We used the outcome of these discussions to update our risk assessment. In addition to the responses outlined within the Going Concern, Key Audit Matters and Materiality and Scope overview set out above, we focussed on the following matters specifically in response to the COVID-19 pandemic:

- We increased the Group audit team resources and increased the mix of senior audit team members to address the incremental time taken to work remotely and the additional audit considerations as part of risk assessment.
- We performed an increased level of working capital analysis across the Group's operations in Europe and the Americas for the purposes of our risk assessment procedures. We did not note any unexpected trends in working capital across the Group that gave rise to an increase in the overall level of audit risk.
- We attended a number of inventory counts in advance of year-end and performed roll forward procedures to 31 December 2020. Several inventory counts were attended using a live video feed where in-person attendance was not possible. We were able to obtain the level of audit evidence we required.
- Throughout our risk assessment and audit work we considered whether changes to working practices brought about by COVID-19 had an adverse impact on the effectiveness of the Group's business processes, the Group's Financial Monitoring Programme and IT controls. Based on the inquiries performed and the results of our audit procedures we noted that the financial reporting controls operated as in prior years notwithstanding the remote working environment.

Other Information

The Directors are responsible for the preparation of the other information presented in the Annual Report together with the Financial Statements. The other information comprises the information included in the Directors' report and the Overview, Strategic Report and Governance sections of the Annual Report.

The Financial Statements and our auditor's report thereon do not comprise part of the other information. Our opinion on the Financial Statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our Financial Statements audit work, the information therein is materially misstated or inconsistent with the Financial Statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Based solely on our work on the other information undertaken during the course of the audit, we report that, in those parts of the Directors' report specified for our consideration:

- We have not identified material misstatements in the Directors' report;
- In our opinion, the information given in the Directors' report is consistent with the Financial Statements; and
- In our opinion, the Directors' report has been prepared in accordance with the Companies Act 2014.

Disclosures of Principal Risks and Longer-term Viability

Based on the knowledge we acquired during our Financial Statements audit, we have nothing material to add or draw attention to in relation to:

- The Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated;
- The Directors' confirmation within the Risk Report on page 32 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity; and
- The Directors' explanation in the Risk Report of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Other Corporate Governance Disclosures

We are required to address the following items and report to you in the following circumstances:

- Fair, balanced and understandable: if we have identified material inconsistencies between the knowledge we acquired during our Financial Statements audit and the Directors' statement that they consider that the Annual Report and Financial Statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.
- Report of the Audit Committee: if the section of the Annual Report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- Statement of compliance with UK Corporate Governance Code: if the Directors' statement does not properly disclose a departure from provisions of the UK Corporate Governance Code specified by the Listing Rules of Euronext Dublin and the UK Listing Authority for our review.
- If the Directors' statement relating to Going Concern required under the Listing Rules of Euronext Dublin and the UK Listing Authority set out on page 33 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

In addition as required by the Companies Act 2014, we report, in relation to information given in the Corporate Governance Statement on pages 68 to 72, that:

- Based on the work undertaken for our audit, in our opinion, the description of the main features of internal control and risk management systems in relation to the financial reporting process, and information relating to voting rights and other matters required by the European Communities (Takeover Bids (Directive 2004/EC) Regulations 2006) and specified for our consideration, is consistent with the Financial Statements and has been prepared in accordance with the Act;
- Based on our knowledge and understanding of the Group and its environment obtained in the course of our audit, we have not identified any material misstatements in that information; and
- The Corporate Governance Statement contains the information required by the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017.

We also report that, based on work undertaken for our audit, the information required by the Act is contained in the Corporate Governance Statement.

Our Opinions on Other Matters Prescribed by the Companies Act 2014 are Unmodified

We have obtained all the information and explanations which we consider necessary for the purpose of our audit.

In our opinion, the accounting records of the Company were sufficient to permit the Financial Statements to be readily and properly audited and the Financial Statements are in agreement with the accounting records.

We Have Nothing to Report on Other Matters on Which we are Required to Report by Exception

The Companies Act 2014 requires us to report to you if, in our opinion:

- The disclosures of Directors' remuneration and transactions required by Sections 305 to 312 of the Act are not made;
- The Company has not provided the information required by Section 1110N in relation to its Remuneration Report for the financial year 31 December 2019;
- The Company has not provided the information required by section 5(2) to (7) of the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017 for the year ended 31 December 2019 as required by the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) (amendment) Regulations 2018.

We have nothing to report in this regard.

The Listing Rules of Euronext Dublin and the UK Listing Authority require us to review:

- The Directors' Statement, set out on pages 32 to 33, in relation to going concern and longer-term viability;
- The part of the Corporate Governance Statement on pages 68 to 72 relating to the Company's compliance with the provisions of the UK Corporate Governance Code and the Irish Corporate Governance Annex specified for our review; and
- Certain elements of disclosures in the report to shareholders by the Remuneration Committee.

We have nothing to report in this regard.

Respective Responsibilities and Restrictions on Use

Directors' Responsibilities

As explained more fully in their statement set out on page 104, the Directors are responsible for: the preparation of the Financial Statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Statements. The risk of not detecting a material misstatement resulting from fraud or other irregularities is higher than for one resulting from error, as they may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control and may involve any area of law and regulation and not just those directly affecting the Financial Statements.

A fuller description of our responsibilities is provided on IAASA's website at http://www.iaasa.ie/Publications/Auditing-standards/International-Standards-on-Auditing-for-use-in-Ire/Description-of-the-auditor-s-responsibilities-for.

The Purpose of Our Audit Work and to whom we Owe Our Responsibilities

Our report is made solely to the Company's members, as a body, in accordance with Section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for our report, or for the opinions we have formed.

Roger Gillespie
for and on behalf of
KPMG
Chartered Accountants, Statutory Audit Firm
1 Stokes Place
St. Stephen's Green
Dublin 2
Ireland

12 March 2021

Consolidated Income Statement
For the Financial Year Ended 31 December 2020

	Note	2020 Pre-exceptional €m	2020 Exceptional €m	2020 Total €m	2019 Pre-exceptional €m	2019 Exceptional €m	2019 Total €m
Revenue	4	**8,530**	**–**	**8,530**	9,048	–	9,048
Cost of sales	5	**(5,656)**	**–**	**(5,656)**	(6,043)	(8)	(6,051)
Gross profit		**2,874**	**–**	**2,874**	3,005	(8)	2,997
Distribution costs	5	**(725)**	**–**	**(725)**	(730)	–	(730)
Administrative expenses	5	**(1,227)**	**–**	**(1,227)**	(1,213)	–	(1,213)
Other operating expenses	5	**–**	**(31)**	**(31)**	–	(170)	(170)
Operating profit		**922**	**(31)**	**891**	1,062	(178)	884
Finance costs	7	**(179)**	**–**	**(179)**	(210)	(37)	(247)
Finance income	7	**35**	**–**	**35**	18	20	38
Share of associates' profit (after tax)		**1**	**–**	**1**	2	–	2
Profit before income tax		**779**	**(31)**	**748**	872	(195)	677
Income tax expense	8			**(201)**			(193)
Profit for the financial year				**547**			484
Attributable to:							
Owners of the parent				**545**			476
Non-controlling interests				**2**			8
Profit for the financial year				**547**			484
Earnings per share							
Basic earnings per share – cent	9			**227.9**			201.6
Diluted earnings per share – cent	9			**225.7**			200.0

Consolidated Statement of Comprehensive Income
For the Financial Year Ended 31 December 2020

	Note	2020 €m	2019 €m
Profit for the financial year		**547**	484
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss			
Foreign currency translation adjustments:			
– Arising in the financial year		**(165)**	12
– Recycled to Consolidated Income Statement		**1**	–
Effective portion of changes in fair value of cash flow hedges:			
– Movement out of reserve		**1**	8
– Fair value gain on cash flow hedges		**6**	5
– Movement in deferred tax	8	**(1)**	(1)
Changes in fair value of cost of hedging:			
– Movement out of reserve		**(1)**	(1)
– New fair value adjustments into reserve		**1**	–
		(158)	23
Items which will not be subsequently reclassified to profit or loss			
Defined benefit pension plans:			
– Actuarial loss	25	**(9)**	(117)
– Movement in deferred tax	8	**7**	26
Net change in fair value of investment in equity instruments		**–**	(11)
		(2)	(102)
Total other comprehensive expense		**(160)**	(79)
Total comprehensive income for the financial year		**387**	405
Attributable to:			
Owners of the parent		**388**	394
Non-controlling interests		**(1)**	11
Total comprehensive income for the financial year		**387**	405

Consolidated Balance Sheet

At 31 December 2020

	Note	2020 €m	2019 €m
ASSETS			
Non-current assets			
Property, plant and equipment	11	**3,839**	3,920
Right-of-use assets	12	**311**	346
Goodwill and intangible assets	13	**2,552**	2,616
Other investments	14	**11**	10
Investment in associates	15	**12**	16
Biological assets	16	**107**	106
Other receivables	19	**28**	40
Derivative financial instruments	29	**–**	6
Deferred income tax assets	17	**172**	185
		7,032	7,245
Current assets			
Inventories	18	**773**	819
Biological assets	16	**11**	11
Trade and other receivables	19	**1,535**	1,634
Derivative financial instruments	29	**38**	13
Restricted cash	22	**10**	14
Cash and cash equivalents	22	**891**	189
		3,258	2,680
Total assets		**10,290**	9,925
EQUITY			
Capital and reserves attributable to owners of the parent			
Equity share capital	23	**–**	–
Share premium	23	**2,646**	1,986
Other reserves	23	**207**	351
Retained earnings		**917**	615
Total equity attributable to owners of the parent		**3,770**	2,952
Non-controlling interests	32	**13**	41
Total equity		**3,783**	2,993
LIABILITIES			
Non-current liabilities			
Borrowings	24	**3,122**	3,501
Employee benefits	25	**853**	899
Derivative financial instruments	29	**17**	9
Deferred income tax liabilities	17	**191**	175
Non-current income tax liabilities		**14**	27
Provisions for liabilities	27	**50**	78
Capital grants		**21**	18
Other payables	28	**9**	10
		4,277	4,717
Current liabilities			
Borrowings	24	**154**	185
Trade and other payables	28	**1,835**	1,863
Current income tax liabilities		**7**	13
Derivative financial instruments	29	**13**	7
Provisions for liabilities	27	**221**	147
		2,230	2,215
Total liabilities		**6,507**	6,932
Total equity and liabilities		**10,290**	9,925

A. Smurfit
Director

K. Bowles
Director

Company Balance Sheet
At 31 December 2020

	Note	2020 €m	2019 €m
ASSETS			
Non-current assets			
Financial assets	14	**2,872**	2,100
		2,872	2,100
Current assets			
Amounts receivable from Group companies	19	**256**	252
Cash and cash equivalents		**1**	–
		257	252
Total assets		**3,129**	2,352
EQUITY			
Capital and reserves attributable to owners of the parent			
Equity share capital	23	**–**	–
Share premium	23	**2,646**	1,986
Share-based payment reserve		**173**	154
Retained earnings		**300**	202
Total equity		**3,119**	2,342
LIABILITIES			
Current liabilities			
Trade and other payables	28	**5**	–
Amounts payable to Group companies	28	**5**	10
Total liabilities		**10**	10
Total equity and liabilities		**3,129**	2,352

A. Smurfit
Director

K. Bowles
Director

Consolidated Statement of Changes in Equity

For the Financial Year Ended 31 December 2020

	Attributable to Owners of the Parent						
	Equity Share Capital €m	Share Premium €m	Other Reserves* €m	Retained Earnings €m	Total €m	Non-controlling Interests €m	Total Equity €m
At 1 January 2020	**–**	**1,986**	**351**	**615**	**2,952**	**41**	**2,993**
Profit for the financial year	**–**	**–**	**–**	**545**	**545**	**2**	**547**
Other comprehensive income							
Foreign currency translation adjustments	**–**	**–**	**(161)**	**–**	**(161)**	**(3)**	**(164)**
Defined benefit pension plans	**–**	**–**	**–**	**(2)**	**(2)**	**–**	**(2)**
Effective portion of changes in fair value of cash flow hedges	**–**	**–**	**6**	**–**	**6**	**–**	**6**
Total comprehensive (expense)/income for the financial year	**–**	**–**	**(155)**	**543**	**388**	**(1)**	**387**
Shares issued	**–**	**660**	**–**	**(12)**	**648**	**–**	**648**
Purchase of non-controlling interests	**–**	**–**	**(8)**	**12**	**4**	**(27)**	**(23)**
Hyperinflation adjustment	**–**	**–**	**–**	**19**	**19**	**–**	**19**
Dividends paid	**–**	**–**	**–**	**(260)**	**(260)**	**–**	**(260)**
Share-based payment	**–**	**–**	**35**	**–**	**35**	**–**	**35**
Net shares acquired by SKG Employee Trust	**–**	**–**	**(16)**	**–**	**(16)**	**–**	**(16)**
At 31 December 2020	**–**	**2,646**	**207**	**917**	**3,770**	**13**	**3,783**
At 1 January 2019	–	1,984	355	399	2,738	131	2,869
Profit for the financial year	–	–	–	476	476	8	484
Other comprehensive income							
Foreign currency translation adjustments	–	–	9	–	9	3	12
Defined benefit pension plans	–	–	–	(91)	(91)	–	(91)
Effective portion of changes in fair value of cash flow hedges	–	–	12	–	12	–	12
Changes in fair value of cost of hedging	–	–	(1)	–	(1)	–	(1)
Net change in fair value of investment in equity instruments	–	–	(11)	–	(11)	–	(11)
Total comprehensive income for the financial year	–	–	9	385	394	11	405
Shares issued	–	2	–	–	2	–	2
Purchase of non-controlling interests	–	–	(29)	45	16	(97)	(81)
Hyperinflation adjustment	–	–	–	24	24	–	24
Dividends paid	–	–	–	(238)	(238)	(4)	(242)
Share-based payment	–	–	39	–	39	–	39
Net shares acquired by SKG Employee Trust	–	–	(23)	–	(23)	–	(23)
At 31 December 2019	–	1,986	351	615	2,952	41	2,993

* An analysis of Other Reserves is provided in Note 23.

Company Statement of Changes in Equity

For the Financial Year Ended 31 December 2020

	Equity Share Capital €m	Share Premium €m	Share-based Payment Reserve €m	Retained Earnings €m	Total Equity €m
At 1 January 2020	**–**	**1,986**	**154**	**202**	**2,342**
Profit for the financial year	**–**	**–**	**–**	**370**	**370**
Dividends paid	**–**	**–**	**–**	**(260)**	**(260)**
Shares issued	**–**	**660**	**–**	**(12)**	**648**
Share-based payment	**–**	**–**	**19**	**–**	**19**
At 31 December 2020	**–**	**2,646**	**173**	**300**	**3,119**
At 1 January 2019	–	1,984	132	177	2,293
Profit for the financial year	–	–	–	263	263
Dividends paid	–	–	–	(238)	(238)
Shares issued	–	2	–	–	2
Share-based payment	–	–	22	–	22
At 31 December 2019	–	1,986	154	202	2,342

Consolidated Statement of Cash Flows
For the Financial Year Ended 31 December 2020

	Note	2020 €m	2019 €m
Cash flows from operating activities			
Profit before income tax		**748**	677
Adjustment for:			
Net finance costs	7	**144**	209
Depreciation charge	11, 12	**514**	496
Impairment of property, plant and equipment and intangible assets	11, 13	**–**	8
Impairment of goodwill	13	**–**	46
Amortisation of intangible assets	13	**43**	45
Amortisation of capital grants		**(2)**	(2)
Equity settled share-based payment expense	26	**35**	39
Profit on sale of property, plant and equipment		**(2)**	(3)
Profit on purchase/disposal of businesses		**(4)**	(4)
Share of associates' profit (after tax)		**(1)**	(2)
Net movement in working capital	20	**95**	48
Change in biological assets	16	**(6)**	6
Change in employee benefits and other provisions		**(7)**	51
Other (primarily hyperinflation adjustments)		**6**	4
Cash generated from operations		**1,563**	1,618
Interest paid		**(122)**	(233)
Income taxes paid:			
Irish corporation tax (net of tax refunds) paid		**(14)**	(5)
Overseas corporation tax (net of tax refunds) paid		**(180)**	(217)
Net cash inflow from operating activities		**1,247**	1,163
Cash flows from investing activities			
Interest received		**3**	4
Additions to property, plant and equipment and biological assets		**(493)**	(612)
Additions to intangible assets	13	**(21)**	(20)
Receipt of capital grants		**5**	2
Decrease/(increase) in restricted cash		**4**	(4)
Disposal of property, plant and equipment		**5**	7
Dividends received from associates		**1**	1
Purchase of subsidiaries (net of acquired cash)		**(2)**	(99)
Deferred consideration paid		**–**	(14)
Net cash outflow from investing activities		**(498)**	(735)
Cash flows from financing activities			
Proceeds from issue of new ordinary shares (net)		**648**	2
Proceeds from bond issuance		**–**	1,153
Proceeds from other debt issuance		**–**	417
Purchase of own shares (net)	23	**(16)**	(23)
Purchase of non-controlling interests		**(23)**	(81)
Decrease in other interest-bearing borrowings		**(329)**	(222)
Repayment of lease liabilities	21	**(91)**	(83)
Repayment of borrowings		**–**	(1,528)
Derivative termination receipts	21	**9**	1
Deferred debt issue costs paid		**(2)**	(23)
Dividends paid to shareholders	10	**(260)**	(238)
Dividends paid to non-controlling interests	32	**–**	(4)
Net cash outflow from financing activities		**(64)**	(629)
Increase/(decrease) in cash and cash equivalents	21	**685**	(201)
Reconciliation of opening to closing cash and cash equivalents			
Cash and cash equivalents at 1 January	21	**172**	390
Currency translation adjustment	21	**19**	(17)
Increase/(decrease) in cash and cash equivalents	21	**685**	(201)
Cash and cash equivalents at 31 December	21, 22	**876**	172

Company Statement of Cash Flows
For the Financial Year Ended 31 December 2020

	Note	2020 €m	2019 €m
Cash flows from operating activities			
Profit before income tax	31	**370**	263
Adjustment for:			
Trade and other payable movements	28	**5**	–
Group creditor movements	28	**(5)**	5
Net cash inflow from operating activities		**370**	268
Cash flows from investing activities			
Investment in subsidiaries		**(753)**	–
Net cash outflow from investing activities		**(753)**	–
Cash flows from financing activities			
Group loan movements		**(4)**	(32)
Proceeds from issue of new ordinary shares (net)		**648**	2
Dividends paid to shareholders		**(260)**	(238)
Net cash inflow/(outflow) from financing activities		**384**	(268)
Movement in cash and cash equivalents		**1**	–
Reconciliation of opening to closing cash and cash equivalents			
Cash and cash equivalents at 1 January		**–**	–
Movement in cash and cash equivalents		**1**	–
Cash and cash equivalents at 31 December		**1**	–

Notes to the Consolidated Financial Statements
For the Financial Year Ended 31 December 2020

1. General Information
Smurfit Kappa Group plc ('SKG plc' or 'the Company') and its subsidiaries (together 'SKG' or 'the Group') primarily manufacture, distribute and sell containerboard, corrugated containers and other paper-based packaging products. The Company is a public limited company with a premium listing on the London Stock Exchange and a secondary listing on Euronext Dublin. It is incorporated and domiciled in Ireland. The address of its registered office is Beech Hill, Clonskeagh, Dublin 4, D04 N2R2, Ireland.

The Consolidated Financial Statements of the Group for the financial year ended 31 December 2020 were authorised for issue in accordance with a resolution of the Directors on 12 March 2021.

2. Summary of Significant Accounting Policies
The Group has consistently applied the following significant accounting policies to all periods presented, unless otherwise stated.

Statement of Compliance
The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') issued by the International Accounting Standards Board ('IASB') as adopted by the European Union ('EU'), those parts of the Companies Act 2014 applicable to companies reporting under IFRS and Article 4 of the IAS Regulation. The Company Financial Statements have been prepared in accordance with IFRS adopted by the EU as applied in accordance with the provisions of the Companies Act 2014. IFRS adopted by the EU differ in certain respects from IFRS issued by the IASB. References to IFRS hereafter refer to IFRS adopted by the EU.

Basis of Preparation
The Consolidated Financial Statements are presented in euro rounded to the nearest million. They have been prepared under the historical cost convention except for the following which are recognised at fair value: certain financial assets and liabilities including derivative financial instruments; biological assets; share-based payments at grant date; pension plan assets; and contingent consideration. The financial statements of subsidiaries whose functional currency is the currency of a hyperinflationary economy are stated in terms of the measuring unit currency at the end of the reporting period. This is the case for the Group's subsidiaries in Argentina.

The preparation of financial statements in accordance with IFRS requires the use of accounting judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. The areas involving a higher degree of judgement and areas where assumptions and estimates are significant are discussed in the *Significant Accounting Judgements, Estimates and Assumptions* note.

The Consolidated Financial Statements include the information in the Remuneration Report that is described as being an integral part of the Consolidated Financial Statements.

Impact of COVID-19
The Group has considered the impact of the COVID-19 pandemic with respect to all judgements and estimates it makes in the application of its accounting policies. This included assessing the recoverability of trade receivables and inventories. The Group's customers primarily operate in the FMCG sector, which has proved resilient during the COVID-19 pandemic to date. There has been no significant deterioration in the aging of trade receivables or extension of debtor days in the year. The expected credit loss provision for trade receivables was adjusted to reflect forward-looking information on macroeconomic factors including the impact of the COVID-19 pandemic. As a result of these reviews, there was no material increase in the trade receivables or inventory provisions. The Group also assessed non-financial assets for indicators of impairment. No impairments were identified.

The Group tested goodwill for impairment at 31 December 2020. Cash flow forecasts were updated to incorporate possible future COVID-19 impacts to reflect risks associated with each cash generating unit ('CGU'). The testing did not result in an impairment.

Going Concern
The Group is a highly integrated manufacturer of paper-based packaging solutions with leading market positions, quality assets and broad geographic reach. The financial position of the Group, its cash generation, capital resources and liquidity continue to provide a stable financing platform.

The Directors have assessed the principal risks and uncertainties outlined in the Risk Report, which include the deterioration of the current economic climate due to the COVID-19 pandemic. The Group is an integral part of the supply chain for essential and critical supplies and as a result there has been no significant disruption to our business to date. In addition, a number of measures and mitigations have been introduced to ensure the ongoing safety of our employees. The Group took into consideration the potential impact of the pandemic and the range of outcomes that it could have on the Group's financial position and results of operations. In the scenarios reviewed, the Group continues to have significant headroom in relation to its financial covenants.

The Group's diversified funding base and long-dated maturity profile of 4.9 years at 31 December 2020 provide a stable funding outlook. At 31 December 2020, the Group had a very strong liquidity position of approximately €2.56 billion comprising cash balances of €901 million (including €10 million of restricted cash), undrawn available committed facilities of €1.25 billion under its Revolving Credit Facility ('RCF') and €412 million under its securitisation facilities. In November 2020, the Group raised gross proceeds of approximately €660 million following the pricing of the non-pre-emptive placing of new ordinary shares. The proceeds were used to repay variable rate debt under its RCF and securitisation facilities, increasing available liquidity under these facilities. The proceeds from the share placing together with the Group's internally generated cash flows (cash generated from operations of €1.6 billion in 2020), give the Group enhanced financial strength and flexibility. At 31 December 2020, the strength of the Group's balance sheet and a net debt to EBITDA* ratio of 1.6x (2019: 2.1x) continues to secure long-term strategic flexibility.

Having assessed the principal risks facing the Group, together with the Group's forecasts and significant financial headroom, the Directors believe that the Group is well placed to manage these risks successfully and have a reasonable expectation that the Company, and the Group as a whole, have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Consolidated Financial Statements.

* Net debt to EBITDA as defined in the Supplementary Information section on page 179.

2. Summary of Significant Accounting Policies continued

New and Amended Standards and Interpretations Effective During 2020

The Group has applied the following standards, interpretations and amendments with effect from 1 January 2020:

- *Definition of Material – amendments to IAS 1 and IAS 8;*
- *Definition of a Business – amendments to IFRS 3;*
- *Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7;* and
- Revised *Conceptual Framework for Financial Reporting.*

The amendments listed above did not result in material changes to the Group's Consolidated Financial Statements.

New and Amended Standards and Interpretations Issued but not yet Effective or Early Adopted

A number of new standards and interpretations have been issued but are not yet effective for the Group. These standards are either not expected to have a material effect on the Consolidated Financial Statements or they are not currently relevant for the Group.

Basis of Consolidation

The Consolidated Financial Statements include the annual Financial Statements of the Company and all of its subsidiaries and associates, drawn up to 31 December.

Subsidiaries

Subsidiaries are entities controlled by the Group. They are consolidated from the date on which control is obtained by the Group. They are deconsolidated from the date on which control is lost by the Group. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Where necessary, the accounting policies of subsidiaries have been modified to ensure consistency with the policies adopted by the Group. Intragroup transactions, intragroup balances and any unrealised gains and losses arising from intragroup transactions are eliminated in preparing the Consolidated Financial Statements, except to the extent that such a loss provides evidence of impairment. The Company's investments in subsidiaries are carried at cost less impairment.

Non-controlling interests represent the portion of a subsidiary's equity which is not attributable to the Group. They are presented separately in the Consolidated Financial Statements. Changes in ownership of a subsidiary which do not result in a change of control are treated as equity transactions.

Associates

Associates are entities in which the Group has significant influence arising from its power to participate in the financial and operating policy decisions of the investee. Associates are recognised using the equity method from the date on which significant influence is obtained until the date on which such influence is lost. Under the equity method investments in associates are recognised at cost and subsequently adjusted to reflect the post-acquisition movements in the Group's share of the associates' net assets. The Group profit or loss includes its share of the associates' profit or loss after tax and the Group's other comprehensive income includes its share of the associates' other comprehensive income. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment losses. Losses in associates are not recognised once the Group's carrying value reaches zero, except to the extent that the Group has incurred further obligations in respect of the associate. Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest in the entity. Unrealised losses are similarly eliminated to the extent that they do not provide evidence of impairment. Where necessary, the accounting policies of associates are modified to ensure consistency with Group accounting policies.

Revenue

The Group's revenue is primarily derived from the sale of containerboard, corrugated containers and other paper-based packaging products. All revenue relates to revenue from contracts with customers. Contracts with customers include a single performance obligation to sell these products and do not generally contain multiple performance obligations. Revenue comprises the fair value of the consideration receivable for goods sold to third party customers in the ordinary course of business. It excludes sales based taxes and is net of allowances for volume based rebates and early settlement discounts.

The transaction price is the contracted price with the customer adjusted for volume based rebates and early settlement discounts. Goods are often sold with retrospective volume rebates based on aggregate sales over a certain period of time and early settlement discounts. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated rebates and discounts. Accumulated experience is used to estimate and provide for the rebates and discounts, using the most likely amount method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as the sales are made with credit terms consistent with market practice and are in line with normal credit terms in the entities' country of operation.

Revenue is recognised when control of the goods has transferred to the customer, being when the goods are delivered to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the goods have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer and the customer has accepted the goods in accordance with the sales contract. For the Group, revenue is recognised at the point in time when delivery to the customer has taken place.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Foreign Currency

Functional and Presentation Currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Consolidated Financial Statements of the Group are presented in euro which is the presentation currency of the Group and the functional currency of the Company.

2. Summary of Significant Accounting Policies continued

Foreign Currency continued

Transactions and Balances

Transactions in foreign currencies are translated into the functional currency of the entity at the exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into functional currencies at the foreign exchange rate ruling at the reporting date. Non-monetary assets and liabilities carried at cost are not subsequently retranslated. Non-monetary assets carried at fair value are subsequently remeasured at the exchange rate at the date of valuation. Foreign exchange differences arising on translation are recognised in profit or loss with the exception of differences on foreign currency borrowings that qualify as a hedge of the Group's net investment in foreign operations. The portion of exchange gains or losses on foreign currency borrowings used to provide a hedge against a net investment in a foreign operation and that is determined to be an effective hedge is recognised in other comprehensive income. The ineffective portion is recognised immediately in the Consolidated Income Statement.

Group Companies

The assets and liabilities of entities that do not have the euro as their functional currency, including goodwill and fair value adjustments arising on acquisition, are translated to euro at the foreign exchange rates ruling at the reporting date. Their income, expenses and cash flows are translated to euro at average exchange rates during the year. However, if a Group entity's functional currency is the currency of a hyperinflationary economy, that entity's financial statements are first restated in accordance with IAS 29, *Financial Reporting in Hyperinflationary Economies* (see *Reporting in Hyperinflationary Economies*). Under IAS 29, income, costs and balance sheet amounts are translated at the exchange rates ruling at the reporting date. All resulting exchange differences are recognised in other comprehensive income.

On consolidation, foreign exchange differences arising on translation of net investments including those arising on long-term intragroup loans deemed to be quasi-equity in nature are recognised in other comprehensive income. When a quasi-equity loan ceases to be designated as part of the Group's net investment, accumulated currency differences are reclassified to profit or loss only when there is a change in the Group's proportional interest. On disposal of a foreign operation, accumulated currency translation differences are reclassified to profit or loss as part of the overall gain or loss on disposal.

Reporting in Hyperinflationary Economies

When the economy of a country in which we operate is deemed hyperinflationary and the functional currency of a Group entity is the currency of that hyperinflationary economy, the financial statements of such Group entities are adjusted so that they are stated in terms of the measuring unit current at the end of the reporting period. This involves restatement of income and expenses to reflect changes in the general price index from the start of the reporting period and restatement of non-monetary items in the balance sheet, such as property, plant and equipment and inventories, to reflect current purchasing power as at the period end using a general price index from the date when they were first recognised. The gain or loss on the net monetary position for the year is included in finance costs or income. Comparative amounts are not restated. The restated income, expenses and balance sheets are translated to euro at the closing rate at the end of the reporting period. Differences arising on translation to euro are recognised in other comprehensive income.

Business Combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. Under the acquisition method, the assets, liabilities and contingent liabilities of an acquired business are initially recognised at their fair value at the date of acquisition; which is the date on which control is transferred to the Group. The cost of a business combination is measured as the aggregate of the fair values at the date of exchange of any assets transferred, liabilities assumed and equity instruments issued in exchange for control. In a business combination achieved in stages, the cost includes the acquisition date fair value of any pre-existing equity interest in the subsidiary. When settlement of all or part of a business combination is deferred, the fair value of the deferred component is determined by discounting the amounts payable to their present value at the date of exchange. The discount component is unwound as an interest expense in the Consolidated Income Statement over the life of the obligation. Where a business combination agreement provides for an adjustment to the cost of the combination which is contingent on future events, the contingent consideration is measured at fair value. Any subsequent remeasurement of the contingent amount is recognised in the Consolidated Income Statement if it is identified as a financial liability.

When the initial accounting for a business combination is determined provisionally, any adjustments to the provisional values allocated to the identifiable assets and liabilities are made within twelve months of the acquisition date. Non-controlling interests are measured either, at their proportionate share of the acquiree's identifiable net assets or, at fair value as at the acquisition date, on a case by case basis. Acquisition related costs are expensed as incurred.

Where a put option is held by a non-controlling interest in a subsidiary whereby that party can require the Group to acquire the non-controlling interest's shareholding in the subsidiary at a future date and the non-controlling interest does not retain present access to the results of the subsidiary, the Group applies the anticipated acquisition method of accounting to the arrangement. The Group recognises a contingent consideration liability at fair value, being the Group's estimate of the amount required to settle that liability, which is included in the consideration transferred. Any subsequent remeasurements required due to changes in the fair value of the put liability are recognised in the Consolidated Income Statement. Where the Group has a call option over the shares held by a non-controlling interest in a subsidiary, whereby the Group can require the non-controlling interest to sell its shareholding in the subsidiary at a future date, the option is classified as a derivative and is recognised as a financial instrument on inception, with fair value movements recognised in the Consolidated Income Statement.

Goodwill

Goodwill is the excess of the cost of an acquisition over the Group's share of the fair value of the identifiable assets, liabilities and contingent liabilities acquired. When the fair value of the identifiable assets and liabilities acquired exceeds the cost of the acquisition, the values are reassessed and any remaining gain is recognised immediately in the Consolidated Income Statement. Goodwill is allocated to the groups of CGUs that are expected to benefit from the synergies of the combination. This is the lowest level at which goodwill is monitored for internal management purposes. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

2. Summary of Significant Accounting Policies continued

Intangible Assets

These include software development costs as well as marketing and customer related intangible assets generally arising from business combinations. They are initially recognised at cost which, for those arising in a business combination, is their fair value at the date of acquisition. Subsequently, intangible assets are carried at cost less any accumulated amortisation and impairment. Cost is amortised on a straight-line basis over their estimated useful lives which vary from three to twenty years. Carrying values are reviewed for indicators of impairment at each reporting date and are subject to impairment testing when events or changes in circumstances indicate that the carrying values may not be recoverable. Further information is provided in the *Goodwill and Intangible Assets* note.

Property, Plant and Equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment charges. Cost includes expenditure that is directly attributable to the acquisition of the assets. Software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any retired component is derecognised. Other repair and maintenance expenditure that does not meet the asset recognition criteria is expensed in the Consolidated Income Statement as incurred. Assets are depreciated from the time they are available for use, however land is not depreciated. Depreciation on other assets is calculated to write off the carrying amount of property, plant and equipment, on a straight-line basis at the following annual rates:

- Buildings: 2 – 5%
- Plant and equipment: 3 – 33%

The estimated residual value and the useful lives of assets are reviewed at each reporting date. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in the Consolidated Income Statement.

Capitalisation of costs in respect of constructing an asset commences when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Cost includes expenditure that is directly attributable to the construction of the asset. Construction in progress is not depreciated and is assessed for impairment when there is an indicator of impairment. When these assets are available for use, they are transferred out of construction in progress to the applicable heading under property, plant and equipment.

Impairment

Goodwill

Goodwill is subject to impairment testing on an annual basis at a consistent time each year and at any time an impairment indicator is considered to exist. Impairment is determined by comparing the carrying amount to the recoverable amount of the groups of CGUs to which the goodwill relates. The recoverable amount is the greater of; fair value less costs to sell, and value-in-use. When the recoverable amount of the groups of CGUs is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a group of CGUs and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the group of CGUs retained.

In the year in which a business combination occurs, and the goodwill arising affects the goodwill allocation to CGUs, the groups of CGUs are tested for impairment prior to the end of that year. Impairment losses on goodwill are recognised in the Consolidated Income Statement and are not reversed following recognition.

Impairment of Non-financial Assets

Long-term tangible and intangible assets that are subject to depreciation or amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the Consolidated Income Statement for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. When assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets that have suffered impairment losses are reviewed for possible reversal of the impairment at each reporting date. The impairment loss is only reversed to the extent that the asset's carrying amount does not exceed that which would have been determined had no impairment been recognised.

Impairment of Financial Assets

For trade receivables, the Group applies the simplified approach permitted by IFRS 9. The Group's impairment policy is explained in the *Trade and Other Receivables* note.

Biological Assets

The Group holds standing timber which is classified as a biological asset and is stated at fair value less estimated costs to sell. Changes in value are recognised in the Consolidated Income Statement. The fair value of standing timber is calculated using weighted average prices for similar transactions with third parties. At the time of harvest, wood is recognised at fair value less estimated costs to sell and transferred to inventory. Further information is provided in the *Biological Assets* note.

2. Summary of Significant Accounting Policies continued

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is determined on a first-in, first-out basis and includes expenditure incurred in acquiring the inventories and bringing them to their present location and condition. Raw materials are valued on the basis of purchase cost on a first-in, first-out basis. For finished goods and work-in-progress, cost includes direct materials, direct labour and attributable overheads based on normal operating capacity and excludes borrowing costs. The cost of wood is its fair value less estimated costs to sell at the date of harvest, determined in accordance with the policy for biological assets. Any change in value at the date of harvest is recognised in the Consolidated Income Statement. Net realisable value is the estimated proceeds of sale less costs to completion and any costs to be incurred in selling and distribution. Full provision is made for all damaged, deteriorated, obsolete and unusable materials.

Financial Instruments

Trade receivables and debt instruments issued are initially recognised when they are originated. All other financial instruments are recognised when the Group becomes a party to its contractual provisions. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially recognised at fair value plus, for an item not at fair value through profit or loss ('FVPL'), transaction costs that are directly attributable to its acquisition or issue.

On initial recognition, a financial asset is classified as measured at amortised cost, or fair value through other comprehensive income ('FVOCI'), or FVPL. The classification is based on the business model for managing the financial assets and the contractual terms of the cash flows. Reclassification of financial assets is required only when the business model for managing those assets changes. Financial assets are derecognised when the Group's contractual rights to the cash flows from the financial assets expire, are extinguished or transferred to a third party.

Financial liabilities are classified as measured at amortised cost or FVPL. Financial liabilities are derecognised when the Group's obligations specified in the contracts expire, are discharged or cancelled. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid, (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Cash and Cash Equivalents

Cash and cash equivalents comprise; cash balances held to meet short-term cash commitments, and; investments which are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Where investments are categorised as cash equivalents, the related balances have a maturity of three months or less from the date of acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Consolidated Statement of Cash Flows. Cash and cash equivalents are stated at amortised cost.

Restricted Cash

Restricted cash comprises cash held by the Group but which is ring-fenced or used as security for specific financing arrangements, and to which the Group does not have unfettered access. Restricted cash is stated at amortised cost.

Equity Instruments

Equity instruments are measured at fair value with fair value gains and losses recognised in other comprehensive income. Dividend income is recognised in profit or loss. There is no reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Any gains and losses will be reclassified within equity from the FVOCI reserve to retained earnings.

Debt Instruments

Listed and unlisted debt instruments are measured at fair value with fair value gains and losses recognised in profit or loss. Interest and dividend income is recognised in profit or loss.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fixed rate borrowings, which have been hedged to floating rates are measured at amortised cost adjusted for changes in value attributable to the hedged risk arising from changes in underlying market interest rates. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least one year after the reporting date.

Securitised Assets

The Group has entered into a series of securitisation transactions involving certain of its trade receivables and the establishment of certain special purpose entities to effect these transactions. These special purpose entities are consolidated as they are considered to be controlled by the Group. The related securitised assets continue to be recognised in the Consolidated Balance Sheet.

Trade and Other Receivables

Trade and other receivables (unless it is a trade receivable without a significant financing component) are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance. Trade receivables without a significant financing component are initially measured at the transaction price.

Trade and Other Payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2. Summary of Significant Accounting Policies continued

Derivative Financial Instruments and Hedging Activities

The Group uses derivative financial instruments to manage certain foreign currency, interest rate and commodity price exposures. All derivatives are recognised at fair value. The treatment of changes in fair value depends on whether the derivative is designated as a hedging instrument, the nature of the item being hedged and the effectiveness of the hedge. The Group designates certain derivatives as follows:

- Hedges of a particular risk associated with a recognised floating rate asset or liability or a highly probable forecast transaction (cash flow hedges);
- Hedges of changes in the fair value of a recognised asset or liability (fair value hedges); and
- Hedges of net investments in foreign operations (net investment hedges).

At inception the Group documents the relationship between the hedging instrument and hedged items, its risk management objectives and the strategy for undertaking the transaction. The Group also documents its assessment of whether the derivative is highly effective in offsetting changes in fair value or cash flows of hedged items, both at inception and in future periods.

The fair values of various derivative instruments used for hedging purposes are disclosed in the *Financial Instruments* note. Movements on the cash flow hedging reserve and cost of hedging reserve in shareholders' equity are shown in the *Capital and Reserves* note. The full fair value of a hedging derivative is classified as a non-current asset or liability when its remaining maturity is more than one year; it is classified as a current asset or liability when its remaining maturity is less than one year. Non-hedging derivative assets and liabilities are classified as current or non-current based on expected realisation or settlement dates.

Cash Flow Hedges

Changes in the fair value of derivative hedging instruments designated as cash flow hedges are recognised in other comprehensive income to the extent that the hedge is effective. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

When designating a foreign exchange derivative contract as a cash flow hedge, the currency basis spread is excluded and accounted for separately as a cost of hedging, being recognised in a cost of hedging reserve within equity.

Amounts accumulated in other comprehensive income are reclassified to the Consolidated Income Statement in the same periods that the hedged items affect profit or loss as follows:

- The reclassified gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the Consolidated Income Statement within finance income or costs respectively.
- When the hedged item is a non-financial asset, the amount recognised in other comprehensive income is transferred to the carrying amount of the asset when it is recognised. The deferred amounts are ultimately recognised in profit or loss as the hedged item affects profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in other comprehensive income remains there until the forecast transaction occurs, unless the hedged transaction is no longer expected to occur, in which case the cumulative gain or loss that was previously recognised in other comprehensive income is transferred to the Consolidated Income Statement.

Fair Value Hedges

Where derivative hedging instruments are designated as fair value hedges, any gain or loss arising from the remeasurement of the hedging instrument to fair value is reported in the Consolidated Income Statement together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. When the hedging instrument no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of the hedged item is amortised to the Consolidated Income Statement over the period to maturity.

Net Investment Hedges

Hedges of net investments in foreign operations are accounted for in a similar manner to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the Consolidated Income Statement within finance income or costs respectively. Gains and losses accumulated in other comprehensive income are reclassified to profit or loss when the foreign operation is sold.

Derivatives not Designated as Hedges

Changes in the fair value of derivatives which are not designated for hedge accounting are recognised in the Consolidated Income Statement.

Fair Value Hierarchy

The Group reports using the fair value hierarchy in relation to its assets and liabilities which are measured at fair value except for those which are exempt as defined under IFRS 13, *Fair Value Measurement*. The fair value hierarchy categorises into three levels the inputs to valuation techniques used to measure fair value, which are described as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs, other than quoted prices included within Level 1, that are observable for the asset or liability either directly (as prices) or indirectly (derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2. Summary of Significant Accounting Policies continued

Provisions

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as a finance expense.

A contingent liability is not recognised but is disclosed where the existence of an obligation will only be confirmed by future events or where it is not probable that an outflow of resources will be required to settle the obligation or where the amount of the obligation cannot be measured with sufficient reliability. Contingent assets are not recognised but are disclosed where an inflow of economic benefits is probable.

Finance Costs and Income

Finance costs comprise interest expense on borrowings (including amortisation of deferred debt issue costs), certain foreign currency translation losses related to financing, unwinding of the discount on provisions, borrowing extinguishment costs, fair value loss on financial assets, fair value loss on put options arising in business combinations, net interest cost on net pension liability, net monetary loss arising in hyperinflationary economies, the interest element of lease payments and losses on derivative instruments that are not designated as hedging instruments and are recognised in profit or loss. Borrowing costs are recognised in profit or loss using the effective interest method. Borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset are capitalised as part of the cost of that asset. All other borrowing costs are recognised as an expense in the Consolidated Income Statement.

Finance income comprises interest income on funds invested, certain foreign currency translation gains related to financing, fair value gain on financial assets, fair value gain on put options arising in business combinations, net monetary gain arising in hyperinflationary economies, gains on derivative instruments that are not designated as hedging instruments and are recognised in profit or loss and dividend income. Interest income is recognised as it accrues using the effective interest method. Dividend income is recognised on the date that the Group's right to receive payment is established.

Income Taxes

The income tax expense recognised in each financial year comprises current and deferred tax and is recognised in the Consolidated Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the related tax is similarly recognised in other comprehensive income or in equity.

Current Income Tax

Current tax consists mainly of the expected tax payable or recoverable on the taxable income for the year using the applicable tax rates during the year and any adjustment to tax payable in respect of previous years.

Deferred Income Tax

Deferred income tax is provided using the liability method, on temporary differences between the carrying amounts of assets and liabilities in the Consolidated Financial Statements and their tax bases. If the temporary difference arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction does not affect accounting nor taxable profit or loss, it is not recognised. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not subject to discounting.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease, if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. The Group recognises a right-of-use asset and a lease liability at the lease commencement date which is the date at which the asset is made available for use by the Group.

The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, restoration costs and lease payments made at or before the commencement date less any lease incentives received. The right-of-use asset is depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Where the lease contains a purchase option the asset is written off over the useful life of the asset when it is reasonably certain that the purchase option will be exercised. Right-of-use assets are subject to impairment testing.

The lease liability is initially measured at the present value of the lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate known at the commencement date, payments for a purchase option, payments for an optional renewal period and termination option payments if the Group is reasonably certain to exercise those options. The lease term is the non-cancellable period of the lease adjusted for any renewal options which are reasonably certain to be excercised or termination options which are reasonably certain not to be exercised. Management applies judgement in determining whether it is reasonably certain that a renewal or termination option will be exercised. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs. The Group has elected to avail of the practical expedient not to separate lease components from any associated non-lease components. Lease liabilities are included in borrowings.

2. Summary of Significant Accounting Policies continued

Leases continued

The lease payments are discounted using the lessee's incremental borrowing rate as the interest rate implicit in the lease is generally not readily determinable. Incremental borrowing rates are determined using a build-up approach that uses externally benchmarked information adjusted to take consideration of the lessee's risk profile and the specific lease characteristics. These characteristics include the type of leased asset, the term of the lease and the currency of the lease.

After the commencement date, the lease liability is measured at amortised cost using the effective interest method. It is remeasured if there is a modificiation, a change in future lease payments arising from a change in an index or rate, or if the Group changes its assessment of whether it is reasonably certain to exercise an option within the contract.

The Group has elected to apply the recognition exemptions for short-term and low-value leases and recognises the lease payments associated with these leases as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise certain items of IT equipment and small items of office furniture.

Retirement Benefit Obligations

The Group operates both defined benefit and defined contribution pension plans throughout its operations in accordance with local conditions and practice.

For defined contribution pension plans, once contributions have been paid, the Group has no further payment obligations. Contributions are recognised as an employee benefit expense as service is received from employees in the Consolidated Income Statement. Prepaid contributions are recognised as an asset only to the extent that a cash refund or a reduction in future payments is available.

The defined benefit pension plans are funded by payments to separately administered funds or in certain countries, in accordance with local practices, scheme liabilities are unfunded and recognised as liabilities in the Consolidated Balance Sheet.

The costs and liabilities of defined benefit pension plans are calculated using the projected unit credit method. Actuarial calculations are prepared by independent, professionally qualified actuaries at each reporting date. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation.

Defined benefit costs are categorised as: (1) service cost; (2) net interest expense or income; and (3) remeasurement. Service cost includes current and past service cost (which can be negative or positive) as well as gains and losses on settlements; it is included in operating profit. Past service cost is recognised at the earlier of the date when the plan amendment or curtailment occurs and the date that the Group recognises related restructuring costs. A gain or loss on settlement is recognised when the settlement occurs. Net interest, included within finance costs, is calculated by applying the discount rate to the net defined benefit asset or liability at the beginning of the year. Remeasurement is comprised of the return on plan assets (excluding net interest) and actuarial gains and losses; it is recognised in other comprehensive income in the period in which it arises and is not subsequently reclassified to the Consolidated Income Statement.

The net surplus or deficit arising on the Group's defined benefit pension plans, together with the liabilities associated with the unfunded plans, are shown either within non-current assets or liabilities in the Consolidated Balance Sheet. The defined benefit pension asset or liability comprises the total for each plan of the present value of the defined benefit obligation less the fair value of plan assets. Fair value of plan assets is based on market price information and in the case of published securities, it is the published bid price. Any pension asset is limited to the present value of economic benefits available in the form of refunds from the plans or reductions in future contributions. The deferred tax impact of pension plan surpluses and deficits is disclosed separately within deferred income tax assets or liabilities, as appropriate.

Share-based Payments

The Group grants equity settled share-based payments to certain employees as part of their remuneration; there are no cash-settled share-based payments. The fair value of grants is determined at the date of grant and is expensed in the Consolidated Income Statement over the vesting period with a corresponding increase in equity. Fair value incorporates the effect of market-based conditions. Non-market-based vesting conditions are only taken into account when assessing the number of awards expected to vest such that the cumulative expense recognised equates to the number of grants that actually vest. The periodic expense/credit recognised in the Consolidated Income Statement is calculated as the difference between the cumulative expense as estimated at the start and end of the period.

The cumulative expense is reversed when an employee in receipt of share options terminates service prior to completion of the vesting period or when a non-market-based performance condition is not expected to be met. No reversal of the cumulative charge is made where awards do not vest due to a market-based vesting condition.

Where the Group receives a tax deduction for share-based payments, deferred tax is provided on the basis of the difference between the market price of the underlying equity at the date of the financial statements and the exercise price of the option. As a result, the deferred tax impact will not directly correlate with the expense reported.

Proceeds received from the exercise of options, net of any directly attributable transaction costs, are credited to the share capital and share premium accounts.

2. Summary of Significant Accounting Policies continued

Exceptional Items

The Group has adopted an income statement format which seeks to highlight significant items within the Group results for the year. The Group believes this format is useful as it highlights one-off items, where significant, such as reorganisation and restructuring costs, profit or loss on disposal of operations, profit or loss on disposal of assets, impairment of assets, legislative and regulatory fines, defined benefit costs, foreign exchange gains or losses on currency devaluations, profit or loss on early extinguishment of debt and fair value gains or losses on put options arising in business combinations. Judgement is used by the Group in assessing the particular items, which by virtue of their size and nature, are disclosed as exceptional items.

Emissions Rights and Obligations

As a result of the European Union Emission Trading Scheme the Group receives free emission rights in certain countries. Rights are received annually and the Group is required to surrender rights equal to its actual emissions. A provision is only recognised when actual emissions exceed the emission rights granted. Any additional rights purchased are recognised at cost and they are not subsequently remeasured. Where excess certificates are sold to third parties, the Group recognises the consideration receivable within cost of sales in the Consolidated Income Statement.

Government Grants

Government grants are recognised at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with any related conditions. Grants that compensate the Group for expenses are offset against the related expense in the Consolidated Income Statement in the same accounting periods. Grants related to the cost of an asset are recognised in the Consolidated Income Statement over the useful life of the asset within administrative expenses.

Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax.

Own Shares

Ordinary shares acquired by the Company or purchased on behalf of the Company are deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's ordinary shares.

Dividends

Dividends on ordinary shares are recognised as a liability in the period in which they are declared by the Company. In the case of interim dividends, these are considered to be declared when they are paid. In the case of final dividends, these are declared when approved by the shareholders at the Annual General Meeting.

3. Significant Accounting Judgements, Estimates and Assumptions

Preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities. These judgements, estimates and assumptions are subject to continuing re-evaluation and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. Actual outcomes may differ significantly from those estimates. No additional significant accounting judgements, estimates and assumptions were identified for the Group as a result of the COVID-19 pandemic. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant are set out below.

Significant Accounting Judgements

Consolidation of Structured Entities

The Group is a party to an arrangement involving securitisation of certain of its trade receivables. The arrangement required the establishment of certain special purpose entities ('SPEs') which are not owned by the Group. However, the SPEs are consolidated as management considers them to be controlled by the Group. The securitised receivables and the borrowings of the SPEs are recognised in the Consolidated Balance Sheet.

The Group has established a trust which facilitates the operation of the Group's long-term incentive plans. While the Group does not hold any of the equity of the trust, the Directors believe that the Group controls its activities and therefore the financial statements of the trust are included in the Consolidated Financial Statements.

Impairment of Goodwill

Judgement is required in determining whether goodwill is impaired or not. The Group tests annually whether goodwill has suffered any impairment. The recoverable amounts of groups of CGUs have been determined based on value-in-use calculations. The principal assumptions used to determine value-in-use relate to future cash flows and the time value of money. Further information is provided in the *Goodwill and Intangible Assets* note.

Income Taxes

Provisions for taxes require judgement in interpreting tax legislation, current case law or practice. It may be unclear how tax law or practice applies to a particular transaction or set of circumstances. In some instances this may not be known until a tax authority or a court makes a decision in an examination, audit or appeal. The Group considers such uncertain tax positions together or separately depending on which approach better predicts how the uncertainties can be resolved. Where the Group concludes it is not probable that a tax authority will fully accept its assessment of an uncertain tax position, it reflects the effect of the uncertainty as the most likely amount or the expected value. In addition, the Group recognises deferred tax assets, mainly relating to unused tax losses, when it is probable that the assets will be recovered through future profitability and planning. The assessment of recoverability involves judgement.

Exceptional Items

Judgement is required in determining which items by virtue of their size and nature are considered exceptional and separately disclosed in the Consolidated Income Statement. The Group has outlined significant items which it believes are exceptional, due to both their size and nature, within the accounting policy for exceptional items in the *Summary of Significant Accounting Policies* note.

3. Significant Accounting Judgements, Estimates and Assumptions continued

Significant Accounting Estimates and Assumptions

Measurement of Defined Benefit Obligations

The cost of defined benefit pension plans and the present value of pension obligations are determined using actuarial valuations. These valuations involve making various assumptions that may differ significantly from actual developments in the future. The assumptions include determination of appropriate discount rates, future salary increases, inflation, mortality rates and future pension increases. Due to the complex nature of the valuations the Group employs an international network of professional actuaries to perform these valuations. The critical assumptions and estimates applied along with a sensitivity analysis are provided in the *Employee Benefits* note.

4. Segment and Revenue Information

The Group has identified operating segments based on the manner in which reports are reviewed by the Chief Operating Decision Maker ('CODM'). The CODM is determined to be the executive management team responsible for assessing performance, allocating resources and making strategic decisions. The Group has identified two operating segments: 1) Europe and 2) the Americas.

The Europe and the Americas segments are each highly integrated. They include a system of mills and plants that primarily produce a full line of containerboard that is converted into corrugated containers within each segment. In addition, the Europe segment also produces other types of paper, such as solidboard, sack kraft paper and graphic paper; and other paper-based packaging, such as solidboard packaging and folding cartons; and bag-in-box packaging. The Americas segment, which includes a number of Latin American countries and the United States, also comprises forestry; other types of paper, such as boxboard, sack paper and graphic paper; and paper-based packaging, such as folding cartons and paper sacks. Inter-segment revenue is not material. No operating segments have been aggregated for disclosure purposes.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year. Additionally, there are central costs which represent corporate governance costs, including executive costs, and costs of the Group's legal, company secretarial, pension administration, tax, treasury and controlling functions and other administrative costs.

Segment profit is measured based on EBITDA*. Segment assets consist primarily of property, plant and equipment, right-of-use assets, biological assets, goodwill and intangible assets, inventories, trade and other receivables, deferred income tax assets and cash and cash equivalents. Group centre assets are comprised primarily of property, plant and equipment, other investments, derivative financial assets, deferred income tax assets, cash and cash equivalents and restricted cash. Segment liabilities are principally comprised of borrowings, operating liabilities, deferred income tax liabilities and employee benefits. Group centre liabilities are comprised of items such as borrowings, employee benefits, derivative financial instruments, deferred income tax liabilities and certain provisions.

Segment capital expenditure comprises additions to property, plant and equipment (Note 11), right-of-use assets (Note 12) goodwill and intangible assets (Note 13) and biological assets (Note 16) and including additions resulting from acquisitions through business combinations.

Inter-segment transfers or transactions are entered into under normal commercial terms and conditions that would also be available to unrelated third parties. Inter-segment transactions are not material.

* EBITDA as defined in the Supplementary Information section on page 178.

4. Segment and Revenue Information continued

Revenue and results	Europe 2020 €m	The Americas 2020 €m	Total 2020 €m	Europe 2019 €m	The Americas 2019 €m	Total 2019 €m
Revenue	**6,645**	**1,885**	**8,530**	6,994	2,054	9,048
EBITDA	**1,180**	**372**	**1,552**	1,332	360	1,692
Segment exceptional items	**(19)**	**(12)**	**(31)**	(124)	–	(124)
EBITDA after exceptional items	**1,161**	**360**	**1,521**	1,208	360	1,568
Unallocated centre costs			**(42)**			(42)
Share-based payment expense			**(37)**			(41)
Depreciation and depletion (net)*			**(508)**			(502)
Amortisation			**(43)**			(45)
Impairment of assets (exceptional)			**–**			(8)
Impairment of goodwill (exceptional)			**–**			(46)
Finance costs			**(179)**			(247)
Finance income			**35**			38
Share of associates' profit (after tax)			**1**			2
Profit before income tax			**748**			677
Income tax expense			**(201)**			(193)
Profit for the financial year			**547**			484
Assets						
Segment assets	**7,470**	**1,913**	**9,383**	7,610	2,128	9,738
Investment in associates	**1**	**11**	**12**	1	15	16
Group centre assets			**895**			171
Total assets			**10,290**			9,925
Liabilities						
Segment liabilities	**2,928**	**568**	**3,496**	2,965	604	3,569
Group centre liabilities			**3,011**			3,363
Total liabilities			**6,507**			6,932
Other segmental disclosures						
Segment capital expenditure:						
Segment expenditure	**438**	**146**	**584**	763	149	912
Group centre expenditure			**1**			–
Total expenditure			**585**			912
Depreciation and depletion (net):						
Segment depreciation and depletion (net)	**401**	**106**	**507**	382	119	501
Group centre depreciation and depletion (net)			**1**			1
Total depreciation and depletion (net)			**508**			502
Amortisation:						
Segment amortisation	**24**	**19**	**43**	25	20	45
Group centre amortisation			**–**			–
Total amortisation			**43**			45
Other significant non-cash charges:						
Impairment of assets included in cost of sales	**–**	**–**	**–**	–	8	8
Impairment of goodwill included in other operating expenses	**–**	**–**	**–**	–	46	46
Total other significant non-cash charges			**–**			54

* Depreciation and depletion is net of fair value adjustments arising on biological assets.

4. Segment and Revenue Information continued

Information about Geographical Areas

The Group has a presence in 35 countries worldwide. The following is a geographical analysis presented in accordance with IFRS 8, which requires disclosure of information about country of domicile (Ireland) and countries with material revenue and non-current assets.

	Revenue 2020 €m	Revenue 2019 €m	**Non-current Assets 2020 €m**	Non-current Assets 2019 €m
Ireland	**111**	117	**51**	55
Germany	**1,207**	1,291	**533**	553
France	**969**	1,095	**513**	518
Mexico	**850**	878	**263**	289
The Netherlands	**760**	758	**549**	581
United Kingdom	**743**	774	**384**	403
Rest of world	**3,890**	4,135	**2,184**	2,222
	8,530	9,048	**4,477**	4,621

Revenue is derived almost entirely from the sale of goods and is disclosed based on the location of production. No one customer represents greater than 10% of Group revenues. Non-current assets include marketing and customer related intangible assets, software, investment in associates, biological assets, right-of-use assets and property, plant and equipment and are disclosed based on their location.

While the Group does not allocate goodwill by geographic area, if it were to ascribe goodwill to Ireland we estimate the amount would be less than 3% (2019: less than 3%) of the total goodwill of the Group of €2,344 million (2019: €2,383 million).

Disaggregation of Revenue

The Group derives revenue from the following major product lines. The economic factors which affect the nature, amount, timing and uncertainty of revenue and cash flows from the sub categories of both paper and packaging products are similar.

	2020			2019		
	Paper €m	**Packaging €m**	**Total €m**	Paper €m	Packaging €m	Total €m
Revenue by product:						
Europe	**1,005**	**5,640**	**6,645**	1,134	5,860	6,994
The Americas	**207**	**1,678**	**1,885**	285	1,769	2,054
	1,212	**7,318**	**8,530**	1,419	7,629	9,048

Packaging revenue is derived mainly from the sale of corrugated products. The remainder of packaging revenue is comprised of bag-in-box and other paper-based packaging products.

5. Cost and Income Analysis

	2020 €m	2019 €m
Expenses by function:		
Cost of sales	**5,656**	6,051
Distribution costs	**725**	730
Administrative expenses	**1,227**	1,213
Other operating expenses	**31**	170
	7,639	8,164
Exceptional items included in operating profit:		
Reorganisation and restructuring costs	**35**	–
Recognition reward	**11**	–
Past service cost – UK	**(15)**	–
Impairment of assets	**–**	8
Italian Competition Authority fine	**–**	124
Goodwill impairment	**–**	46
	31	178

Exceptional items charged within operating profit in 2020 amounted to €31 million of which €35 million related to reorganisation and restructuring costs in both Europe and the Americas and €11 million related to a Group-wide COVID-19 employee recognition reward, partly offset by a €15 million gain on the UK pension scheme as a result of future pension increases being linked to CPIH instead of RPI.

5. Cost and Income Analysis continued

Exceptional items charged within operating profit in 2019 amounted to €178 million, of which €8 million related to the impairment of property, plant and equipment and customer related intangible assets in one of our North American corrugated plants and €124 million to the Italian Competition Authority fine levied on Smurfit Kappa Italia S.p.A.. The remaining €46 million related to the impairment of goodwill in Brazil.

	2020 €m	2019 €m
Expenses by nature:		
Raw materials and consumables	**2,697**	3,003
Employee benefit expense excluding redundancy	**2,177**	2,180
Energy	**420**	485
Maintenance and repairs	**419**	430
Transportation and storage costs	**726**	732
Depreciation, amortisation and depletion	**551**	547
Impairment of assets	**–**	54
Reorganisation and restructuring costs	**38**	5
Foreign exchange gains and losses	**–**	3
Net remeasurement of loss allowance on trade receivables	**25**	4
Other expenses	**586**	721
Total	**7,639**	8,164

Included within the expenses by nature above are research and development expenses of €8 million (2019: €8 million). Research and development expenses are included within administrative expenses in the Consolidated Income Statement.

Directors' remuneration is shown in the Remuneration Report and in Note 30.

Auditors' Remuneration

	KPMG Ireland 2020 €m	**Other KPMG Network Firms 2020 €m**	**Total 2020 €m**	KPMG Ireland 2019 €m	Other KPMG Network Firms 2019 €m	Total 2019 €m
Audit of entity financial statements	**2.5**	**5.8**	**8.3**	2.6	5.9	8.5
Other assurance services	**–**	**0.3**	**0.3**	–	0.2	0.2
Other non-audit services	**–**	**0.1**	**0.1**	0.1	–	0.1
	2.5	**6.2**	**8.7**	2.7	6.1	8.8

The audit fee for the Parent Company was €50,000 which is payable to KPMG, the Statutory Auditor (2019: €50,000).

6. Employee Benefit Expense

	2020 Number	2019 Number
Average number of persons employed by the Group by geographical area (full time equivalents):		
Europe	**29,969**	30,332
The Americas	**16,406**	16,231
	46,375	46,563

	Note	**2020 €m**	2019 €m
The employee benefit expense comprises:			
Wages and salaries		**1,707**	1,711
Social insurance costs		**335**	336
Share-based payment expense		**37**	41
Defined benefit pension expense	25	**36**	28
Defined contribution pension plan expense	25	**66**	64
Reorganisation and restructuring costs*		**3**	5
Charged to operating profit – pre-exceptional		**2,184**	2,185
Exceptional – reorganisation and restructuring		**35**	–
Exceptional – past service cost UK	25	**(15)**	–
Exceptional – recognition reward		**11**	–
Finance costs	25	**12**	17
Actuarial loss on pension schemes recognised in other comprehensive income	25	**9**	117
Total employee benefit expense		**2,236**	2,319

* These non-exceptional expenses arise in respect of individually immaterial restructurings across the Group.

7. Finance Costs and Income

	Note	2020 €m	2019 €m
Finance costs:			
Interest payable on bank loans and overdrafts		**29**	45
Interest payable on leases		**10**	11
Interest payable on other borrowings		**89**	114
Exceptional finance costs associated with debt restructuring		**–**	37
Unwinding discount element of provisions		**–**	1
Foreign currency translation loss on debt		**36**	18
Fair value loss on derivatives not designated as hedges		**1**	4
Fair value loss on financial assets/liabilities		**2**	–
Net interest cost on net pension liability	25	**12**	17
Total finance costs		**179**	247
Finance income:			
Other interest receivable		**(3)**	(4)
Foreign currency translation gain on debt		**(29)**	(10)
Fair value gain on derivatives not designated as hedges		**(1)**	–
Exceptional fair value gain on financial liabilities		**–**	(20)
Fair value gain on financial assets		**(1)**	(1)
Net monetary gain – hyperinflation		**(1)**	(3)
Total finance income		**(35)**	(38)
Net finance costs		**144**	209

There were no exceptional finance items in 2020.

The exceptional finance costs of €37 million in 2019 were comprised of a redemption premium of €31 million and the accelerated amortisation of debt issue costs of €6 million, which were related to the refinancing of the senior credit facility and the early redemption of bonds. The exceptional finance income of €20 million in 2019 related to the fair value gain on the Serbian put option.

8. Income Tax Expense

Income tax expense recognised in the Consolidated Income Statement:

	2020 €m	2019 €m
Current tax:		
Europe	**127**	145
The Americas	**49**	55
	176	200
Deferred tax	**25**	(7)
Income tax expense	**201**	193
Current tax is analysed as follows:		
Ireland	**21**	7
Foreign	**155**	193
	176	200

The income tax expense for the financial year 2020 is €8 million higher than in the comparable period in 2019.

There is a net €24 million decrease in current tax. The net decrease is mainly due to changes in profitability and its geographical mix, as well as the impact of non-recurring items and foreign currency.

The movement in deferred tax from a credit of €7 million in 2019 to a tax charge of €25 million in 2020 includes the effects of movements in timing differences on which tax was previously recognised, as well as the use and net recognition of tax losses and credits. The deferred tax in 2019 included a non-recurring tax credit associated with the impairment of goodwill.

There is a net tax credit of €9 million on exceptional items in 2020 compared to a €22 million tax credit in the prior year.

8. Income Tax Expense continued

Reconciliation of the Effective Tax Rate

The following table relates the applicable Republic of Ireland statutory tax rate to the effective tax rate (current and deferred) of the Group:

	2020 €m	2019 €m
Profit before income tax	**748**	677
Profit before income tax multiplied by the standard rate of tax of 12.5% (2019: 12.5%)	**93**	85
Effects of:		
Income subject to different rates of tax	**87**	106
Other items	**22**	11
Adjustment to prior period tax	**(1)**	(9)
	201	193

Income Tax Recognised Within Equity

	2020 €m	2019 €m
Recognised in the Consolidated Statement of Comprehensive Income:		
Arising on defined benefit pension plans	**(7)**	(26)
Arising on derivative cash flow hedges	**1**	1
Total recognised in the Consolidated Statement of Comprehensive Income	**(6)**	(25)
Arising on hyperinflation	**3**	4
Total recognised within equity	**(3)**	(21)

Factors That May Affect the Future Tax Expense and Other Disclosure Requirements

Unremitted Earnings in Subsidiaries and Associates

The Group has not made provision for deferred tax in relation to temporary differences applicable to investments in subsidiaries on the basis that the Group can control both the timing of and which temporary timing differences will reverse. The Group is not obliged to remit earnings from subsidiaries. It is probable that the Group would only remit earnings which can benefit from the availability of a participation tax exemption or sufficient tax credits (actual or deemed) to ensure there is no additional tax due. The aggregate amount of this temporary difference is approximately €1,553 million (2019: €860 million). Due to the absence of control in the context of associates (significant influence by definition) deferred tax liabilities are recognised where necessary in respect of the Group's investment in these entities.

The total tax expense in future periods will be affected by changes to the corporation tax rates in force and legislative changes that may broaden the tax base or introduce other minimum taxes in the countries in which the Group operates. The tax expense may also be impacted by changes in the geographical mix of earnings.

The current tax expense may also be impacted, inter alia, by changes in the excess of tax depreciation (capital allowances) over accounting depreciation, the use of tax credits and the crystallisation of unrecognised deferred tax assets.

There are no income tax consequences for the Company in respect of dividends which were proposed prior to the issuance of the Consolidated Financial Statements for which a liability has not been recognised.

9. Earnings per Share ('EPS')

Basic

Basic EPS is calculated by dividing the profit attributable to owners of the parent by the weighted average number of ordinary shares in issue during the year less own shares.

	2020	2019
Profit attributable to owners of the parent (€ million)	**545**	476
Weighted average number of ordinary shares in issue (million)	**239**	236
Basic EPS (cent)	**227.9**	201.6

9. Earnings per Share ('EPS') continued

Diluted

Diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. These comprise convertible, deferred and performance shares issued under the Group's long-term incentive plans. Details of these plans are set out in Note 26. Where the conditions governing exercisability and vesting of these shares have been satisfied as at the end of the reporting period, they are included in the computation of diluted earnings per ordinary share.

	2020	2019
Profit attributable to owners of the parent (€ million)	**545**	476
Weighted average number of ordinary shares in issue (million)	**239**	236
Potential dilutive ordinary shares assumed (million)	**2**	2
Diluted weighted average ordinary shares (million)	**241**	238
Diluted EPS (cent)	**225.7**	200.0

Pre-exceptional

	2020	2019
Profit attributable to owners of the parent (€ million)	**545**	476
Exceptional items included in profit before income tax (€ million)	**31**	195
Income tax on exceptional items (€ million)	**(9)**	(22)
Pre-exceptional profit attributable to owners of the parent (€ million)	**567**	649
Weighted average number of ordinary shares in issue (million)	**239**	236
Pre-exceptional basic EPS (cent)	**236.9**	274.8
Diluted weighted average ordinary shares (million)	**241**	238
Pre-exceptional diluted EPS (cent)	**234.6**	272.6

10. Dividends

The following dividends were declared and paid by the Group:

	2020 €m	2019 €m
Final: no final dividend was paid in 2020 (2019: paid 72.2 cent per ordinary share on 10 May 2019)	**–**	172
Interim: paid 80.9 cent per ordinary share on 11 September 2020 and a further 27.9 cent on 11 December 2020 (2019: paid 27.9 cent per ordinary share on 25 October 2019)	**260**	66
	260	238

The Board is recommending a final dividend of 87.4 cent per share (approximately €226 million). It is proposed to pay this dividend on 7 May 2021 to all ordinary shareholders on the share register at the close of business on 9 April 2021, subject to the approval of the shareholders at the Annual General Meeting.

11. Property, Plant and Equipment

	Land and Buildings €m	Plant and Equipment €m	Total €m
Financial year ended 31 December 2019			
Opening net book amount	1,050	2,544	3,594
Reclassifications	57	(58)	(1)
Additions	2	618	620
Acquisitions	42	47	89
Depreciation charge	(54)	(355)	(409)
Impairments	–	(4)	(4)
Retirements and disposals	(1)	(3)	(4)
Hyperinflation adjustment	3	8	11
Foreign currency translation adjustment	7	17	24
At 31 December 2019	1,106	2,814	3,920
At 31 December 2019			
Cost or deemed cost	1,785	6,241	8,026
Accumulated depreciation and impairment losses	(679)	(3,427)	(4,106)
Net book amount	1,106	2,814	3,920
Financial year ended 31 December 2020			
Opening net book amount	**1,106**	**2,814**	**3,920**
Reclassifications	**73**	**(68)**	**5**
Additions	**1**	**465**	**466**
Acquisitions	**2**	**1**	**3**
Depreciation charge	**(56)**	**(373)**	**(429)**
Retirements and disposals	**(1)**	**(2)**	**(3)**
Hyperinflation adjustment	**2**	**6**	**8**
Foreign currency translation adjustment	**(37)**	**(94)**	**(131)**
At 31 December 2020	**1,090**	**2,749**	**3,839**
At 31 December 2020			
Cost or deemed cost	**1,874**	**6,942**	**8,816**
Accumulated depreciation and impairment losses	**(784)**	**(4,193)**	**(4,977)**
Net book amount	**1,090**	**2,749**	**3,839**

Land and Buildings
Included in land and buildings is an amount for land of €377 million (2019: €384 million).

Construction in Progress
Included in land and buildings and plant and equipment are amounts of €29 million (2019: €40 million) and €232 million (2019: €345 million) respectively, for construction in progress.

Assets Pledged as Security
Assets with a carrying value of €9 million (2019: €18 million) are pledged as security for loans held by the Group.

Capital Commitments
The following capital commitments in relation to property, plant and equipment were authorised by the Directors, but have not been provided for in the Consolidated Financial Statements:

	2020 €m	2019 €m
Contracted for	**168**	258
Not contracted for	**235**	176
	403	434

Impairments
Impairment tests for items of property, plant and equipment are performed on a cash-generating unit basis when impairment triggers arise. The recoverable amounts of property, plant and equipment are based on the higher of fair value less costs to sell and value-in-use. Value-in-use calculations are based on cash flow projections and discount rates for items of property, plant and equipment. The Group considered the impact of the COVID-19 pandemic when assessing property, plant and equipment for indicators of impairment. No impairment triggers were identified. Impairment charges are recognised within cost of sales in the Consolidated Income Statement. In 2020, the Group's impairment charge was nil (2019: €4 million).

11. Property, Plant and Equipment continued

Capitalised Borrowing Costs

In 2020, the Group capitalised borrowing costs of €1 million (2019: €2 million) on qualifying assets. Borrowing costs were capitalised at an average rate of 2.9% (2019: 3.7%).

12. Right-of-use Assets/Lease Obligations

Amounts Recognised in the Consolidated Balance Sheet

	2020 €m	2019 €m
Right-of-use assets:		
Land and buildings	**218**	250
Vehicles	**64**	62
Plant and equipment	**29**	34
	311	346

The Group presents lease liabilities in borrowings in the Consolidated Balance Sheet. The amounts included within borrowings are as follows:

	2020 €m	2019 €m
Lease liabilities:		
Current	**83**	78
Non-current	**263**	299
	346	377

Additions to right-of-use assets during 2020 were €79 million (2019: €87 million, of which €8 million related to acquired right-of-use assets).

Amounts Recognised in the Consolidated Income Statement

The Consolidated Income Statement includes the following amounts relating to leases:

	2020 €m	2019 €m
Depreciation charge of right-of-use assets:		
Land and buildings	**45**	44
Vehicles	**31**	31
Plant and equipment	**9**	12
	85	87

	2020 €m	2019 €m
Interest expense on lease liabilities	**10**	11
Expenses relating to short-term leases	**11**	11
Expenses relating to leases of low-value assets	**5**	2
Expenses relating to variable lease payments not included in the lease liabilities	**9**	6

Lease commitments for short-term leases are similar to the portfolio of short-term leases for which the costs were expensed to the Consolidated Income Statement.

Amounts Recognised in the Consolidated Statement of Cash Flows

	2020 €m	2019 €m
Total cash outflow for leases	**126**	113

Leasing Activities

The Group enters into leases for a range of assets, principally relating to property. These property leases, which consist of office buildings, warehouses and manufacturing facilities, have varying terms, renewal rights, including periodic rent reviews linked with indices. The Group also leases vehicles which include motor vehicles for management and sales functions and trucks for distribution.

The effect of excluding future cash outflows arising from variable lease payments, termination options, residual value guarantees, and leases not yet commenced from lease liabilities was not material for the Group. Income from subleasing and gains/losses on sale and leaseback transactions were not material for the Group. The terms and conditions of these leases do not impose significant financial restrictions on the Group.

12. Right-of-use Assets/Lease Obligations continued

Extension and Termination Options

Extension and termination options are included in a number of property, equipment and vehicle leases throughout the Group. They are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

In determining whether or not a renewal or termination option will be taken, the following factors are normally the most relevant:
- If there are significant penalties to terminate (or not to extend), the Group is typically reasonably certain to extend (or not terminate).
- If leasehold improvements are expected to have a significant remaining value, when the option becomes exercisable, the Group is typically reasonably certain to extend (or not to terminate).
- Strategic importance of the asset to the Group.
- Past practice.
- Costs and business disruption to replace the asset.

The lease term is reassessed if an option is actually exercised (or not exercised) and this decision has not already been reflected in the lease term as part of a previous determination. The assessment of reasonable certainty is revised only if a significant change in circumstances occurs, which affects this assessment, and this is within the control of the lessee.

Impairments

Impairment tests for right-of-use assets are performed on a cash-generating unit basis when impairment triggers arise. The recoverable amounts of right-of-use assets are based on the higher of fair value less costs to sell and value-in-use. Value-in-use calculations are based on cash flow projections and discount rates for right-of-use assets. The Group considered the impact of the COVID-19 pandemic when assessing right-of-use assets for indicators of impairment. No impairment triggers were identified. In 2020, the Group's impairment charge was nil (2019: nil).

13. Goodwill and Intangible Assets

		Intangible Assets			
	Goodwill €m	Marketing Related €m	Customer Related €m	Software Assets €m	Total €m
Financial year ended 31 December 2019					
Opening net book amount	2,361	7	169	53	2,590
Additions	–	–	–	20	20
Acquisitions	55	–	30	–	85
Amortisation charge	–	(2)	(30)	(13)	(45)
Impairment	(46)	–	(4)	–	(50)
Hyperinflation adjustment	12	–	–	–	12
Foreign currency translation adjustment	1	1	2	–	4
At 31 December 2019	2,383	6	167	60	2,616
At 31 December 2019					
Cost or deemed cost	2,618	18	309	211	3,156
Accumulated amortisation and impairment losses	(235)	(12)	(142)	(151)	(540)
Net book amount	2,383	6	167	60	2,616
Financial year ended 31 December 2020					
Opening net book amount	**2,383**	**6**	**167**	**60**	**2,616**
Additions	**–**	**–**	**–**	**21**	**21**
Acquisitions	**7**	**–**	**–**	**–**	**7**
Amortisation charge	**–**	**(2)**	**(26)**	**(15)**	**(43)**
Reclassifications	**–**	**–**	**–**	**6**	**6**
Hyperinflation adjustment	**9**	**–**	**–**	**–**	**9**
Foreign currency translation adjustment	**(55)**	**–**	**(5)**	**(4)**	**(64)**
At 31 December 2020	**2,344**	**4**	**136**	**68**	**2,552**
At 31 December 2020					
Cost or deemed cost	**2,566**	**16**	**288**	**226**	**3,096**
Accumulated amortisation and impairment losses	**(222)**	**(12)**	**(152)**	**(158)**	**(544)**
Net book amount	**2,344**	**4**	**136**	**68**	**2,552**

The useful lives of intangible assets other than goodwill are finite and range from three to twenty years. Amortisation is recognised as an expense within cost of sales and administrative expenses in the Consolidated Income Statement.

13. Goodwill and Intangible Assets continued

Marketing related intangible assets relate mainly to trade names which arise from business combinations and are amortised over their estimated useful lives of seven to ten years. Customer related intangible assets relate mainly to acquisitions and to customer relationships which arise from business combinations. They are amortised over their estimated useful lives of four to twenty years with a weighted average useful life of 12 years. Software assets relate to computer software, other than software for items of machinery that cannot operate without it; such software is regarded as an integral part of the related hardware and is classified as property, plant and equipment. Computer software assets have estimated useful lives of three to five years for amortisation purposes.

In 2020, goodwill of €5 million arose on the acquisition of a former associate in Colombia (Note 15) and €2 million arose on the 2019 acquisition of plants in Bulgaria. In 2019, goodwill of €43 million and customer related intangible assets of €30 million arose on the acquisition of a paper mill and corrugated plant in Serbia. A further €12 million of goodwill arose on the acquisition of plants in France and Bulgaria.

Impairment Testing of Intangible Assets

The Group assesses whether there is an indication that an intangible asset may be impaired. In 2020, such an assessment did not give rise to an impairment charge (2019: €4 million recognised within cost of sales).

Impairment Testing of Goodwill

Goodwill arising as part of a business combination is allocated to groups of cash-generating units ('CGUs') for the purpose of impairment testing based on the Group's existing business segments or, where appropriate, by recognition of a new CGU. The CGU groups represent the lowest level at which goodwill is monitored for internal management purposes and are not larger than the operating segments determined in accordance with IFRS 8, *Operating Segments*. A total of 15 groups (2019: 15) of CGUs have been identified and these are analysed between the two operating segments as follows:

	2020 Number	2019 Number
Eurozone	**5**	5
Eastern Europe	**1**	1
Scandinavia	**1**	1
United Kingdom	**1**	1
Bag-in-box	**1**	1
Europe	**9**	9
The Americas	**6**	6
	15	15

A summary of the allocation of the carrying value of goodwill by operating segment is as follows:

	2020 €m	2019 €m
Europe	**2,055**	2,062
The Americas	**289**	321
	2,344	2,383

No impairment arose in 2020 in any CGU as the recoverable amount of the groups of CGUs, based on value-in-use and estimated using the methodology outlined below, exceeded the carrying amount. In 2019, an impairment charge of €46 million arose in relation to Brazil and was recognised in other operating expenses.

Impairment Testing Methodology and Results

The recoverable amount of each CGU is based on a value-in-use calculation. The cash flow forecasts for the purposes of these calculations are based on a nine-year plan approved by senior management. Cash flow forecasts were updated to incorporate possible future COVID-19 impacts to reflect risks associated with each CGU. Cash flow forecasts use growth factors consistent with historical growth rates as adjusted for the cyclical nature of the business and are validated by reference to external data where available. The terminal value is estimated by applying an appropriate earnings multiple to the average cash flows for years one to nine. The Group believes a nine-year forecast is appropriate to use for the impairment test, due to the cyclical nature of the business in which the Group operates and the long-term lives of its assets.

Forecasts are derived from a combination of internal and external factors based on historical experience and take into account the cyclicality of cash flows typically associated with these groups of CGUs. The cash flows, including terminal value estimations, are discounted using appropriate pre-tax discount rates.

Key assumptions include management's estimates of future profitability, replacement capital expenditure requirements, trade working capital investment needs and discount rates. Key assumptions in determining terminal value include earnings multiples.

13. Goodwill and Intangible Assets continued

Impairment Testing Methodology and Results continued

Of the goodwill allocated to each of the 15 groups of CGUs, three units individually account for between 10% and 20% of the total carrying amount of €2,344 million and are summarised in the table below. All other units account individually for less than 10% of the total carrying amount and are not regarded as individually significant. The additional disclosures required under IAS 36, *Impairment of Assets* in relation to significant goodwill amounts arising in each of the three groups of CGUs are as follows:

	Europe France		Europe Benelux		Europe Germany, Austria and Switzerland	
	2020	2019	**2020**	2019	**2020**	2019
Carrying amount of goodwill (€ million)	**307**	307	**408**	408	**427**	427
Basis of recoverable amount	**Value-in-use**	Value-in-use	**Value-in-use**	Value-in-use	**Value-in-use**	Value-in-use
Discount rate applied (pre-tax)	**9.2%**	10.0%	**9.4%**	9.2%	**9.6%**	9.7%
Earnings multiple used for terminal value	**7.1**	7.1	**7.1**	7.1	**7.1**	7.1
Excess of value-in-use (€ million)	**368**	382	**267**	395	**357**	743

The key assumptions used for these three CGUs are consistent with those addressed above. The values applied to each of the key assumptions are derived from a combination of internal and external factors based on historical experience and take into account the cyclicality of cash flows typically associated with these groups of CGUs.

The recoverable amount of the Argentina and Chile CGU is estimated to exceed the carrying value of the CGU by €2 million (2019: €3 million). The goodwill relating to our operations in Argentina and Chile represents 1% of the Group's total goodwill. We will continue to monitor the CGU throughout 2021. For the other CGUs, any reasonably possible movement in the assumptions used in the impairment test would not result in an impairment.

14. Financial Assets

Other Investments – Group

	2020 €m	2019 €m
Equity instruments – FVOCI	**–**	–
Listed* and unlisted debt instruments – FVPL	**11**	10
At 31 December	**11**	10

* Listed on a recognised stock exchange.

Equity Instruments Designated at FVOCI

Equity instruments designated as at FVOCI relates to an investment in equity shares of a non-listed company. The Group designated the equity instrument at FVOCI because it represents an investment that the Group intends to hold for the long-term for strategic purposes. In 2019, the Group made a fair value adjustment to its unlisted investment which is now valued at nil.

Listed and Unlisted Debt Instruments

The Group designates listed and unlisted debt instruments as FVPL as they do not qualify for measurement at either amortised cost or FVOCI based on the business model.

In 2020, fair value gains of €1 million (2019: €1 million gain) on debt instruments were recognised in finance income.

Information about the Group's fair value measurement of its investments is included in Note 29.

Investment in Subsidiaries – Company

	2020 €m	2019 €m
At 1 January	**2,100**	2,078
Investment in the year	**772**	22
At 31 December	**2,872**	2,100

In November 2020, the Company raised gross proceeds of approximately €660 million following the pricing of the non-pre-emptive placing of new ordinary shares. The Company made a capital contribution to subsidiary undertakings of €669 million, primarily financed by the proceeds from the placing. In addition the Company made a further investment in Smurfit Kappa Investments Limited for new shares of €103 million.

The carrying value of the financial asset held by the Company was considered in the context of the COVID-19 pandemic and no impairment trigger was identified based on the performance and market capitalisation of the Group.

15. Investment in Associates

	2020 €m	2019 €m
At 1 January	**16**	14
Share of profit for the year	**1**	2
Dividends received from associates	**(1)**	(1)
Foreign currency translation adjustment	**(2)**	1
Fair value uplift on associate investment	**4**	–
Associate becoming a subsidiary	**(6)**	–
At 31 December	**12**	16

On 1 April 2020, the Group acquired 50.2% of Occidental de Empaques S.A. ('Odempa'), a paper sack plant in Colombia. This increased the Group's interest in Odempa from 49.8% to 100%, and resulted in the previously held associate becoming a subsidiary. In accordance with IFRS, the Group's previously held 49.8% associate interest was remeasured from its carrying value of €2 million to a fair value of €6 million resulting in a fair value gain of €4 million. This gain, together with the recycling of €1 million of currency translation losses from the currency translation reserve, resulted in a net gain of €3 million in the Consolidated Income Statement. The fair value of €6 million formed part of the acquisition accounting for the consolidation of Odempa on 1 April 2020.

16. Biological Assets

	2020 €m	2019 €m
At 1 January	**117**	111
Increases due to new plantations	**9**	11
Harvested timber transferred to inventories	**(11)**	(12)
Change in fair value less estimated costs to sell	**17**	6
Foreign currency translation adjustment	**(14)**	1
At 31 December	**118**	117
Current	**11**	11
Non-current	**107**	106
At 31 December	**118**	117
Approximate harvest by volume (tonnes '000)	**834**	809

At 31 December 2020, the Group's biological assets consist of 67,000 (2019: 68,000) hectares of forest plantations which are held for the production of paper and packaging products or sale to third parties. These plantations provide the Group's mills in Colombia with a significant proportion of their total wood fibre needs.

Measurement of Fair Values

Fair Value Hierarchy

The Group's biological assets are measured at fair value and have been categorised within level 2 of the fair value hierarchy. There were no transfers between any levels during the year.

Valuation Techniques

The Group's biological assets comprise two species of forest plantations, pine and eucalyptus which are categorised as young or adult plantations for the purpose of determining the measurement of fair value.

The age threshold for young pine plantations is 96 months and for young eucalyptus plantations is 48 months. As young plantations are not available to sell or harvest, the cost approach is used to measure their fair value. The cost approach is based on the annually published index by the Colombian government which details the cost of establishing and maintaining a hectare for each species across various age brackets. The number of hectares planted is recorded in the Group's Forestry Information System. The value of young plantations at 31 December 2020 was €11 million (2019: €11 million).

The fair value of adult plantations is calculated using third party market prices in active markets adjusted for estimated costs to sell with eucalyptus based on the 12-month moving average of third party purchases and pine based on third party selling prices. Volumes are determined using an internally developed statistical model which contains data from the last 25 years. The statistical model applies growing equations using historical yields to provide an approximation of the yield of a particular plantation area at a point in time, based on a number of factors including the particular species of the tree, age and location of the plantation. The parameters used in the model are subject to continual refinement based on periodic measurements of a sample of growing trees and actual yields. Pine trees are further classified by use, as either pulpwood or timber wood based upon historical experience. This classification determines the market price used in the fair value measurement of the pine plantations. In 2020, the proportion of pine trees classified as timber wood increased following a reassessment of the volumes used for timber wood purposes based on historical data. This resulted in a fair value gain of €9 million.

16. Biological Assets continued

Risk Management Strategy

The Group is exposed to a number of risks related to its plantations:

Regulatory and Environmental Risks

The Group is subject to laws and regulations in various countries in which it operates. The Group has established environmental policies and procedures aimed at ensuring compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage those risks.

Supply and Demand Risk

The Group is exposed to risks arising from market fluctuations in the price and sales volume of similar wood. Where possible the Group manages this risk by aligning its harvest volume to demand for its manufactured products. Management performs regular industry trend analysis to ensure that the Group's pricing structure is in line with the market and to ensure that projected harvest volumes are consistent with the expected demand.

Climate and Other Risks

The Group's forests are exposed to the risk of damage from climatic changes, diseases, fires and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating those risks, including regular forest health inspections and industry pest and disease surveys.

17. Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where they relate to income taxes levied by the same tax authority on either a taxable entity or different taxable entities where their intention is to settle the balances on a net basis. This is set out below:

	2020 €m	2019 €m
Deferred tax assets	**391**	380
Deferred tax assets/liabilities available for offset	**(219)**	(195)
	172	185
Deferred tax liabilities	**410**	370
Deferred tax assets/liabilities available for offset	**(219)**	(195)
	191	175

Deferred tax assets have been recognised in respect of deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised.

Deferred tax assets have been recognised in respect of tax losses available for carry forward when the Group considers it is probable that future taxable profits will be available against which the unused tax losses can be utilised. Where the Group considers that the recovery of such losses is not probable no asset is recognised.

The movement in net deferred tax balances during the year was as follows:

	Note	**2020 €m**	2019 €m
At 1 January		**10**	(16)
Movement recognised in the Consolidated Income Statement	8	**(25)**	7
Movement recognised in the Consolidated Statement of Comprehensive Income	8	**6**	25
Acquisitions and disposals		**(2)**	(9)
Hyperinflation adjustment – recognised in equity	8	**(3)**	(4)
Foreign currency translation adjustment		**(5)**	7
At 31 December		**(19)**	10

17. Deferred Tax Assets and Liabilities continued

The movements in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same jurisdiction, were as follows:

	Retirement Benefit Obligations €m	Tax Losses €m	Derivative Fair Values €m	Other €m	Total €m
Deferred tax assets					
At 1 January 2019	93	121	2	144	360
Recognised in the Consolidated Income Statement	(10)	(22)	3	22	(7)
Recognised in the Consolidated Statement of Comprehensive Income	26	–	(1)	–	25
Foreign currency translation adjustment	2	(1)	–	1	2
At 31 December 2019	**111**	**98**	**4**	**167**	**380**
Recognised in the Consolidated Income Statement	**(10)**	**(11)**	**–**	**41**	**20**
Recognised in the Consolidated Statement of Comprehensive Income	**7**	**–**	**(1)**	**–**	**6**
Foreign currency translation adjustment	**(2)**	**(4)**	**(2)**	**(7)**	**(15)**
At 31 December 2020	**106**	**83**	**1**	**201**	**391**

	Accelerated Tax Depreciation €m	Intangible Assets Fair Values €m	Biological Assets Fair Values €m	Other €m	Total €m
Deferred tax liabilities					
At 1 January 2019	310	10	3	53	376
Recognised in the Consolidated Income Statement	(19)	(5)	–	10	(14)
Acquisitions and disposals	5	4	–	–	9
Hyperinflation	1	–	–	3	4
Foreign currency translation adjustment	7	–	–	(12)	(5)
At 31 December 2019	**304**	**9**	**3**	**54**	**370**
Recognised in the Consolidated Income Statement	**31**	**–**	**–**	**14**	**45**
Acquisitions and disposals	**–**	**–**	**–**	**2**	**2**
Hyperinflation	**1**	**–**	**–**	**2**	**3**
Foreign currency translation adjustment	**2**	**–**	**–**	**(12)**	**(10)**
At 31 December 2020	**338**	**9**	**3**	**60**	**410**

Deferred tax assets have not been recognised in respect of the following (tax effects):

	2020 €m	2019 €m
Tax losses	**19**	14

No deferred tax asset is recognised in respect of the above assets on the grounds that there is insufficient evidence that the assets will be recoverable. In the event that sufficient profits are generated in the relevant jurisdictions in the future these assets may be recovered.

No deferred tax assets have been recognised in respect of gross tax losses amounting to €85million (2019: €56 million) that can be carried forward against future taxable income. The expiry dates in respect of these losses are as follows:

Expiry dates	**Tax Losses 2020 €m**
1 January 2022 to 31 December 2022	**2**
1 January 2023 to 31 December 2023	**1**
Greater than 4 years	**2**
Indefinite	**80**
	85

18. Inventories

	2020 €m	2019 €m
Raw materials	**178**	205
Work in progress	**33**	39
Finished goods	**347**	360
Consumables and spare parts	**215**	215
	773	819

19. Trade and Other Receivables

	Group 2020 €m	Group 2019 €m	Company 2020 €m	Company 2019 €m
Amounts falling due within one financial year:				
Trade receivables	**1,387**	1,431	**–**	–
Less: loss allowance	**(53)**	(32)	**–**	–
Trade receivables – net	**1,334**	1,399	**–**	–
Amounts receivable from associates	**3**	3	**–**	–
Other receivables	**118**	166	**–**	–
Prepayments	**80**	66	**–**	–
Amounts due from Group companies	**–**	–	**256**	252
	1,535	1,634	**256**	252
Amounts falling due after more than one financial year:				
Other receivables	**28**	40	**–**	–
	1,563	1,674	**256**	252

The carrying amount of trade and other receivables equate to their fair values due to their short-term maturities.

The Group has securitised €610 million (2019: €607 million) of its trade receivables. The securitised receivables have not been derecognised as the Group remains exposed to certain related credit risk. As a result, both the underlying trade receivables and the associated borrowings are shown in the Consolidated Balance Sheet.

Amounts due from Group companies are unsecured and repayable on demand. There were no past due or impaired receivables from Group companies at 31 December 2020 (2019: nil) and any expected credit loss is not material.

Impairment Losses

The movement in the allowance for impairment in respect of trade receivables was as follows;

	2020 €m	2019 €m
At 1 January	**32**	35
Net remeasurement of loss allowance	**25**	4
Trade receivables written off as uncollectable	**(3)**	(8)
Acquisitions and disposals	**–**	1
Foreign currency translation adjustment	**(1)**	–
At 31 December	**53**	32

Trade debtors arise from a wide and varied customer base spread throughout the Group's operations and as such there is no significant concentration of credit risk. Credit evaluations are performed on all customers over certain thresholds and all customers are subject to continued monitoring at operating company level. Credit limits are reviewed on a regular basis. Many of the Group's customers have been transacting with the Group over an extended period and the incidence of bad debts has been low.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics, such as, current relationship with the customer, industry in which the customer operates, geographical location of customers, historical information on payment patterns, terms of payment and the days past due.

19. Trade and Other Receivables continued

Impairment Losses continued

The expected loss rates are based on the historical payment profiles of sales and the corresponding historical credit losses experienced. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors. The Group's customers primarily operate in the FMCG sector, which has proved resilient during the COVID-19 pandemic to date. There has been no significant deterioration in the aging of trade receivables or extension of debtor days in the year. Notwithstanding this, the global financial uncertainty arising from COVID-19, has resulted in an increase in the expected credit loss rate, and consequently the impairment loss allowance, compared to the prior year. This reflects the increased risk of credit default by the Group's customers going forward due to the impact of COVID-19 and in particular the potential negative impact of the cessation of various Government supports which have been in place across many jurisdictions in which the Group's customers operate since the onset of the pandemic. The adjustment to the loss rate was determined having regard to various factors, including but not limited to, GDP and the Group's experience of bad debts during previous economic downturns. These factors have resulted in a charge of €25 million (2019: €4 million) for credit loss allowance being recognised in the Consolidated Income Statement. The total provision for impairment loss at 31 December 2020 represents 3.8% (2019: 2.2%) of gross trade receivables.

On that basis, the loss allowance as at 31 December 2020 was determined as follows for trade receivables:

	2020				2019			
	Current €m	1 to 90 Days Past Due €m	More Than 90 Days Past Due €m	Total €m	Current €m	1 to 90 Days Past Due €m	More Than 90 Days Past Due €m	Total €m
Gross carrying amount	**1,196**	**165**	**26**	**1,387**	1,189	210	32	1,431
Loss allowance	**8**	**19**	**26**	**53**	1	2	29	32

Impairment losses in respect of trade receivables are included in administrative expenses in the Consolidated Income Statement. Trade receivables written off as uncollectable are generally eliminated from trade receivables and the loss allowance when there is no expectation of recovering additional cash. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group and a pattern of failure to make contractual payments.

Trade receivables with a contractual amount of €3 million (2019: €4 million) written off during the period are still subject to enforcement activity.

20. Net Movement in Working Capital

	2020 €m	2019 €m
Change in inventories	**14**	40
Change in trade and other receivables	**22**	52
Change in trade and other payables	**59**	(44)
Net movement in working capital	**95**	48

21. Movements of Liabilities Within Cash Flows Arising from Financing Activities and Net Debt Reconciliation

	Liabilities from Financing Activities					Adjustments			
	Short-term Borrowings €m	Long & Medium-term Borrowings €m	Lease Liabilities €m	Derivatives Held to Hedge Long-term Borrowings €m	Changes in Liabilities Arising from Financing Activities €m	Derivatives Held to Hedge Long-term Borrowings €m	Cash and Cash Equivalents €m	Restricted Cash €m	Net Debt €m
At 1 January 2019	(148)	(3,355)	(380)	(12)	(3,895)	12	390	10	(3,483)
Cash flows*	730	(489)	83	(1)	323	1	(201)	4	127
Acquired	(2)	(9)	(6)	–	(17)	–	–	–	(17)
Currency translation adjustment	(1)	(7)	(4)	4	(8)	(4)	(17)	–	(29)
Other non-cash movements	(669)	658	(70)	6	(75)	(6)	–	–	(81)
At 31 December 2019	**(90)**	**(3,202)**	**(377)**	**(3)**	**(3,672)**	**3**	**172**	**14**	**(3,483)**
Cash flows	**34**	**298**	**91**	**(9)**	**414**	**9**	**685**	**(4)**	**1,104**
Acquired	**(1)**	**–**	**–**	**–**	**(1)**	**–**	**–**	**–**	**(1)**
Currency translation adjustment	**11**	**41**	**14**	**1**	**67**	**(1)**	**19**	**–**	**85**
Other non-cash movements	**(10)**	**4**	**(74)**	**6**	**(74)**	**(6)**	**–**	**–**	**(80)**
At 31 December 2020	**(56)**	**(2,859)**	**(346)**	**(5)**	**(3,266)**	**5**	**876**	**10**	**(2,375)**

* In 2019, €39 million of cash flows pertaining to the redemption of debt was classified as an operating cash flow within interest paid.

22. Cash and Cash Equivalents and Restricted Cash
Cash and Cash Equivalents

	2020 €m	2019 €m
Cash and current accounts	67	74
Short-term deposits	824	115
Cash and cash equivalents	**891**	189
Cash and cash equivalents for the purposes of the Consolidated Statement of Cash Flows		
Cash and cash equivalents	891	189
Bank overdrafts and demand loans used for cash management purposes	(15)	(17)
Cash and cash equivalents in the Consolidated Statement of Cash Flows	**876**	172
Restricted cash	**10**	14

At 31 December 2020, cash of €3 million (2019: €4 million) was held in restricted securitisation bank accounts which were not available for transfer to other Group subsidiaries or for use outside the Group. A further €7 million (2019: €10 million) of restricted cash was held in other Group subsidiaries and by a trust which facilitates the operation of the Group's long-term incentive plans.

23. Capital and Reserves
Share Capital
The authorised share capital of the Company comprises ordinary shares and various classes of convertible shares.

Restriction on Transfer of Shares
The Directors, at their absolute discretion and without assigning any reason therefore, may decline to register any transfer of a share which is not fully paid or any transfer to or by a minor or person of unsound mind but this shall not apply to a transfer of such a share resulting from a sale of the share through a stock exchange on which the share is listed.

Subject to certain exceptions, the Directors may also refuse to register any instrument of transfer (whether or not it is in respect of a fully paid share) unless it is: a) lodged at the Registered Office or at such other place as the Directors may appoint; b) accompanied by the certificate for the shares to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer; c) in respect of only one class of shares; and d) in favour of not more than four transferees.

All convertible shares (classes B, C, D convertible shares) are subject to restrictions as to their transferability. Generally they are not transferable either at all or without consent of the Directors, save by transmission on the death of a holder.

Ordinary Shares
Subject to the Articles of Association of SKG plc, the holders of ordinary shares are entitled to share in any dividends in proportion to the number of shares held by them and are entitled to one vote for every share held by them at a general meeting. On a return of capital (whether on repayment of capital, liquidation or otherwise) the assets and/or capital legally available to be distributed shall firstly be distributed amongst the holders of ordinary shares, in proportion to the number of ordinary shares held by them, of the nominal value of their ordinary shares, secondly (to the extent available) distributed amongst the holders of convertible shares, in proportion to the number of convertible shares held by them, of the nominal value of their convertible shares and the balance (if any) shall be distributed amongst the holders of ordinary shares in proportion to the number of ordinary shares held by them.

Convertible Shares
The holders of convertible shares have no right to participate in the profits of SKG plc and are not entitled to receive notice of, attend or vote at general meetings or to vote on any members' resolution (save for any resolution with regard to the rights of convertible shares). On return of capital (whether on repayment of capital, liquidation or otherwise) the assets and/or capital legally available to be distributed shall, subject first to the rights of the holders of ordinary shares be distributed amongst the holders of convertible shares, in proportion to the number of convertible shares held by them, of the nominal value of their convertible shares. At 31 December 2020, all exercisable convertible shares have lapsed and are no longer convertible into ordinary shares.

Restriction of Rights
If the Directors determine that a Specified Event as defined in the Articles of Association of SKG plc has occurred in relation to any share or shares, the Directors may serve a notice to such effect on the holder or holders thereof. Upon the expiry of fourteen days from the service of any such notice, for so long as such notice shall remain in force no holder or holders of the share or shares specified in such notice shall, in relation to such specified shares, be entitled to attend, speak or vote either personally, by representative or by proxy at any general meeting of the Company or at any separate general meeting of the class of shares concerned or to exercise any other right conferred by membership in relation to any such meeting.

The Directors shall, where the shares specified in such notice represent not less than 0.25 per cent of the class of shares concerned, be entitled: to withhold payment of any dividend or other amount payable (including shares issuable in lieu of dividend) in respect of the shares specified in such notice; and/or to refuse to register any transfer of the shares specified in such notice or any renunciation of any allotment of new shares or debentures made in respect thereof unless such transfer or renunciation is shown to the satisfaction of the Directors to be a bona fide transfer or renunciation to another beneficial owner unconnected with the holder or holders or any person appearing to have an interest in respect of which a notice has been served.

23. Capital and Reserves continued

Restriction of Rights continued

	2020 €m	2019 €m
Authorised		
Ordinary shares		
9,910,931,085 Ordinary shares of €0.001 each	**10**	10
Convertible shares of €0.001 each		
2,356,472 Class A1	**–**	–
2,356,471 Class A2	**–**	–
2,355,972 Class A3	**–**	–
30,000,000 Class B	**–**	–
30,000,000 Class C	**–**	–
75,000,000 Class D	**–**	–
	10	10

Called Up, Issued and Fully Paid Share Capital of the Company

	Numbers of Shares of €0.001 Each						
	Convertible Shares						
	Class B	Class C	Class D	Total	Ordinary Shares	Total Shares	€m
At 1 January 2019	2,089,514	2,089,514	1,242,724	5,421,752	237,212,887	242,634,639	–
Class D shares converted to ordinary shares	–	–	(407,224)	(407,224)	407,224	–	–
Issue of Deferred Annual Bonus Plan Matching Shares	–	–	–	–	268,216	268,216	–
At 31 December 2019	2,089,514	2,089,514	835,500	5,014,528	237,888,327	242,902,855	–
At 1 January 2020	**2,089,514**	**2,089,514**	**835,500**	**5,014,528**	**237,888,327**	**242,902,855**	**–**
Class D shares converted to ordinary shares	**–**	**–**	**(49,014)**	**(49,014)**	**49,014**	**–**	**–**
Issue of Deferred Annual Bonus Plan Matching Shares	**–**	**–**	**–**	**–**	**630,591**	**630,591**	**–**
Issue of new shares	**–**	**–**	**–**	**–**	**19,411,765**	**19,411,765**	**–**
At 31 December 2020	**2,089,514**	**2,089,514**	**786,486**	**4,965,514**	**257,979,697**	**262,945,211**	**–**

At 31 December 2020 ordinary shares represented 98.1% and convertible shares represented 1.9% of issued share capital (2019: 97.9% and 2.1% respectively). The called up, issued and fully paid share capital of the Company at 31 December 2020 was €262,945 (2019: €242,903).

The exercisable period of Class D convertible shares ended on 31 December 2020, any shares not converted into ordinary shares at this date have lapsed.

The Company completed the placing of 19,411,765 shares in November 2020. The placing shares represent 8.1% of the Company's issued ordinary share capital immediately prior to the placing and raised gross proceeds of €660 million. Transaction costs of €12 million in relation to the placing were deducted from retained earnings.

Share Premium

Share premium of €2,646 million (2019: €1,986 million) relates to the share premium arising on share issues.

Other Reserves

Other reserves included in the Consolidated Statement of Changes in Equity are comprised of the following:

	Reverse Acquisition Reserve €m	Cash Flow Hedging Reserve €m	Cost of Hedging Reserve €m	Foreign Currency Translation Reserve €m	Share-based Payment Reserve €m	Own Shares €m	FVOCI Reserve €m	Total €m
At 1 January 2020	**575**	**(2)**	**2**	**(387)**	**215**	**(42)**	**(10)**	**351**
Other comprehensive income								
Foreign currency translation adjustments	**–**	**–**	**–**	**(161)**	**–**	**–**	**–**	**(161)**
Effective portion of changes in fair value of cash flow hedges	**–**	**6**	**–**	**–**	**–**	**–**	**–**	**6**
Total other comprehensive income/(expense)	**–**	**6**	**–**	**(161)**	**–**	**–**	**–**	**(155)**
Purchase of non-controlling interest	**–**	**–**	**–**	**(8)**	**–**	**–**	**–**	**(8)**
Share-based payment	**–**	**–**	**–**	**–**	**35**	**–**	**–**	**35**
Net shares acquired by SKG Employee Trust	**–**	**–**	**–**	**–**	**–**	**(16)**	**–**	**(16)**
Shares distributed by SKG Employee Trust	**–**	**–**	**–**	**–**	**(9)**	**9**	**–**	**–**
At 31 December 2020	**575**	**4**	**2**	**(556)**	**241**	**(49)**	**(10)**	**207**

23. Capital and Reserves continued
Other Reserves continued

	Reverse Acquisition Reserve €m	Cash Flow Hedging Reserve €m	Cost of Hedging Reserve €m	Foreign Currency Translation Reserve €m	Share-based Payment Reserve €m	Own Shares €m	FVOCI Reserve €m	Total €m
At 1 January 2019	575	(14)	3	(367)	185	(28)	1	355
Other comprehensive income								
Foreign currency translation adjustments	–	–	–	9	–	–	–	9
Effective portion of changes in fair value of cash flow hedges	–	12	–	–	–	–	–	12
Changes in fair value of cost of hedging	–	–	(1)	–	–	–	–	(1)
Net change in fair value of investment in equity instruments	–	–	–	–	–	–	(11)	(11)
Total other comprehensive income/(expense)	–	12	(1)	9	–	–	(11)	9
Purchase of non-controlling interest	–	–	–	(29)	–	–	–	(29)
Share-based payment	–	–	–	–	39	–	–	39
Net shares acquired by SKG Employee Trust	–	–	–	–	–	(23)	–	(23)
Shares distributed by SKG Employee Trust	–	–	–	–	(9)	9	–	–
At 31 December 2019	575	(2)	2	(387)	215	(42)	(10)	351

Reverse Acquisition Reserve
This reserve arose on the creation of a new parent of the Group prior to listing.

Cash Flow Hedging Reserve
This reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments (net of tax) related to hedged transactions that have not yet occurred.

Cost of Hedging Reserve
The cost of hedging reserve reflects the gain or loss on the portion excluded from the designated hedging instrument that relates to the currency basis spread on foreign exchange contracts. It is initially recognised in other comprehensive income and accounted for similarly to gains or losses in the cash flow hedging reserve.

Foreign Currency Translation Reserve
This reserve comprises all foreign currency translation adjustments arising from the translation of the Group's net investment in foreign operations as well as from the translation of liabilities that hedge those net assets.

Share-based Payment Reserve
This reserve represents the amounts credited to equity in relation to the share-based payment expense recognised in the Consolidated Income Statement, net of deferred shares distributed by the SKG Employee Trust to participants of the Deferred Annual Bonus Plan.

Own Shares
This represents ordinary shares acquired and disposed of by the SKG Employee Trust under the terms of the Deferred Annual Bonus Plan and the Deferred Bonus Plan.

	2020 €m	2019 €m
At 1 January	**42**	28
Net shares acquired by SKG Employee Trust	**16**	23
Shares distributed by SKG Employee Trust	**(9)**	(9)
At 31 December	**49**	42

	Numbers of Shares of €0.001 Each	
	2020	2019
At 1 January	**1,592,024**	1,071,816
Shares acquired by SKG Employee Trust	**494,288**	946,892
Shares distributed as part of the Deferred Annual Bonus Plan	**(352,031)**	(394,437)
Shares sold by the SKG Employee Trust	**–**	(32,247)
At 31 December	**1,734,281**	1,592,024

As at 31 December 2020 the nominal value of own shares held was €1,734 (2019: €1,592). In 2020, own shares were purchased at an average price of €33.91 (2019: €26.13) per share. The number of own shares held represents 0.7% (2019: 0.7%) of the total called up share capital of the Company. Each of these have the same nominal value as the ordinary shares.

23. Capital and Reserves continued

FVOCI Reserve

Equity instruments are measured at fair value with fair value gains and losses recognised in other comprehensive income. These changes are accumulated within the FVOCI reserve within equity. The Group transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

24. Borrowings

Analysis of Total Borrowings

	2020 €m	2019 €m
Revolving credit facility – interest at relevant interbank rate (interest rate floor of 0%) + 0.817%[1,2]	**89**	333
US$292.3 million 7.5% senior debentures due 2025 (including accrued interest)	**240**	262
Bank loans and overdrafts	**83**	118
€200 million receivables securitisation variable funding notes due 2022 (including accrued interest)[3]	**4**	29
€230 million receivables securitisation variable funding notes due 2023[3]	**11**	69
€500 million 2.375% senior notes due 2024 (including accrued interest)[4]	**501**	500
€250 million 2.75% senior notes due 2025 (including accrued interest)[4]	**251**	250
€1,000 million 2.875% senior notes due 2026 (including accrued interest)[4]	**1,005**	1,004
€750 million 1.5% senior notes due 2027 (including accrued interest)[4]	**746**	744
Leases	**346**	377
Total borrowings	**3,276**	3,686
Analysed as follows:		
Current	**154**	185
Non-current	**3,122**	3,501
	3,276	3,686

1 In January 2020, the Group secured the agreement of all lenders in its revolving credit facility ('RCF') of €1,350 million to extend the maturity date by a further year to 28 January 2025. In December 2020, all lenders agreed to further extend this to 28 January 2026 and to include sustainability elements; creating a Sustainability Linked RCF. At 31 December 2020, the following amounts were drawn under this facility:
(a) Revolver loans – €95 million.
(b) Drawn under ancillary facilities and facilities supported by letters of credit – nil.
(c) Other operational facilities including letters of credit – €5 million.
2 Following the Fitch Ratings upgrade in December 2020, the margin on the RCF reduced from 0.9% to 0.817%.
3 Secured loans and long-term obligations.
4 Unsecured loans and long-term obligations.

Included within the carrying value of borrowings are deferred debt issue costs of €32 million (2019: €37 million), all of which will be recognised in finance costs in the Consolidated Income Statement using the effective interest rate method over the remaining life of the borrowings.

Committed facilities (excluding short-term sundry bank loans and overdrafts) amounted to €4,584 million (2019: €4,589 million) of which €2,922 million (2019: €3,255 million) was utilised at 31 December 2020. The weighted average period until maturity of undrawn committed facilities is 4.3 years (2019: 3.8 years).

Maturity of Undrawn Committed Facilities

	2020 €m	2019 €m
Within 1 year	**–**	–
Between 1 and 2 years	**195**	170
More than 2 years	**1,467**	1,164
	1,662	1,334

The Group's primary sources of liquidity are cash flows from operations and borrowings under the RCF. The Group's primary uses of cash are for funding day-to-day operations, capital expenditure, debt service, dividends and other investment activity including acquisitions.

The Group's borrowing agreements contain certain covenants that restrict the Group's flexibility in certain areas such as incurrence of additional indebtedness and the incurrence of liens. The Group's borrowing agreements also contain financial covenants, the primary ones being a maximum net borrowings to EBITDA of 3.75 times and a minimum EBITDA to net interest of 3.00 times. The Group is in full compliance with the requirements of its covenant agreements throughout each of the periods presented. At 31 December 2020, as defined in the relevant facility agreement, net borrowings to EBITDA was 1.7 times (2019: 2.1 times) and EBITDA to net interest was 12.6 times (2019: 10.4 times).

The Group has in place a trade receivables securitisation programme of up to €200 million at a margin of 1.375% and a February 2022 maturity. Receivables generated by certain of its operating companies in Austria, Belgium, Italy and the Netherlands are sold to a special purpose Group subsidiary to support the funding. A conduit of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (trading as Rabobank) provides €154 million of the funding and a conduit of Landescovnantbank Hessen-Thüringen Girozentrale (trading as Helaba Bank) provides €46 million of the funding.

The Group also has a trade receivables securitisation programme of up to €230 million at a margin of 1.2% and a June 2023 maturity. Receivables generated by certain of its operating companies in the UK, Germany and France are sold to special purpose subsidiaries and entities to support the funding provided by Lloyds Banking Group.

24. Borrowings continued

Maturity of Undrawn Committed Facilities continued

The sale of the securitised receivables under the Group's securitisation programmes is not intended to, and does not, meet the requirements for derecognition under IFRS 9, with the result that the sold receivables continue to be shown on the face of the Consolidated Balance Sheet and the notes issued which fund the purchase of these receivables continue to be shown as liabilities.

The gross amount of receivables collateralising the 2023 receivables securitisation at 31 December 2020 was €340 million (2019: €340 million). The gross amount of receivables collateralising the 2022 receivables securitisation at 31 December 2020 was €270 million (2019: €267 million). As the Group retains a subordinated interest in the securitised receivables, the Group remains exposed to the credit risk of the underlying securitised receivables. Further details are set out in Note 29. In accordance with the contractual terms, the counterparty has recourse to the securitised debtors only. Given the short-term nature of the securitised debtors and the variable floating notes, the carrying amount of the securitised debtors and the associated liabilities reported on the Consolidated Balance Sheet is estimated to approximate to fair value. At 31 December 2020, cash of €3 million (2019: €4 million) was held in securitisation bank accounts which was not available for transfer to other Group subsidiaries or outside entities.

The following table sets out the average interest rates at 31 December 2020 and 2019 for each of the drawings under the RCF.

	Currency	**2020 Interest Rate**	2019 Interest Rate
RCF	EUR	**0.82%**	0.90%
RCF	US$	**1.05%**	2.83%

Borrowings under the RCF are available to fund the Group's working capital requirements, capital expenditure and other general requirements.

In January 2020, the Group secured the agreement of all lenders in its RCF to the exercise of its first extension option under the terms of the facility, extending the maturity date by a year to 28 January 2025. In December 2020, the Group also secured the agreement of all lenders to the exercise of its second extension option under the terms of the facility, extending the maturity date to 28 January 2026.

In December 2020, the Group aligned its sustainability ambitions and targets into its financing by embedding its sustainability targets via Key Performance Indicators ('KPIs') into its RCF, creating a Sustainability Linked RCF. The Sustainability Linked RCF incorporates five KPIs spanning the Group's sustainability objectives regarding climate change, forests, water, waste and people, with the level of KPI achievement linked to the pricing on the facility.

Certain other maturity, interest rate repricing and key terms relating to the Group's borrowings have been set out in Note 29.

25. Employee Benefits

The Group operates both defined benefit and defined contribution pension plans throughout its operations in accordance with local requirements and practices. These plans have broadly similar regulatory frameworks. The major plans are of the defined benefit type and are funded by payments to separately administered funds. In these defined benefit plans, the level of benefits available to members depends on length of service and their average salary over their period of employment or their salary in the final years leading up to retirement or leaving. While the majority of the defined benefit plans are funded, in certain countries, such as Germany, Austria and France, plan liabilities are for the most part unfunded and recognised as liabilities in the Consolidated Balance Sheet. In these countries, a full actuarial valuation of the unfunded liabilities is undertaken by independent actuaries on an annual basis. Responsibility for governance of the plans, including investment decisions and contribution schedules, lies with the company and the boards of trustees.

The most significant defined benefit plans are in the United Kingdom, the Netherlands, Ireland and Germany. They represent respectively 33%, 32%, 13% and 11% of the obligation thereby totalling more than 89% of the obligation.

The most recent valuation of the significant funded plans are as follows:

Ireland	1 January 2019
Netherlands	31 December 2020
United Kingdom	31 March 2020

In accordance with statutory and minimum funding requirements, additional annual contributions are required to be made to the schemes in place in Ireland, the United Kingdom and the Netherlands. The funding requirements are agreed between the company, the trustees and the relevant regulator. The contributions in respect of these schemes is included in the expected contributions for the year ending 31 December 2021 outlined on page 154.

The expense for defined contribution pension plans for the year ended 31 December 2020 was €66 million (2019: €64 million).

25. Employee Benefits continued

The following is a summary of the Group's employee benefit obligations and their related funding status:

	2020 €m	2019 €m
Present value of funded or partially funded obligations	**(2,529)**	(2,473)
Fair value of plan assets	**2,224**	2,109
Deficit in funded or partially funded plans	**(305)**	(364)
Present value of wholly unfunded obligations	**(546)**	(534)
Amounts not recognised as assets due to asset ceiling	**(2)**	(1)
Net pension liability	**(853)**	(899)

In determining the defined benefit costs and obligations, all valuations are performed by independent actuaries using the projected unit credit method.

Financial Assumptions

The main actuarial assumptions used to calculate liabilities under IAS 19, *Employee Benefits* at 31 December 2020 and 31 December 2019 are as follows:

	Eurozone		Rest of Europe		The Americas	
	2020 %	2019 %	2020 %	2019 %	2020 %	2019 %
Rate of increase in salaries	**0.25 – 2.50**	1.60 – 2.53	**2.50 – 4.50**	2.80 – 3.00	**0.69 – 5.50**	1.02 – 5.00
Rate of increase to pensions in payment	**Nil – 1.50**	Nil – 1.50	**Nil – 2.49**	Nil – 2.52	**Nil – 3.37**	Nil – 3.55
Discount rate for plan liabilities	**0.60**	1.05	**0.60 – 4.20**	1.30 – 1.95	**1.91 – 9.25**	2.42 – 8.58
Inflation	**1.35**	1.45	**1.50 – 2.50**	1.80 – 3.40	**0.19 – 4.00**	0.52 – 4.00

Mortality Assumptions

In assessing the Group's post retirement liabilities, the mortality assumptions chosen for the principal plans above are based on the country's population mortality experience, large pension scheme mortality experience and the plan's own mortality experience. The mortality assumption adopted in the United Kingdom for 2020 allows for a mortality investigation carried out for the trustees during 2020, together with the most recent projection model factors. The combined effect is for an increase in life expectancy compared to 2019. In 2020, in the Netherlands mortality tables were updated. As with previous updates, these show again a slight disimprovement in assumed longevity. In Ireland, the assumptions used were unchanged from the 2019 actuarial valuation. In Germany, the mortality table, which was updated in 2018, is that laid down by statutory authorities. Note that in all cases, the mortality tables used allow for future improvements in life expectancy.

The current life expectancies underlying the valuation of the plan liabilities for the significant plans are as follows:

	Ireland		United Kingdom		Netherlands		Germany	
	2020	2019	2020	2019	2020	2019	2020	2019
Longevity at age 65 for current pensioners (years)								
Male	**21.8**	21.7	**20.3**	19.9	**20.6**	21.0	**20.4**	20.2
Female	**24.2**	24.1	**22.7**	21.8	**23.3**	23.7	**23.8**	23.7
Longevity at age 65 for current member aged 45 (years)								
Male	**24.1**	24.0	**21.4**	20.9	**22.7**	23.3	**23.1**	23.0
Female	**26.2**	26.1	**23.9**	23.0	**25.2**	25.8	**26.1**	26.0

The mortality assumptions for other plans are based on relevant standard mortality tables in each country.

Sensitivity Analysis

The following table illustrates the key sensitivities to the amounts included in the Consolidated Financial Statements which would arise from adjusting certain key actuarial assumptions. The sensitivity of the defined benefit obligation to changes in actuarial assumptions has been calculated using the projected unit credit method, which is the same method used to calculate the pension liability in the Consolidated Balance Sheet. The methods and assumptions used in preparing the sensitivity analysis have not changed compared to the prior year. In each case all the other assumptions remain unchanged:

	Increase/(Decrease) in Pension Liabilities	
Change in Assumption	2020 €m	2019 €m
Increase discount rate by 0.25%	**(128)**	(123)
Decrease discount rate by 0.25%	**137**	135
Increase inflation rate by 0.25%	**47**	46
Decrease inflation rate by 0.25%	**(45)**	(44)
Increase in life expectancy by one year	**136**	134

The sensitivity information shown above has been determined by performing calculations of the liabilities using different assumptions.

25. Employee Benefits continued

Analysis of Plan Assets and Liabilities

Plan assets are comprised as follows:

	2020			2019		
	Quoted €m	**Unquoted €m**	**Total €m**	Quoted €m	Unquoted €m	Total €m
Equities	**703**	**–**	**703**	607	–	607
Corporate bonds	**457**	**–**	**457**	216	–	216
Government bonds	**514**	**–**	**514**	406	–	406
Property	**57**	**4**	**61**	58	4	62
Cash	**41**	**–**	**41**	110	–	110
Insurance contracts	**127**	**38**	**165**	124	39	163
Liability driven investment	**119**	**–**	**119**	274	–	274
Other	**149**	**15**	**164**	256	15	271
	2,167	**57**	**2,224**	2,051	58	2,109

Included in plan assets at 31 December 2020 under Property is an amount of €3.5 million (2019: €3.6 million) relating to the Gosport plant in the United Kingdom. This is the only self-investment in the Group by the defined benefit plans.

The remeasurement gain on plan assets for the year ended 31 December 2020 was €170 million (2019: a gain of €228 million).

An analysis of the assets held by the plans is as follows:

31 December 2020	**Eurozone €m**	**Rest of Europe €m**	**The Americas €m**	**Total €m**
Equities	**426**	**250**	**27**	**703**
Corporate bonds	**203**	**223**	**31**	**457**
Government bonds	**276**	**233**	**5**	**514**
Property	**36**	**24**	**1**	**61**
Cash	**24**	**16**	**1**	**41**
Insurance contracts	**161**	**4**	**–**	**165**
Liability driven investment	**59**	**60**	**–**	**119**
Other	**94**	**70**	**–**	**164**
Fair value of plan assets	**1,279**	**880**	**65**	**2,224**
Present value of plan liabilities	**(1,906)**	**(1,068)**	**(101)**	**(3,075)**
Amounts not recognised as assets due to asset ceiling	**–**	**(2)**	**–**	**(2)**
Net pension liability	**(627)**	**(190)**	**(36)**	**(853)**

31 December 2019	Eurozone €m	Rest of Europe €m	The Americas €m	Total €m
Equities	411	176	20	607
Corporate bonds	144	39	33	216
Government bonds	318	69	19	406
Property	37	24	1	62
Cash	20	89	1	110
Insurance contracts	159	4	–	163
Liability driven investment	30	244	–	274
Other	94	177	–	271
Fair value of plan assets	1,213	822	74	2,109
Present value of plan liabilities	(1,822)	(1,076)	(109)	(3,007)
Amounts not recognised as assets due to asset ceiling	–	(1)	–	(1)
Net pension liability	(609)	(255)	(35)	(899)

25. Employee Benefits continued

Analysis of the Amount Charged in the Consolidated Income Statement

The following tables set out the components of the defined benefit cost:

	2020 €m	2019 €m
Current service cost	29	24
Administrative expenses	5	5
Past service cost – exceptional UK*	(15)	–
Past service cost – other	3	1
Gain on settlement	(2)	(2)
Actuarial loss arising on other long-term employee benefits	1	–
Charged to operating profit	21	28
Net interest cost on net pension liability	12	17
	33	45

* Future pension increase are now linked to CPIH instead of RPI in the UK which resulted in an exceptional income in past service cost for the Group of €15 million.

The defined benefit cost for 2020 includes a defined benefit cost of €7 million (2019: cost of €4 million) which relates to other long-term employee benefits.

The expense recognised in the Consolidated Income Statement is charged to the following line items:

	2020 €m	2019 €m
Cost of sales	20	14
Distribution costs and administrative expenses	16	14
Other operating expenses	(15)	–
Finance costs	12	17
	33	45

Analysis of Actuarial (Losses)/Gains Recognised in the Consolidated Statement of Comprehensive Income	2020 €m	2019 €m
Return on plan assets (excluding interest income)	170	228
Actuarial gain/(loss) due to experience adjustments	34	(9)
Actuarial loss due to changes in financial assumptions	(224)	(348)
Actuarial gain due to changes in demographic assumptions	11	12
Total loss recognised in the Consolidated Statement of Comprehensive Income	(9)	(117)

Movement in Present Value of Defined Benefit Obligation	2020 €m	2019 €m
At 1 January	(3,007)	(2,634)
Current service cost	(29)	(24)
Contributions by plan participants	(5)	(5)
Interest cost	(42)	(61)
Actuarial gains and losses	(180)	(345)
Disposals	1	–
Benefits paid by plans	104	110
Past service cost	12	(1)
Acquisitions	–	(1)
Decrease arising on settlement	8	6
Foreign currency translation adjustment	63	(52)
At 31 December	(3,075)	(3,007)

Movement in Fair Value of Plan Assets	2020 €m	2019 €m
At 1 January	2,109	1,831
Interest income on plan assets	30	44
Return on plan assets (excluding interest income)	170	228
Administrative expenses	(5)	(5)
Contributions by employer	75	79
Contributions by plan participants	5	5
Disposals	(1)	–
Benefits paid by plans	(104)	(110)
Decrease arising on settlements	(6)	(4)
Foreign currency translation adjustment	(49)	41
At 31 December	2,224	2,109

25. Employee Benefits continued

Analysis of the Amount Charged in the Consolidated Income Statement continued

Movement in Asset Ceiling	2020 €m	2019 €m
At 1 January	(1)	(1)
Variations of the effect of the asset ceiling limit	(1)	–
At 31 December	**(2)**	(1)

Employee Benefit Plan Risks

The employee benefit plans expose the Group to a number of risks, the most significant of which are:

Asset Volatility	The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. If assets underperform this yield, this will create a deficit. The plans hold a significant proportion of equities which, though expected to outperform corporate bonds in the long-term, create volatility and risk in the short-term. The allocation to equities is monitored to ensure it remains appropriate given the plans' long-term objectives.
Changes in Bond Yields	A decrease in corporate bond yields will increase the value placed on the plans' liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.
Inflation Risk	The plans' benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect against extreme inflation). The majority of the assets are either unaffected by or only loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit.
Life Expectancy	The majority of the plans' obligations are to provide benefits based on the life of the member, so increases in life expectancy will result in an increase in the liabilities.

In the case of the funded plans, the Group ensures that the investment positions are managed with an asset-liability matching ('ALM') framework that has been developed to achieve long-term investments that are in line with the obligations under the pension schemes. Within this framework, the Group's ALM objective is to match assets to the pension obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due and in the appropriate currency.

Maturity Analysis

The expected maturity analysis is set out in the table below:

Expected benefit payments:	United Kingdom Projected Amounts €m	Netherlands Projected Amounts €m	Germany Projected Amounts €m	Ireland Projected Amounts €m	Other Projected Amounts €m
Financial year 2021	39	18	18	10	16
Financial year 2022	39	22	18	10	17
Financial years 2023 – 2025	123	72	53	33	59
Financial years 2026 – 2030	222	142	79	64	110

The weighted average duration of the defined benefit obligation at 31 December 2020 is 17.36 years (2019: 17.44 years).

Most of the plans are closed to new entrants and therefore, under the projected unit credit method, the current service cost is expected to increase (all other elements remaining equal) as the members approach retirement and to decrease as members retire or leave service. The expected employee and employer contributions for the year ending 31 December 2021 for the funded schemes are €6 million and €49 million respectively. The expected employer contributions for unfunded schemes for the year ending 31 December 2021 are €26 million and the expected benefit payments made directly by the employer in respect of funded plans for the year ending 31 December 2021 are €1 million.

26. Share-based Payment

Share-based Payment Expense Recognised in the Consolidated Income Statement

	2020 €m	2019 €m
Charge arising from the Deferred Annual Bonus Plan & Deferred Bonus Plan	16	26
Charge arising from the Performance Share Plan	19	13
	35	39

The Group grants equity settled share-based payments to employees as part of their remuneration; there are no cash-settled share-based payments. The accounting for share-based payment expense falls under IFRS 2, *Share-based Payment*. Under IFRS 2, when share awards are subject to vesting conditions, the related expense is recognised in profit or loss over the vesting period.

In 2020, awards were made under the two active plans; the Deferred Bonus Plan ('DBP') and the Performance Share Plan ('PSP'). In addition, in 2020, two legacy plans were still in place; the Deferred Annual Bonus Plan ('DABP') and the 2007 Share Incentive Plan ('2007 SIP'). Awards are no longer granted under the DABP or the 2007 SIP.

26. Share-based Payment continued

Deferred Bonus Plan

In May 2018, the SKG plc Annual General Meeting approved the adoption of the DBP which replaced the deferred element of the existing long-term incentive plan, the DABP described below.

Participants may be granted an award up to 150% of salary (other than a recruitment award). The actual bonus earned in any financial year is based on the achievement of clearly defined stretching annual financial targets for some of the Group's Key Performance Indicators ('KPIs'). For 2020, these were Earnings before Interest and Tax ('EBIT'), Return on Capital Employed ('ROCE') and Free Cash Flow ('FCF'), together with targets for health and safety and personal/strategic targets for the executive Directors.

The structure of the plan is that 50% of any annual bonus earned for a financial year will be deferred into SKG plc shares ('Deferred Shares') to be granted in the form of a Deferred Share Award. The Deferred Shares will vest (i.e. become unconditional) after a three-year holding period based on a service condition of continuity of employment or in certain circumstances, based on normal good leaver provisions.

A summary of the activity under the DBP, for the period from 1 January 2019 to 31 December 2020 is presented below:

	Number Outstanding	
	2020	2019
At 1 January	**934,002**	–
Granted in the year	**492,464**	944,088
Forfeited in the year	**(3,101)**	(10,086)
At 31 December	**1,423,365**	934,002

The fair value of the Deferred Share Awards granted in 2020 was €33.91 (2019: €26.13) which was the market value of the deferred shares granted.

Deferred Share Awards were granted in 2020 to eligible employees in respect of the financial year ended 31 December 2019.

The total DBP charge for the year comprises a charge pertaining to the Deferred Share Awards granted in respect of 2018, 2019 and to be granted in respect of 2020.

Performance Share Plan

In May 2018, the SKG plc Annual General Meeting approved the adoption of the PSP, which replaced the existing long-term incentive plan, the matching element of the DABP described below.

Participants may be granted an award up to 250% of salary (other than a recruitment award). Awards may vest after a three-year performance period to the extent to which the performance conditions have been met. Awards may also be subject to an additional holding period following vesting (of up to two years). At the end of the relevant holding period the PSP awards will be released (i.e. become unconditional) to the participant.

The performance targets assigned to the PSP awards are set by the Remuneration Committee on the granting of awards at the start of each three-year cycle and are set out in the Remuneration Report.

The actual number of shares that will vest under the PSP is dependent on the performance conditions of the Group's EPS, ROCE and Total Shareholder Return ('TSR') (relative to a peer group) targets measured over the same three-year performance period. PSP performance conditions will be reviewed at the end of the three-year performance period and the PSP shares awarded will vest depending upon the extent to which these performance conditions have been satisfied.

The fair values assigned to the EPS and ROCE components of the PSP are equivalent to the share price on the date of award.

The Monte Carlo simulation approach was used to calculate the fair value of the TSR component of the PSP award at the respective grant dates. The expected volatility rate applied was based upon both the historical and implied share price volatility levels of the Group. For the 2020 award, a rate of 38.6% was used (2019 award: 26.3%). The risk free interest rate used for the 2020 award was (0.305%) (2019 award: (0.162%)).

The total PSP charge for the year comprises a charge pertaining to the awards granted in respect of 2018, 2019 and 2020.

26. Share-based Payment continued

Performance Share Plan continued

A summary of the awards granted under the PSP is presented below:

	Period to Earliest Release Date	Fair Value of EPS and ROCE Components	Fair Value of TSR Component	Number of shares: Initial Award	Number of shares: Forfeitures	Number of shares: Dividend Equivalents Accrued	Number of shares: Net Outstanding At 31 December 2020
Granted in 2018	3 years	€33.32	€21.57	1,382,116	(148,175)	100,327	1,334,268
Granted in 2019	3 years	€24.66	€12.78	1,883,477	(137,102)	125,546	1,871,921
Granted in 2020	**3 years**	**€26.70**	**€14.85**	**1,706,648**	**(50,835)**	**55,099**	**1,710,912**

	Number Outstanding 2020	Number Outstanding 2019
At 1 January	**3,064,520**	1,325,792
Granted in the year	**1,706,648**	1,883,477
Dividend equivalents accrued	**280,972**	–
Forfeited in the year	**(135,039)**	(144,749)
At 31 December	**4,917,101**	3,064,520

The PSP awards which were granted in 2018 vested in February 2021 and were distributed to the relevant employees. The market price at the date of vesting was €39.77. Details of the performance targets and results for the three-year period to 31 December 2020 are set out in the Remuneration Report.

Deferred Annual Bonus Plan

In May 2011, the SKG plc Annual General Meeting approved the adoption of the 2011 DABP, which replaced the existing long-term incentive plan, the 2007 SIP.

Awards to each eligible employee under the DABP were subject to the level of annual bonus earned by the employee in any year. The maximum annual potential bonus for eligible employees in the DABP was 150% of salary. The actual bonus earned in any financial year was based on the achievement of clearly defined stretching annual financial targets for some of the Group's KPIs.

The structure of the plan was that 50% of any annual bonus earned for a financial year was deferred into SKG plc shares to be granted in the form of a Deferred Share Award. These Deferred Shares vest (i.e. become unconditional) after a three-year holding period based on a service condition of continuity of employment or in certain circumstances, based on normal good leaver provisions.

At the same time as the grant of a Deferred Share Award, a Matching Share Award could be granted up to the level of the Deferred Share Award. Following a three-year performance period, the Matching Shares could vest up to a maximum of three times the level of the Deferred Share Award. Matching Share Awards would vest provided that the Remuneration Committee considered the Group's ROCE and TSR to be competitive when compared to the constituents of a peer group of international paper and packaging companies over that performance period. The actual number of Matching Shares that would vest under the Matching Share Awards was dependent on the performance conditions of the Group's FCF and ROCE targets measured over the same three-year performance period on an inter-conditional basis and the multiplier was calculated by interpolation.

In 2018, the Group introduced the PSP which replaced the Matching Share Award and the DBP which replaced the deferred element of the DABP.

The total DABP charge for the year pertains to the Deferred Share Awards granted in 2018 in respect of the financial year ended 31 December 2017.

The actual performance targets assigned to the Matching Share Awards were set by the Remuneration Committee on the granting of awards at the start of each three-year cycle. The Group was required to lodge the actual targets with the Group's auditors prior to the grant of any awards under the DABP.

A summary of the activity under the DABP, for the period from 1 January 2019 to 31 December 2020 is presented below:

	Number Outstanding: Deferred Share Award	Number Outstanding: Matching Share Award
At 1 January 2019	1,056,367	448,108
Forfeited in the year	(15,788)	(7,091)
Additional match on vesting	–	37,396
Distributed in the year	(394,437)	(268,216)
At 31 December 2019	**646,142**	**210,197**
Forfeited in the year	**(1,104)**	**–**
Additional match on vesting	**–**	**420,394**
Distributed in the year	**(352,031)**	**(630,591)**
At 31 December 2020	**293,007**	**–**

26. Share-based Payment continued

Deferred Annual Bonus Plan continued

The Deferred Share Awards and Matching Share Awards which were granted in 2017 in respect of the financial year ended 31 December 2016 vested in February 2020 and were distributed to relevant employees. The market price at the date of vesting was €33.49.

The Deferred Share Awards which were granted in 2018 in respect of the financial year ended 31 December 2017 vested in February 2021 and were distributed to relevant employees. The market price at the date of vesting was €39.77.

2007 Share Incentive Plan

This scheme has expired. At 31 December 2020, all exercisable convertible shares have lapsed and are no longer convertible into ordinary shares.

In March 2007, SKG plc adopted the 2007 SIP. The 2007 SIP was amended in May 2009. Incentive awards under the 2007 SIP were in the form of new class B and new class C convertible shares issued in equal proportions to Participants at a nominal value of €0.001 per share. On satisfaction of specified performance criteria the new class B and new class C convertible shares automatically converted on a one-to-one basis into class D convertible shares. The class D convertible shares may be converted by the holder into ordinary shares upon payment of the agreed conversion price. The conversion price for each D convertible share was set at the average market value of an ordinary share for the three dealing days immediately prior to the date that the Participant was invited to subscribe less the nominal subscription price. Each award has a life of ten years from the date of issuance of the new class B and new class C convertible shares. The performance period for the new class B and new class C convertible shares was three financial years.

A summary of the activity under the 2007 SIP, as amended, for the period from 1 January 2019 to 31 December 2020 is presented below:

	2020		2019	
	Number of Convertible Shares	Weighted Average Exercise Price (€ per Share)	Number of Convertible Shares	Weighted Average Exercise Price (€ per Share)
Outstanding at the beginning of the year	**63,698**	**6.33**	490,182	4.93
Lapsed during the year	**(14,684)**	**5.93**	(19,260)	4.36
Exercised in the year	**(49,014)**	**6.44**	(407,224)	4.74
Outstanding at the end of the year	**–**	**–**	63,698	6.33
Exercisable at the end of the year	**–**	**–**	63,698	6.33

The weighted average market price on the dates the convertible shares were exercised in the financial year ended 31 December 2020 was €30.42 (2019: €27.41).

	2020	2019
2007 SIP, as amended, convertible shares outstanding at the end of the year (number)	**–**	63,698
Weighted average exercise price (€ per share)	**–**	6.33
Weighted average remaining contractual life (years)	**–**	0.2

27. Provisions for Liabilities

	2020 €m	2019 €m
Current	**221**	147
Non-current	**50**	78
	271	225

	Deferred and Contingent Consideration €m	Restructuring €m	Environmental €m	Legal €m	Other €m	Total €m
At 1 January 2020	**45**	**6**	**6**	**127**	**41**	**225**
Made during the financial year	**–**	**29**	**–**	**28**	**29**	**86**
Released during the financial year	**–**	**(1)**	**–**	**–**	**(2)**	**(3)**
Utilised during the financial year	**–**	**(7)**	**(1)**	**(1)**	**(27)**	**(36)**
Fair value adjustment	**2**	**–**	**–**	**–**	**–**	**2**
Reclassifications	**–**	**–**	**–**	**–**	**(1)**	**(1)**
Currency	**–**	**–**	**–**	**–**	**(2)**	**(2)**
At 31 December 2020	**47**	**27**	**5**	**154**	**38**	**271**

27. Provisions for Liabilities continued

Deferred and Contingent Consideration

Deferred and contingent consideration represents the deferred and contingent element of acquisition consideration payable. The balance at 31 December 2020 relates to the acquisition of the following:

- Avala Ada and Fabrika Hartije Beograd, Serbia (2019) – deferred consideration of €10 million payable in 2022 and deferred contingent consideration of €35 million for the remaining 25% of the acquisition, payable between 2021 and 2023 through a put/call option facility;
- INPA, Brazil (2015) – deferred consideration payable from 2022; and
- Chatziioannou, Greece (2017) – deferred consideration payable in 2021.

The fair value adjustment amount of €2 million relates to the fair value loss on the valuation of the Serbian put option as at 31 December 2020.

Restructuring

These provisions relate to irrevocable commitments in respect of restructuring programmes throughout the Group. The provision made in 2020 relates to restructuring and reorganisation undertaken in Europe and the Americas.

Environmental

Provisions for environmental costs mainly relate to the reinstatement of landfill sites and other remediation and improvement costs incurred in compliance with either local or national environmental regulations together with constructive obligations stemming from established practice. The timing of settlement of these provisions is not certain particularly where provisions are based on past practice and there is no legal obligation.

Legal

Legal represents provisions for certain legal claims brought against the Group by various parties. The balance at 31 December 2020 mainly related to a provision made due to the Italian Competition Authority ('ICA') fine. In August 2019, the ICA notified approximately 40 companies, of which Smurfit Kappa Italia S.p.A. ('SKI') was one, that an investigation had found the companies to have engaged in anti-competitive practices, in relation to which the ICA levied a fine of €124 million on SKI. The Group applied successfully for a suspension order in relation to the payment of the fine and SKI is no longer obliged to pay the fine until the outcome of the Appeal before the First Administrative Court of Appeal. Legal provisions are uncertain as to timing and amount as they are the subject of ongoing cases.

Other

Other comprises a number of provisions including: liabilities arising from dilapidations amounting to €6 million (2019: €7 million); employee compensation in certain countries in which we operate amounting to €16 million (2019: €22 million); and numerous other items which are not individually material and are not readily grouped together.

28. Trade and Other Payables

	Group 2020 €m	Group 2019 €m	**Company 2020 €m**	Company 2019 €m
Amounts falling due within one financial year:				
Trade payables	**978**	1,019	**–**	–
Payroll taxes	**44**	38	**–**	–
Value added tax	**74**	73	**–**	–
Social insurance	**49**	53	**–**	–
Accruals	**561**	531	**5**	–
Capital payables	**93**	123	**–**	–
Other payables	**36**	26	**–**	–
Amounts payable to Group companies	**–**	–	**5**	10
	1,835	1,863	**10**	10
Amounts falling due after more than one financial year:				
Other payables	**9**	10	**–**	–
	1,844	1,873	**10**	10

The fair values of trade and other payables are not materially different from their carrying amounts.

Amounts owed to Group companies are unsecured, interest free and are repayable on demand.

29. Financial Instruments

Financial Instruments by Category

The accounting policies for financial instruments have been applied to the line items below:

31 December 2020	Assets at Amortised Cost €m	Assets at Fair Value Through Profit or Loss €m	Derivatives Used for Hedging €m	Assets at Fair Value Through Other Comprehensive Income €m	Total €m
Assets per Consolidated Balance Sheet:					
Listed and unlisted debt instruments	**–**	**11**	**–**	**–**	**11**
Derivative financial instruments	**–**	**19**	**19**	**–**	**38**
Trade and other receivables*	**1,465**	**–**	**–**	**–**	**1,465**
Cash and cash equivalents	**891**	**–**	**–**	**–**	**891**
Restricted cash	**10**	**–**	**–**	**–**	**10**
	2,366	**30**	**19**	**–**	**2,415**

* Excludes statutory taxes and prepayments.

The financial assets of the Company of €257 million consist of assets at amortised cost.

31 December 2020	Liabilities at Fair Value Through Profit or Loss €m	Derivatives Used for Hedging €m	Other Financial Liabilities €m	Total €m
Liabilities per Consolidated Balance Sheet:				
Borrowings	**–**	**–**	**3,276**	**3,276**
Derivative financial instruments	**9**	**21**	**–**	**30**
Trade and other payables*	**–**	**–**	**1,408**	**1,408**
Deferred contingent consideration	**35**	**–**	**–**	**35**
Deferred consideration	**–**	**–**	**12**	**12**
	44	**21**	**4,696**	**4,761**

* Excludes statutory taxes and employee benefits.

The financial liabilities of the Company of €10 million consist of other financial liabilities.

31 December 2019	Assets at Amortised Cost €m	Assets at Fair Value Through Profit or Loss €m	Derivatives Used for Hedging €m	Assets at Fair Value Through Other Comprehensive Income €m	Total €m
Assets per Consolidated Balance Sheet:					
Listed and unlisted debt instruments	–	10	–	–	10
Derivative financial instruments	–	6	13	–	19
Trade and other receivables*	1,559	–	–	–	1,559
Cash and cash equivalents	189	–	–	–	189
Restricted cash	14	–	–	–	14
	1,762	16	13	–	1,791

* Excludes statutory taxes and prepayments.

The financial assets of the Company of €252 million consist of assets at amortised cost.

31 December 2019	Liabilities at Fair Value Through Profit or Loss €m	Derivatives Used for Hedging €m	Other Financial Liabilities €m	Total €m
Liabilities per Consolidated Balance Sheet:				
Borrowings	–	–	3,686	3,686
Derivative financial instruments	3	13	–	16
Trade and other payables*	–	–	1,465	1,465
Deferred contingent consideration	33	–	–	33
Deferred consideration	–	–	12	12
	36	13	5,163	5,212

* Excludes statutory taxes and employee benefits.

29. Financial Instruments continued

Financial Instruments by Category continued

The financial liabilities of the Company of €10 million consist of other financial liabilities.

Exposure to credit, interest rate, liquidity, energy and currency risks arise in the normal course of the Group's business. Derivatives are generally used to economically hedge exposure to fluctuations in these risks.

Key Financial Risks and Financial Risk Management Resulting from the Use of Financial Instruments and Related Sensitivity Analysis

Financial and Credit Risk Management

The operating parameters and policies of the Group's treasury management function are established under formal Board authority. The Treasury Policy covers the areas of funding, counterparty risk, foreign exchange, controls and derivatives. Risk arising on counterparty default is controlled within a framework of dealing with high quality institutions and, by policy, limiting the amount of credit exposure to any one bank or institution. The Group uses financial instruments, including fixed and variable rate debt to finance operations, for capital spending programs and for general corporate purposes. Additionally, financial instruments, including derivative instruments are used to hedge exposure to interest rate, commodity and foreign currency risks. Where all relevant criteria are met, hedge accounting is applied to remove the accounting mismatch between the hedging instrument and the hedged item. The Group does not use financial instruments for trading purposes. The Group mitigates the risk that counterparties to derivatives will fail to perform by contracting with major financial institutions having high credit ratings and considers the likelihood of counterparty failure to be low. Trade debtors arise from a wide and varied customer base. There is no significant concentration of credit risk amongst any of the Group's most significant financial assets. The Group also holds no collateral in respect of its principal credit exposures.

The successful management of the Group's currency and interest rate exposure depends on a variety of factors, some of which are outside its control. The Group is exposed to the impact of interest rate changes and foreign currency fluctuations due to its investing and funding activities and its operations in foreign currencies. The Group manages interest rate exposure to achieve what management considers to be an appropriate balance of fixed and variable rate funding. To achieve this objective the Group enters into interest rate swaps, options and forward rate agreements. Interest rate swap agreements are primarily used to change the interest payable on its underlying borrowings from variable to fixed rate. Tables detailing the impact of any such swaps on the Group's financial instruments have been set out elsewhere in this note.

The Group manages its balance sheet having regard to the currency exposures arising from its assets being denominated in a wide range of currencies. To this end, where foreign currency assets are funded by local borrowing, such borrowing is generally sourced in the currency of the related assets. The Group also hedges currency exposure through the use of currency swaps, options and forward contracts. Tables detailing the impact of these derivatives on the currency profile of the Group's financial instruments have been set out elsewhere in this note.

Further details on certain specific financial risks encountered have been set out below.

Interest Rate Risk

The Group is exposed to changes in interest rates, primarily changes in Euribor. The revolving credit facility is variable rate debt, as are the Group's securitisation facilities. Interest rate changes therefore generally do not affect the market value of such debt but do impact the amount of the Group's interest payments and, therefore, its future earnings and cash flows, assuming other factors are held constant. At 31 December 2020, the Group had fixed an average of 94% (2019: 90%) of its interest cost on borrowings over the following 12 months. Holding all other variables constant, if interest rates for these borrowings increased by one percent, the Group's interest expense would increase, and income before taxes would decrease, by approximately €3 million over the following twelve months. Interest income on the Group's cash balances would increase by approximately €9 million assuming a one percent increase in interest rates earned on such balances over the following twelve months.

The Group has entered into one or more interest rate protection agreements (principally interest rate swaps and cross currency interest rate swaps), which establish a fixed interest rate with respect to certain of its borrowings. Tables detailing the fixed and floating variable rate debt together with the impact of the related interest rate and cross currency swaps have been set out elsewhere in this note.

Currency Sensitivity

The Group operates in the following principal currency areas (other than euro): Swedish Krona, Sterling, Latin America (comprising mainly Mexican Peso, Colombian Peso and Brazilian Real), US Dollar and Eastern Europe (comprising mainly the Polish Zloty, the Czech Koruna, the Russian Rouble and the Serbian Dinar). At the end of 2020, approximately 99% (2019: 99%) of its non-euro denominated net assets consisted of the Swedish Krona 25% (2019: 24%), Sterling 12% (2019: 9%), Latin American currencies 39% (2019: 44%), US Dollar 6% (2019: 3%) and Eastern European currencies 17% (2019: 19%). The Group believes that a strengthening of the euro exchange rate by 1% against all other foreign currencies from the 31 December 2020 rate would reduce shareholders' equity by approximately €22 million (2019: €20 million).

Commodity Price Risk

Containerboard

The Group is exposed to commodity price risks through its dependence on recovered paper, the principal raw material used in the manufacture of recycled containerboard. The price of recovered paper is dependent on both demand and supply conditions. Demand conditions include the production of recycled containerboard in Europe and the demand for recovered paper for the production of recycled containerboard outside of Europe, principally in Asia. Supply conditions include the rate of recovery of recovered paper, itself dependant on historic pricing related to the cost of recovery, and some slight seasonal variations.

Just over 1.05 metric tonnes of recovered paper are required to manufacture 1.0 metric tonne of recycled containerboard. Consequently, an increase in the price of recovered paper of, for example, €20 per tonne would increase the cost of production of recycled containerboard by approximately €21 per tonne. Historically, increases in the cost of recovered paper, if sustained, have led to a rise in the price of recycled containerboard, with a lag of one to two months.

29. Financial Instruments continued

Key Financial Risks and Financial Risk Management Resulting from the Use of Financial Instruments and Related Sensitivity Analysis continued

The price of recovered paper can fluctuate significantly within a given year, affecting the operating results of the Group's paper processing facilities. The Group seeks to manage this risk operationally rather than by entering into financial risk management derivatives. Accordingly, at each of 31 December 2020 and 2019, there were no derivatives held to mitigate such risks.

In addition, developing policy changes in the EU with regard to renewable energy sources have created an additional demand for wood, the principal raw material used in the manufacture of kraftliner. This has the effect of potentially increasing the price of wood and consequently the cost of the Group's raw materials. At each of 31 December 2020 and 2019, the Group held no derivatives to mitigate such risks.

Energy

The cost of producing the Group's products is also sensitive to the price of energy. The Group's main energy exposure is to the cost of gas and electricity. These energy costs have experienced significant price volatility in recent years, with a corresponding effect on Group production costs. Natural gas prices, relevant to the Group, started the year at €12.03 per megawatt-hour, decreased to €3.10 in May 2020 and were €19.10 per megawatt-hour in December 2020, giving an average price of €9.33 for 2020 (2019: average price of €15.42). The Group has entered into a limited level of energy derivative contracts to economically hedge a portion of its energy costs in Sweden. The Group has also fixed a certain level of its energy costs through contractual arrangements directly with its energy suppliers.

Carbon prices were also hit by the COVID-19 pandemic but increased significantly at the end of 2020. The lower CO_2 price during the main part of the year and the very low fuel price have led to lower electricity prices for the year 2020.

The Group's overall energy costs decreased by approximately 13.5% when compared to 2019 mainly due to lower energy market prices.

Tables detailing the Group's energy derivatives have been set out elsewhere in this note.

Liquidity Risk

The Group is exposed to liquidity risk which arises primarily from the maturing of short-term and long-term debt obligations and derivative transactions. The Group's policy is to ensure that sufficient resources are available either from cash balances, cash flows or undrawn committed bank facilities, to ensure all obligations can be met as they fall due. To achieve this objective, the Group:

- Maintains cash balances and liquid investments with highly rated counterparties;
- Limits the maturity of cash balances; and
- Borrows the bulk of its debt needs under committed bank lines or other term financing and by policy maintains a minimum level of undrawn committed facilities.

The Group has entered into a series of borrowing arrangements in order to facilitate its liquidity needs in this regard and the key terms of those arrangements are described within Note 24 and within certain tables set out below. At each year-end, the Group's rolling liquidity reserve (which comprises cash and undrawn committed facilities and which represents the amount of available cash headroom in the Group's funding structure) was as follows:

	2020 €m	2019 €m
Cash and cash equivalents	**891**	189
Committed undrawn facilities	**1,662**	1,334
Liquidity reserve	**2,553**	1,523
Borrowings due within one year – contractual undiscounted cash flows	**(261)**	(277)
Net position	**2,292**	1,246

Management monitors rolling cash flow forecasts on an ongoing basis to determine the adequacy of the liquidity position of the Group. This process also incorporates a longer term liquidity review to ensure refinancing risks are adequately catered for as part of the Group's strategic planning. The Group continues to benefit from its existing financing package and debt profile. In addition, the Group's operating activities are cash generative and expect to be so over the foreseeable future; the Group has committed undrawn facilities of €1,662 million at 31 December 2020; and the Group has cash and cash equivalents of €891 million at 31 December 2020.

The maturity dates of the Group's main borrowing facilities as set out in Note 24, together with the liquidity analysis as set out in this note, more fully describes the Group's longer term financing risks.

Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the overall cost of capital.

In managing its capital structure, the primary focus of the Group is the ratio of net debt as a multiple of EBITDA (earnings before exceptional items, share-based payment expense, share of associates' profit (after tax), net finance costs, income tax expense, depreciation and depletion (net) and intangible asset amortisation). Maximum levels for this ratio are set under Board approved policy. At 31 December 2020 the net debt to EBITDA ratio of the Group was 1.6 times (net debt of €2,375 million) which compares to 2.1 times (net debt of €3,483 million) at the end of 2019. This gives the Group continuing headroom compared to the actual covenant level at 31 December 2020 of 3.75 times.

29. Financial Instruments continued

Key Financial Risks and Financial Risk Management Resulting from the Use of Financial Instruments and Related Sensitivity Analysis continued

On the basis of pre-exceptional operating profit, the Group's return on capital employed was 14.6% compared to 17.0% in 2019. The return on capital employed comprises pre-exceptional operating profit plus share of associates' profit (after tax) as a percentage of average capital employed (where average capital employed is the average of total equity and net debt at the current and prior year-end). Capital employed at 31 December 2020 was €6,158 million, (2019: €6,476 million). The post-exceptional return on capital employed was 14.1% in 2020 (2019: 14.2%).

The capital employed of the Company at 31 December 2020 was €2,872 million (2019: €2,100 million).

Credit Risk

Credit risk arises from credit exposure to trade debtors, cash and cash equivalents including deposits with banks and financial institutions, derivative financial instruments and investments. The Group has no sovereign exposures and no material debtors with Government agencies. The maximum exposure to credit risk is represented by the carrying amount of each asset.

Trade debtors arise from a wide and varied customer base spread throughout the Group's operations and as such there is no significant concentration of credit risk. Credit evaluations are performed on all customers over certain thresholds and all customers are subject to continued monitoring at operating company level. Further information on the Group approach to providing for expected credit losses is set out in Note 19.

Risk of counterparty default arising on cash and cash equivalents and derivative financial instruments is controlled within a framework of dealing with high quality institutions and, by policy, limiting the amount of credit exposure to any one bank or institution. Of the Group's total cash and cash equivalents (including restricted cash) at 31 December 2020 of €901 million, 35% was with financial institutions in the A rating category of Standard & Poor's or Moody's and 62% was with financial institutions in the AA/Aa or higher rating category.

The remaining 3% was represented mainly by cash held with banks in Latin America which fell outside the A or higher ratings categories. At 31 December 2020 derivative transactions were with counterparties with ratings ranging from BB- to AA- with Standard & Poor's or Ba1 to Aa2 with Moody's.

At each reporting date, there were no significant concentrations of credit risk which individually represented more than 10% of the Group's financial assets. A geographical analysis of the Group's segment assets has been provided in Note 4.

Market Risk – Equity Instruments

The Group's equity instruments principally comprise an investment in an unlisted entity which operates in a similar paper processing market to the Group in Europe. In 2019 the Group made a fair value adjustment to the unlisted investment which is now valued at nil.

Market Risk – Listed and Unlisted Debt Instruments

The Group's listed and unlisted debt instruments principally comprise investments held relating to unfunded pension liabilities. These investments are being carried at their estimated fair value and the Group's maximum exposure to risks associated with these investments is represented by their carrying amounts.

Further details on equity instruments and listed and unlisted debt instruments are set out in Note 14.

29. Financial Instruments continued

Key Financial Risks and Financial Risk Management Resulting from the Use of Financial Instruments and Related Sensitivity Analysis continued

Derivative Positions

Derivative financial instruments recognised as assets and liabilities in the Consolidated Balance Sheet both as part of cash flow hedges and other economic hedges which do not meet the criteria for hedge accounting under IFRS 9, have been set out below:

	2020 €m	2019 €m
Non-current derivative assets		
Cash flow hedges:		
Cross currency swaps	–	6
Total non-current derivative assets	–	6
Current derivative assets		
Cash flow hedges:		
Foreign currency forwards	3	3
Cross currency swaps	16	4
Not designated as hedges:		
Foreign currency forwards	1	1
Cross currency swaps	15	4
Energy hedging contracts	3	1
Total current derivative assets	38	13
Total derivative assets	38	19
Non-current derivative liabilities		
Cash flow hedges:		
Cross currency swaps	(17)	(9)
Total non-current derivative liabilities	(17)	(9)
Current derivative liabilities		
Cash flow hedges:		
Interest rate swaps	–	(3)
Cross currency swaps	(4)	(1)
Not designated as hedges:		
Foreign currency forwards	(1)	–
Cross currency swaps	(4)	(1)
Energy hedging contracts	(4)	(2)
Total current derivative liabilities	(13)	(7)
Total derivative liabilities	(30)	(16)
Net asset on derivative financial instruments	8	3

29. Financial Instruments continued

Fair Value Hierarchy

Fair value measurement at 31 December 2020	Level 1 €m	Level 2 €m	Level 3 €m	Total €m
Other investments:				
Listed	**2**	**–**	**–**	**2**
Unlisted	**–**	**9**	**–**	**9**
Derivative financial instruments:				
Assets at fair value through profit or loss	**–**	**19**	**–**	**19**
Derivatives used for hedging	**–**	**19**	**–**	**19**
Derivative financial instruments:				
Liabilities at fair value through profit or loss	**–**	**(9)**	**–**	**(9)**
Derivatives used for hedging	**–**	**(21)**	**–**	**(21)**
Deferred contingent consideration	**–**	**–**	**(35)**	**(35)**
	2	**17**	**(35)**	**(16)**

Fair value measurement at 31 December 2019	Level 1 €m	Level 2 €m	Level 3 €m	Total €m
Other investments:				
Listed	2	–	–	2
Unlisted	–	8	–	8
Derivative financial instruments:				
Assets at fair value through profit or loss	–	6	–	6
Derivatives used for hedging	–	13	–	13
Derivative financial instruments:				
Liabilities at fair value through profit or loss	–	(3)	–	(3)
Derivatives used for hedging	–	(13)	–	(13)
Deferred contingent consideration	–	–	(33)	(33)
	2	11	(33)	(20)

The fair value of listed investments is determined by reference to their bid price at the reporting date. Unlisted investments are valued using recognised valuation techniques for the underlying security including discounted cash flows and similar unlisted equity valuation models.

The fair value of the derivative financial instruments set out above has been measured in accordance with level 2 of the fair value hierarchy. All are plain derivative instruments, valued with reference to observable foreign exchange rates, interest rates or broker prices.

Financial Instruments in Level 3

The following table presents the changes in level 3 instruments for the years ended 31 December 2020 and 31 December 2019:

	Deferred Contingent Consideration €m	Other Investments €m
Balance at 1 January 2019	–	12
Arising in a business combination	(53)	–
Gain included in exceptional finance income – net change in fair value	20	–
Loss included in OCI* – net change in fair value	–	(12)
Balance at 31 December 2019	(33)	–
Balance at 1 January 2020	**(33)**	**–**
Loss included in finance costs – net change in fair value	**(2)**	**–**
Balance at 31 December 2020	**(35)**	**–**

* 'OCI' refers to other comprehensive income.

Deferred contingent consideration arose in relation to the put option on the acquisition of Serbia (Note 27) in 2019. The valuation model for the deferred contingent consideration measured in accordance with level 3 of the fair value hierarchy is based on the present value of the expected payment discounted using a risk-adjusted discount rate. The unobservable input in determining the fair value is the underlying profitability of the business unit to which the consideration relates. A reasonably possible change to the unobservable input would have an immaterial impact on the fair value of the deferred contingent consideration.

The valuation model for the unlisted investment measured in accordance with level 3 of the fair value hierarchy is based on market multiples derived from quoted prices of companies comparable to the investee, adjusted for the effect of the non-marketability of the equity securities, and the revenue and EBITDA of the investee. The estimate is adjusted for the net debt of the investee. In 2019 the Group made a fair value adjustment to the unlisted investment measured in accordance with level 3 of the fair value hierarchy which is now valued at nil. Further details of the listed and unlisted investments are set out in Note 14.

There were no reclassifications or transfers between the levels of the fair value hierarchy during the period.

29. Financial Instruments continued

Cash Flow Hedging

As more fully set out in this note, the Group principally utilises interest rate swaps to swap its variable rate debt into fixed rates. The Group has also designated a number of cross currency swaps which swap fixed US dollar debt into fixed euro debt as cash flow hedges where permitted. These swaps are designated as cash flow hedges and are set so as to closely match the critical terms of the underlying debt being hedged.

Hedge ineffectiveness is determined at the inception of the hedge relationship and through periodic prospective hedge effectiveness assessments to ensure that an economic relationship exists between the hedged item and the hedging instrument. The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, tenors, repricing dates and maturities and notional amounts. The Group does not hedge 100% of its loans, therefore the hedged item is identified as a proportion of the outstanding loans up to the notional amount of the swaps. As the Group enters into hedge relationships where the critical terms of the hedging instrument materially match the terms of the hedged item, a qualitative assessment of effectiveness is performed. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Group uses the hypothetical derivative method to assess effectiveness.

Hedge ineffectiveness for interest rate swaps and cross currency swaps may occur due to:
- The effect of the counterparty's and the Group's own credit risk on the fair value of the swaps which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in the hedged risk;
- Changes in the contractual terms or timing of the payments on the hedged item; or
- The fair value of the hedging instrument on the hedge relationship designation date (if not zero).

There was no material ineffectiveness in hedged risk in relation to these hedges in 2020 and 2019. Amounts accounted for in the cash flow hedging reserve in respect of these swaps during the current and preceding periods have been set out in the Consolidated Statement of Comprehensive Income. These fair value gains and losses are expected to impact on profit and loss over the period from 2021 to 2023, in line with the underlying debt being hedged.

The Group has also entered into a limited number of bunker fuel swaps to hedge against variability in the cost of bunker fuel included in certain of its shipping contracts. Hedge effectiveness is assessed using the same principles as those used for designated interest rate and cross currency swaps. In hedges of bunker fuel costs ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated or if there are changes in the credit risk of the Group or the counterparty. These hedges have been highly effective in achieving offsetting cash flows with no ineffectiveness recorded. These fair value gains and losses are expected to impact on profit and loss over the period from 2021 to 2022.

In addition, certain subsidiaries use foreign currency forward contracts to hedge forecast foreign currency sales and purchases. Such forward contracts are designated as cash flow hedges and are set so as to closely match the critical terms of the underlying cash flows. Hedge effectiveness is assessed using the same principles as those used for designated interest rate, cross currency and bunker fuel swaps. In hedges of foreign currency sales and purchases ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated or if there are changes in the credit risk of the Group or the counterparty. These hedges have been highly effective in achieving offsetting cash flows with no ineffectiveness recorded. These fair value gains and losses are expected to impact on profit and loss during 2021.

The Group's hedging reserves disclosed in Note 23 relate to the following hedging instruments:

	Cost of Hedging Reserve €m	**Interest Rate Swaps €m**	**Cross Currency Swaps €m**	**Foreign Currency Forwards €m**	**Total Hedge Reserves €m**
At 1 January 2020	**2**	**(2)**	**(2)**	**2**	**–**
Costs of hedging deferred and recognised in OCI	**1**	**–**	**–**	**–**	**1**
Change in fair value of hedging instrument recognised in OCI	**–**	**–**	**3**	**3**	**6**
Reclassified from OCI to profit or loss – included in finance costs	**(1)**	**2**	**1**	**–**	**2**
Reclassified from OCI to profit or loss – included in revenue	**–**	**–**	**–**	**(2)**	**(2)**
Movement in deferred tax	**–**	**–**	**(1)**	**–**	**(1)**
At 31 December 2020	**2**	**–**	**1**	**3**	**6**

	Cost of Hedging Reserve €m	Interest Rate Swaps €m	Cross Currency Swaps €m	Foreign Currency Forwards €m	Total Hedge Reserves €m
At 1 January 2019	3	(5)	(6)	(3)	(11)
Change in fair value of hedging instrument recognised in OCI	–	–	3	2	5
Reclassified from OCI to profit or loss – included in finance costs	(1)	3	2	–	4
Reclassified from OCI to profit or loss – included in revenue	–	–	–	3	3
Movement in deferred tax	–	–	(1)	–	(1)
At 31 December 2019	2	(2)	(2)	2	–

29. Financial Instruments continued

Derivatives not Designated as Hedges

The Group utilises a combination of foreign currency forward contracts and cross currency swaps in order to economically hedge on balance sheet debtor, creditor and borrowing exposures which are denominated in currencies other than the euro. Formal hedge accounting as permitted by IFRS 9 is not applied to these derivative instruments because a natural offset is effectively already achieved through fair valuing the derivatives through the profit or loss as required by IFRS 9, while also retranslating the related balance sheet foreign currency denominated monetary assets or liabilities at appropriate closing rates at each balance sheet date, as required by IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

The Group has also entered into certain energy hedging contracts to mitigate the associated price risks which occur as a result of the Group's normal operations. These have not been designated as hedges in accordance with IFRS 9 and are recognised at fair value through the profit or loss as required by that standard.

The principal terms of the Group's material derivative contracts have been set out further below.

Interest Rate Risk Management

The Group adopts a policy of ensuring that between 55% and 90% of its interest rate risk exposure is at fixed rates over the next twelve months. This is largely achieved by entering into fixed rate instruments and, to a lesser extent, by borrowing at a floating rate and using interest rate swaps as hedges of the variability in cash flows attributable to movements in interest rates. The Group applies a hedge ratio of 1:1.

The proceeds of the Group's November 2020 equity issuance were initially allocated to repaying variable rate debt under the RCF and securitisation programmes, which reduced the level of variable rate debt comprised in the Group's gross debt balance. These funds will be fully utilised in the coming years (along with ongoing cash flows) to fund investment. Consequently, the Group is temporarily over its maximum fixed rate levels at 31 December 2020. The Group expects to return to a level of fixed rate debt within policy parameters over the medium-term.

Outstanding interest rate swap agreements at 31 December 2020 are summarised as follows:

Currency	**Notional Principal (million)**	**Termination Dates**	**% Fixed Payable**	**% Variable Receivable**
EUR	**100**	**2021**	**1.314-1.508**	**Euribor**

Outstanding interest rate swap agreements at 31 December 2019 are summarised as follows:

Currency	Notional Principal (million)	Termination Dates	% Fixed Payable	% Variable Receivable
EUR	74	2020	1.460-1.488	Euribor
EUR	100	2021	1.314-1.508	Euribor

The effects of the designated interest rate swaps on the Group's financial position and performance are as follows:

	2020 €m	2019 €m
Carrying amount – liability	**–**	(3)
Notional amount	**100**	174
Line item in balance sheet – hedging instrument	**Derivative financial instruments**	Derivative financial instruments
Line item in balance sheet – hedged item	**Borrowings**	Borrowings
Maturity dates	**January 2021**	October 2020 – January 2021
Hedge ratio	**1:1**	1:1
Change in fair value of outstanding hedging instrument recognised in OCI	**–**	–
Change in fair value of hedged item used to determine hedge effectiveness	**–**	–
Weighted average hedged rate	**1.4%**	1.4%

Following the decision in 2017 by the U.K. Financial Conduct Authority in the UK to phase out the London Interbank Offered Rate ('LIBOR') by the end of 2021 and the recent reforms of the Euro Interbank Offered Rate ('EURIBOR') from the previous quote-based methodology to a new hybrid methodology, the Group has evaluated its floating rate debt maturing after 2021. The Group believes that its contracts with interest rates based on these benchmark rates adequately provide for an alternative calculation of interest in the event that they are unavailable. The Group believes that it is well placed to manage the discontinuation, reform or replacement of these important benchmark rates and that the impact on the Group and its ability to manage its interest rate risk will be immaterial.

Foreign Exchange Risk Management

The Group manages its balance sheet having regard to the currency exposures arising from its assets being denominated in a wide range of currencies. To this end, where foreign currency assets are funded by local borrowing, such borrowing is generally sourced in the currency of the related assets. The Group also hedges a portion of its currency exposure through the use of currency swaps and forward contracts. At 31 December 2020 the Group had entered into €208 million (2019: €232 million) currency equivalent of forward contracts and there were no option contracts outstanding in respect of its day-to-day trading. At 31 December 2020 the Group had also entered into further short-term currency swaps of €916 million equivalent (2019: €634 million) as part of its short-term liquidity management.

29. Financial Instruments continued

Foreign Exchange Risk Management continued

The Group is exposed to transactional foreign exchange currency risk to the extent that there is a mismatch between the currencies in which sales, purchases, receivables and borrowings are denominated and the respective functional currencies of the Group companies. The Group's risk management policy allows the hedging of estimated foreign currency exposure in respect of highly probable forecast sales and purchases, primarily in Sweden and Poland. As such, certain subsidiaries enter into foreign currency forward contracts to hedge highly probable forecast foreign currency sales and purchases for which hedge accounting under IFRS 9 is applied. As a consequence, therefore, the Group does not have any material transactional exposures.

The effects of the designated foreign currency forwards on the Group's financial position and performance are as follows:

	2020 €m	2019 €m
Foreign currency forwards – sales:		
Carrying amount – asset	**3**	3
Notional amount	**95**	111
Line item in balance sheet – hedging instrument	**Derivative financial instruments**	Derivative financial instruments
Line item in balance sheet – hedged item	**Trade and other receivables**	Trade and other receivables
Maturity dates	**January 2021 – December 2021**	January 2020 – December 2020
Hedge ratio	**1:1**	1:1
Change in fair value of outstanding hedging instrument recognised in OCI	**3**	2
Change in fair value of hedged item used to determine hedge effectiveness	**(3)**	(2)
Weighted average EUR:SEK forward contract rate	**10.41**	10.87
Weighted average GBP:SEK forward contract rate	**11.44**	12.33
Foreign currency forwards – inventory purchases:		
Carrying amount – asset	**–**	–
Carrying amount – liability	**–**	–
Notional amount	**–**	29
Line item in balance sheet – hedging instrument	**n/a**	Derivative financial instruments
Line item in balance sheet – hedged item	**n/a**	Inventories
Maturity dates	**n/a**	January 2020 – August 2020
Hedge ratio	**n/a**	1:1
Change in fair value of outstanding hedging instrument recognised in OCI	**–**	–
Change in fair value of hedged item used to determine hedge effectiveness	**–**	–
Weighted average EUR:PLN forward contract rate	**n/a**	4.30

The Group also enters into longer term cross currency swap arrangements in respect of its US dollar debt, which are set out in more detail in the tables below. In addition, the Group has entered into a number of cross currency swaps in respect of the funding of its acquisition in Brazil, which are set out in more detail in the table below.

Outstanding currency swap agreements at 31 December 2020 are summarised as follows:

Currency Swapped (million)	Currency Received (million)	Maturity Date	Interest Rate Paid	Interest Rate Received
EUR 38	**BRL 150**	**2021**	**129.22% CDI**	**Euribor +2.50%**
EUR 5	**BRL 25**	**2021**	**CDI + 1.27%**	**Euribor +1.80%**
EUR 5	**BRL 27**	**2021**	**CDI + 1.65%**	**Euribor +1.80%**
EUR 6	**BRL 39**	**2021**	**CDI + 1.49%**	**Euribor +1.80%**
US$ 56	**EUR 50**	**2021**	**Euribor +0.79%**	**US$ Libor+0.90%**
US$ 154	**EUR 144**	**2023**	**5.30%**	**7.50%**

Outstanding currency swap agreements at 31 December 2019 are summarised as follows:

Currency Swapped (million)	Currency Received (million)	Maturity Date	Interest Rate Paid	Interest Rate Received
EUR 22	BRL 87	2020	127.26% CDI	Euribor +2.25%
EUR 5	BRL 20	2020	133.80% CDI	Euribor +2.00%
EUR 38	BRL 150	2021	129.22% CDI	Euribor +2.50%
US$ 56	EUR 50	2021	Euribor +0.79%	US$ Libor +0.90%
US$ 154	EUR 144	2023	5.30%	7.50%

29. Financial Instruments continued

Foreign Exchange Risk Management continued

The effects of the cross currency swaps designated as cash flow hedges on the Group's financial position and performance are as follows:

	2020 €m	2019 €m
Hedge of US$ debt:		
Carrying amount – liability	**(21)**	(10)
Notional amount – EUR	**194**	194
Line item in balance sheet – hedging instrument	**Derivative financial instruments**	Derivative financial instruments
Line item in balance sheet – hedged item	**Borrowings**	Borrowings
Maturity dates	**January 2021 & November 2023**	January 2021 & November 2023
Hedge ratio	**1:1**	1:1
Change in fair value of outstanding hedging instrument recognised in OCI	**3**	3
Change in fair value of hedged item used to determine hedge effectiveness	**(3)**	(3)
Weighted average EUR:USD hedged rate	**1.08**	1.08
Hedge – Brazil acquisition funding:		
Carrying amount – asset	**16**	10
Notional amount – BRL	**241**	256
Line item in balance sheet – hedging instrument	**Derivative financial instruments**	Derivative financial instruments
Line item in balance sheet – hedged item	**Borrowings**	Borrowings
Maturity dates	**June, July & September 2021**	June 2020 & June 2021
Hedge ratio	**1:1**	1:1
Change in fair value of outstanding hedging instrument recognised in OCI	**–**	–
Change in fair value of hedged item used to determine hedge effectiveness	**–**	–
Weighted average EUR:BRL hedged rate	**4.50**	3.93

Energy Risk Management

The Group had the following energy hedging contracts outstanding at the end of 31 December 2020 and 2019. Gains and losses recorded in respect of these contracts have been set out elsewhere in this note.

	2020		2019	
	Notional	**Maturity**	Notional	Maturity
Energy contracts	**€6 million**	**Q1 2021 – Q4 2024**	€7 million	Q1 2020 – Q4 2022

29. Financial Instruments continued

Effective Interest Rates and Repricing Analysis

In respect of income earning financial assets and interest bearing financial liabilities, the following tables indicate their average effective interest rates at the reporting date and the periods in which they reprice:

31 December 2020	Average Effective Interest Rate €m	6 Months or Less €m	6-12 Months €m	1-2 Years €m	2-5 Years €m	More Than 5 Years €m	Total €m
Fixed rate instruments							
Liabilities:							
2025 debentures	7.56%	–	–	–	240	–	240
2024 notes	2.64%	–	–	–	501	–	501
2025 notes	2.98%	–	–	–	251	–	251
2026 notes	3.05%	–	–	–	–	1,005	1,005
2027 notes	1.67%	–	–	–	–	746	746
Bank loans/overdrafts	3.75%	2	2	2	6	–	12
Effect of interest rate swaps		100	–	–	–	–	100
Total		102	2	2	998	1,751	2,855
Leases	3.07%	9	7	26	117	187	346
Total fixed rate liabilities		111	9	28	1,115	1,938	3,201
Floating rate instruments							
Assets:							
Cash and cash equivalents	(0.44)%	891	–	–	–	–	891
Restricted cash	0.00%	10	–	–	–	–	10
Total floating rate assets		901	–	–	–	–	901
Liabilities:							
Revolving credit facility	2.43%	89	–	–	–	–	89
2022 receivables securitisation[1]	17.60%	4	–	–	–	–	4
2023 receivables securitisation[2]	8.08%	11	–	–	–	–	11
Bank loans/overdrafts	6.96%	71	–	–	–	–	71
Effect of interest rate swaps	1.91%	(100)	–	–	–	–	(100)
Total floating rate liabilities		75	–	–	–	–	75
Total net position		715	(9)	(28)	(1,115)	(1,938)	(2,375)

1 At the end of the financial year the carrying amount of the 2022 receivables securitisation programme was €4 million compared to €29 million at 31 December 2019. If the drawn amount had been unchanged year-on-year the average effective interest rate would be 3.25% (2019: 2.08%) due to the relative impact of deferred debt issue costs recognised in finance costs in the Consolidated Income Statement using the effective interest method over the remaining life of the programme.

2 At the end of the financial year the carrying amount of the 2023 receivables securitisation programme was €11 million compared to €69 million at 31 December 2019. If the drawn amount had been unchanged year-on-year the average effective interest rate would be 1.75% (2019: 1.24%) due to the relative impact of deferred debt issue costs recognised in finance costs in the Consolidated Income Statement using the effective interest method over the remaining life of the programme.

29. Financial Instruments continued
Effective Interest Rates and Repricing Analysis continued

31 December 2019	Average Effective Interest Rate €m	6 Months or Less €m	6-12 Months €m	1-2 Years €m	2-5 Years €m	More Than 5 Years €m	Total €m
Fixed rate instruments							
Liabilities:							
2025 debentures	7.56%	–	–	–	–	262	262
2024 notes	2.64%	–	–	–	500	–	500
2025 notes	2.98%	–	–	–	–	250	250
2026 notes	3.06%	–	–	–	–	1,004	1,004
2027 notes	1.68%	–	–	–	–	744	744
Bank loans/overdrafts	6.09%	–	–	15	14	4	33
Effect of interest rate swaps		–	74	100	–	–	174
Total		–	74	115	514	2,264	2,967
Leases	3.05%	3	8	21	128	217	377
Total fixed rate liabilities		3	82	136	642	2,481	3,344
Floating rate instruments							
Assets:							
Cash and cash equivalents	0.19%	189	–	–	–	–	189
Restricted cash	0.96%	14	–	–	–	–	14
Total floating rate assets		203	–	–	–	–	203
Liabilities:							
Revolving credit facility	2.64%	333	–	–	–	–	333
2022 receivables securitisation	2.08%	29	–	–	–	–	29
2023 receivables securitisation	1.24%	69	–	–	–	–	69
Bank loans/overdrafts	10.72%	85	–	–	–	–	85
Effect of interest rate swaps	1.85%	(174)	–	–	–	–	(174)
Total floating rate liabilities		342	–	–	–	–	342
Total net position		(142)	(82)	(136)	(642)	(2,481)	(3,483)

29. Financial Instruments continued

Liquidity Analysis

The following table sets out the maturity or liquidity analysis of the Group's financial liabilities and net settled derivative financial liabilities into the relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows:

31 December 2020	Weighted Average Period Until Maturity (Years)	No Fixed Term €m	Less Than 1 Year €m	1-2 Years €m	2-5 Years €m	More Than 5 Years €m	Total €m
Liabilities:							
Trade and other payables		–	1,408	–	–	–	1,408
Revolving credit facility	5.1	–	1	1	3	95	100
2022 receivables securitisation	1.1	–	–	5	–	–	5
2023 receivables securitisation	2.5	–	–	–	13	–	13
Bank loans/overdrafts	1.3	15	41	11	19	2	88
2025 debentures	4.9	–	18	18	292	–	328
2024 notes	3.1	–	12	12	518	–	542
2025 notes	4.1	–	7	7	267	–	281
2026 notes	5.0	–	29	29	86	1,014	1,158
2027 notes	6.7	–	11	11	34	773	829
		15	1,527	94	1,232	1,884	4,752
Leases	4.6	–	90	66	121	116	393
		15	1,617	160	1,353	2,000	5,145
Derivative liabilities		–	1	–	–	–	1
Deferred consideration		–	1	11	–	–	12
Deferred contingent consideration		–	35	–	–	–	35
Total liabilities		15	1,654	171	1,353	2,000	5,193

31 December 2019	Weighted Average Period Until Maturity (Years)	No Fixed Term €m	Less Than 1 Year €m	1-2 Years €m	2-5 Years €m	More Than 5 Years €m	Total €m
Liabilities:							
Trade and other payables		–	1,465	–	–	–	1,465
Revolving credit facility	4.1	–	7	7	354	–	368
2022 receivables securitisation	2.1	–	–	–	30	–	30
2023 receivables securitisation	3.5	–	1	1	71	–	73
Bank loans/overdrafts	1.1	18	80	13	17	2	130
2025 debentures	5.8	–	20	20	59	280	379
2024 notes	4.1	–	12	12	530	–	554
2025 notes	5.0	–	7	7	21	253	288
2026 notes	6.0	–	29	29	86	1,043	1,187
2027 notes	7.7	–	11	11	34	784	840
		18	1,632	100	1,202	2,362	5,314
Leases	5.0	–	86	71	133	143	433
		18	1,718	171	1,335	2,505	5,747
Derivative liabilities		–	4	1	–	–	5
Deferred consideration		–	2	–	10	–	12
Deferred contingent consideration		–	–	33	–	–	33
Total liabilities		18	1,724	205	1,345	2,505	5,797

The financial liabilities of the Company of €10 million (2019: €10 million) are repayable on demand.

29. Financial Instruments continued

Liquidity Analysis continued

The following table sets out the liquidity analysis with regard to derivatives which do not net settle in the normal course of business (primarily foreign exchange contracts and currency swaps). The table shows the estimated timing of gross contractual cash flows exchanged on an undiscounted basis:

31 December 2020	**Less Than 1 Year €m**	**1-2 Years €m**	**2-5 Years €m**	**More Than 5 Years €m**	**Total €m**
Liabilities:					
Cross currency swaps	**(1,002)**	**(8)**	**(152)**	**–**	**(1,162)**
Foreign currency forwards	**(204)**	**(1)**	**–**	**–**	**(205)**
Total outflow	**(1,206)**	**(9)**	**(152)**	**–**	**(1,367)**
Assets:					
Cross currency swaps	**1,025**	**9**	**132**	**–**	**1,166**
Foreign currency forwards	**207**	**1**	**–**	**–**	**208**
Total inflow	**1,232**	**10**	**132**	**–**	**1,374**

31 December 2019	Less Than 1 Year €m	1-2 Years €m	2-5 Years €m	More Than 5 Years €m	Total €m
Liabilities:					
Cross currency swaps	(661)	(90)	(159)	–	(910)
Foreign currency forwards	(229)	–	–	–	(229)
Total outflow	(890)	(90)	(159)	–	(1,139)
Assets:					
Cross currency swaps	673	98	146	–	917
Foreign currency forwards	232	–	–	–	232
Total inflow	905	98	146	–	1,149

Currency Analysis

The table below sets out the Group's financial assets and liabilities according to their principal currencies. Currency risk related to financial assets and liabilities denominated in currencies other than the Group's presentation currency (euro) represents both transactional and translation risk. As at 31 December 2020 and 2019 the Company had no material financial assets or liabilities denominated in foreign currencies.

31 December 2020	**Euro €m**	**Sterling €m**	**Latin America* €m**	**US Dollar €m**	**Other €m**	**Total €m**
Trade and other receivables	**815**	**129**	**208**	**163**	**150**	**1,465**
Listed and unlisted debt instruments	**11**	**–**	**–**	**–**	**–**	**11**
Cash and cash equivalents	**721**	**76**	**15**	**57**	**22**	**891**
Restricted cash	**8**	**–**	**1**	**–**	**1**	**10**
Total assets	**1,555**	**205**	**224**	**220**	**173**	**2,377**
Trade and other payables	**888**	**93**	**145**	**139**	**143**	**1,408**
Revolving credit facility	**44**	**–**	**–**	**45**	**–**	**89**
2022 receivables securitisation	**4**	**–**	**–**	**–**	**–**	**4**
2023 receivables securitisation	**11**	**–**	**–**	**–**	**–**	**11**
Bank loans/overdrafts	**12**	**–**	**56**	**13**	**2**	**83**
2025 debentures	**–**	**–**	**–**	**240**	**–**	**240**
2024 notes	**501**	**–**	**–**	**–**	**–**	**501**
2025 notes	**251**	**–**	**–**	**–**	**–**	**251**
2026 notes	**1,005**	**–**	**–**	**–**	**–**	**1,005**
2027 notes	**746**	**–**	**–**	**–**	**–**	**746**
	3,462	**93**	**201**	**437**	**145**	**4,338**
Leases	**153**	**48**	**10**	**127**	**8**	**346**
Deferred consideration	**12**	**–**	**–**	**–**	**–**	**12**
Deferred contingent consideration	**35**	**–**	**–**	**–**	**–**	**35**
Total liabilities	**3,662**	**141**	**211**	**564**	**153**	**4,731**
Impact of foreign exchange contracts	**(14)**	**199**	**32**	**(6)**	**(218)**	**(7)**
Total (liabilities)/assets	**(2,093)**	**(135)**	**(19)**	**(338)**	**238**	**(2,347)**

* Latin America includes currencies such as the Mexican Peso, Colombian Peso and Brazilian Real. These have been grouped together principally owing to their size and impact on the currency analysis tables within this note.

29. Financial Instruments continued

Currency Analysis continued

31 December 2019	Euro €m	Sterling €m	Latin America* €m	US Dollar €m	Other €m	Total €m
Trade and other receivables	927	132	227	119	154	1,559
Listed and unlisted debt instruments	10	–	–	–	–	10
Cash and cash equivalents	122	16	15	17	19	189
Restricted cash	9	–	–	4	1	14
Total assets	1,068	148	242	140	174	1,772
Trade and other payables	938	95	155	141	136	1,465
Revolving credit facility	118	–	–	215	–	333
2022 receivables securitisation	29	–	–	–	–	29
2023 receivables securitisation	69	–	–	–	–	69
Bank loans/overdrafts	11	–	71	33	3	118
2025 debentures	–	–	–	262	–	262
2024 notes	500	–	–	–	–	500
2025 notes	250	–	–	–	–	250
2026 notes	1,004	–	–	–	–	1,004
2027 notes	744	–	–	–	–	744
	3,663	95	226	651	139	4,774
Leases	175	44	8	139	11	377
Deferred consideration	12	–	–	–	–	12
Deferred contingent consideration	33	–	–	–	–	33
Total liabilities	3,883	139	234	790	150	5,196
Impact of foreign exchange contracts	(15)	216	55	(168)	(96)	(8)
Total (liabilities)/assets	(2,800)	(207)	(47)	(482)	120	(3,416)

* Latin America includes currencies such as the Mexican Peso, Colombian Peso and Brazilian Real. These have been grouped together principally owing to their size and impact on the currency analysis tables within this note.

29. Financial Instruments continued

Fair Value

	2020		2019	
	Carrying Value €m	**Fair Value €m**	Carrying Value €m	Fair Value €m
Trade and other receivables[1]	**1,465**	**1,465**	1,559	1,559
Equity instruments[2]	**–**	**–**	–	–
Listed and unlisted debt instruments[2]	**11**	**11**	10	10
Cash and cash equivalents[3]	**891**	**891**	189	189
Derivative assets[4]	**38**	**38**	19	19
Restricted cash[3]	**10**	**10**	14	14
	2,415	**2,415**	1,791	1,791
Trade and other payables[1]	**1,408**	**1,408**	1,465	1,465
Revolving credit facility[5]	**89**	**89**	333	333
2022 receivables securitisation[3]	**4**	**4**	29	29
2023 receivables securitisation[3]	**11**	**11**	69	69
Bank overdrafts[3]	**83**	**83**	118	118
2025 debentures[6]	**240**	**298**	262	328
2024 notes[6]	**501**	**535**	500	540
2025 notes[6]	**251**	**274**	250	277
2026 notes[6]	**1,005**	**1,118**	1,004	1,110
2027 notes[6]	**746**	**786**	744	759
	4,338	**4,606**	4,774	5,028
Derivative liabilities[4]	**30**	**30**	16	16
Deferred consideration[7]	**12**	**12**	12	12
Deferred contingent consideration[8]	**35**	**35**	33	33
	4,415	**4,683**	4,835	5,089
Total net position	**(2,000)**	**(2,268)**	(3,044)	(3,298)

1 The fair value of trade and other receivables and payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.
2 The fair value of listed financial assets is determined by reference to their bid price at the reporting date. Unlisted financial assets are valued using recognised valuation techniques for the underlying security including discounted cash flows and similar unlisted equity valuation models.
3 The carrying amount reported in the Consolidated Balance Sheet is estimated to approximate to fair value because of the short-term maturity of these instruments and, in the case of the receivables securitisation, the variable nature of the facility and repricing dates.
4 The fair value of forward foreign currency, energy and commodity contracts is based on their listed market price if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds). The fair value of interest rate swaps is based on discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.
5 The fair value (level 2) of the revolving credit facility is based on the present value of its estimated future cash flows discounted at an appropriate market discount rate at the balance sheet date.
6 The fair value (level 2) is based on broker prices at the balance sheet date.
7 The fair value of deferred consideration is based on the present value of the expected payment, discounted using an appropriate market discount rate at the balance sheet date.
8 The fair value of deferred contingent consideration is based on the present value of the expected payment, discounted using a risk-adjusted discount rate.

The fair value of the Company's financial assets and financial liabilities approximates to their carrying values.

30. Related Party Transactions

The principal related party relationships requiring disclosure under IAS 24, *Related Party Disclosures* pertain to the existence of subsidiaries and associates and transactions with these entities entered into by the Group and the identification and compensation of key management personnel as addressed in greater detail below.

Transactions with Subsidiaries

The Consolidated Financial Statements include the Financial Statements of the Company and its subsidiaries and associates as documented in the accounting policies on page 121. A listing of the principal subsidiaries is provided on pages 175 and 176.

Sales to and purchases from, together with outstanding payables and receivables to and from, subsidiaries are eliminated in the preparation of the consolidated financial information in accordance with IFRS 10, *Consolidated Financial Statements*.

30. Related Party Transactions continued

Transactions with Associates

The Group conducts certain transactions with associates in the normal course of business which are summarised as follows:

Sales and Purchase of Goods and Services

	2020 €m	2019 €m
Sale of goods	**7**	13
Receiving of services	**(2)**	(2)

These transactions are undertaken and settled at normal trading terms. No guarantees are given or received by either party.

The receivables from related parties of €3 million (2019: €3 million) arise mainly from sales transactions and are due two months after the date of sale. The receivables are unsecured in nature and do not bear interest.

The payables to related parties are nil in the current year (2019: nil).

No provision has been made in 2020 or 2019 relating to balances with related parties.

Transactions with Other Related Parties

There were no transactions with other related parties during 2020 or 2019.

Transactions with Key Management Personnel

For the purposes of the disclosure requirements of IAS 24, the term 'key management personnel' (i.e. those persons having authority and responsibility for planning, directing and controlling the activities of the Company) comprises the Board of Directors and Secretary who manage the business and affairs of the Company.

	2020 €m	2019 €m
Short-term employee benefits	**5**	5
Share-based payment expense	**3**	3
	8	8

Information on the Parent Company

The parent Company is an investment holding company and as a result, holds investments in the Group subsidiaries as financial assets. The parent Company also has receivables and payables with its subsidiaries entered into in the normal course of business. These balances are repayable on demand. Details of related party transactions and balances in the financial year ended 31 December 2020 between the Parent Company and its subsidiaries are provided in Note 14, Note 19 and Note 28 to the Consolidated Financial Statements.

31. Profit Dealt with in the Parent Company

In accordance with Section 304 of the Companies Act 2014, the Company is availing of the exemption from presenting its individual Income Statement to the Annual General Meeting and from filing it with the Registrar of Companies. A profit after tax of €370 million (2019: a profit after tax of €263 million) has been dealt with in the Income Statement of the Company.

32. Principal Subsidiaries

Each of Smurfit Kappa Group plc, Smurfit Kappa Investments Limited, Smurfit Kappa Holdings Limited and Smurfit Kappa Acquisitions Unlimited Company with an address at Beech Hill, Clonskeagh, Dublin 4, D04 N2R2, is a holding company with no operations of its own. Smurfit Kappa Acquisitions Unlimited Company is a Public Unlimited Company. A listing of the principal subsidiaries is set out as follows:

Notes to the Consolidated Financial Statements continued
For the Financial Year Ended 31 December 2020

32. Principal Subsidiaries continued

Subsidiaries[1]	Principal Activities	Country of Incorporation[2]	Holding %
Cartón de Colombia, S.A. Calle 15 No. 18–109 Puerto Isaacs, Yumbo – Valle del Cauca, Colombia	Manufacture and sale of paperboard, paper sacks, writing paper and packaging products	**Colombia**	99.6
Grupo Smurfit México, S.A. de C.V. Miguel de Cervantes Saavedra, 301, Torre B Piso 8. Colonia Ampliación Granada, Alc. Miguel Hidalgo Ciudad de Mexico, c.p. 11520, Mexico	Manufacture and sale of paperboard and packaging products	**Mexico**	100
Smurfit Kappa Nettingsdorfer AG & Co KG Nettingsdorfer Straße 40, 4053 Haid bei Ansfelden, Austria	Manufacture and sale of containerboard and holding company for Austrian operations which manufacture corrugated board	**Austria**	100
Smurfit International B.V. Warandelaan 2, 4904 PC Oosterhout, The Netherlands	Principal international holding company	**Netherlands**	100
Smurfit Kappa de Argentina, S.A. Av. Cordoba 838, 9 Floor, of. 18, Ciudad de Buenos Aires, Argentina	Manufacture and sale of paperboard and packaging products	**Argentina**	100
Smurfit Kappa Deutschland GmbH Tilsiter Straße 162, 22047 Hamburg, Germany	Holding company for German operations whose principal activities are the manufacture and sale of paperboard, solidboard and packaging products	**Germany**	100
Smurfit Kappa Europe B.V. Evert van den Beekstraat 1–106, 1118 CL Schiphol, The Netherlands	International holding company	**Netherlands**	100
Smurfit Kappa Italia, S.p.A. Via Vicenzo Monti 12 20123 Milano (MI), Italy	Manufacture and sale of paperboard and packaging products	**Italy**	100
Smurfit Kappa Holdings US, Inc. 913 N. Market Street Suite 200, Wilmington, DE 19801 USA	Holding company for North America and certain Mexican operations whose principal activities are the manufacture and sale of paperboard and packaging products	**United States**	100
Smurfit Kappa Ireland Limited Beech Hill, Clonskeagh, Dublin 4, D04 N2R2, Ireland	Manufacture and sale of packaging products	**Ireland**	100
Smurfit Kappa Kraftliner Piteå AB SE – 941 86, Piteå, Sweden	Manufacture and sale of containerboard and holding company for operations in Sweden and Norway which manufacture and sell packaging products	**Sweden**	100
Smurfit Kappa Nederland B.V. Warandelaan 2, 4904 PC Oosterhout, The Netherlands	Holding company for Dutch operations which manufacture paperboard and packaging products	**Netherlands**	100
Smurfit Kappa Nervión, S.A. B Arriandi s/n, 48215 Iurreta, Vizcaya, Spain	Manufacture and sale of sack paper and holding company for Spanish and Portuguese operations whose principal activities are the manufacture and sale of paperboard and packaging products	**Spain**	100
Smurfit Kappa Packaging UK Limited Cunard Building, Pier Head, Liverpool, LS3 1SF, United Kingdom	Holding company for operations in the United Kingdom whose principal activities are the manufacture and sale of paperboard and packaging products	**England**	100
Smurfit Kappa do Brasil Indústria de Embalagens S.A Rua Castilho, 392, Cj.162, Brooklin, CEP 04568–010, São Paulo, Brazil	Holding company for operations in Brazil whose principal activities are the manufacture and sale of paperboard and packaging products	**Brazil**	100
Smurfit Kappa Participations SAS 5 Avenue du Général de Gaulle, 94160 Saint Mandé, France	Holding company for French operations whose activities are the manufacture and sale of paperboard and packaging products	**France**	100
Smurfit Kappa Treasury Unlimited Company Beech Hill, Clonskeagh, Dublin 4, D04 N2R2, Ireland	Finance company	**Ireland**	100

1 A full list of subsidiaries and associates will be annexed to the Annual Return of the Company to be filed with the Irish Registrar of Companies.
2 The companies operate principally in their countries of incorporation.

32. Principal Subsidiaries continued

Section 357 Guarantees

Pursuant to the provisions of Section 357, Companies Act 2014, Smurfit Kappa Group plc has irrevocably guaranteed all commitments entered into by certain of its Irish subsidiaries (including amounts shown as liabilities in the statutory financial statements of such subsidiaries) for the financial year ended 31 December 2020 and as a result such subsidiaries have been exempted from the filing provisions of Section 347, Companies Act 2014. These Irish subsidiaries are as follows – Belgray Holdings Unlimited Company, Brenchley Limited, Claystoke Designated Activity Company, Damous Limited, DLRS (Holdings) Limited, Smurfit Kappa Security Concepts Limited, Gorda Limited, Iona Print Limited, iVenus Limited, Jefferson Smurfit & Sons Limited, Margrave Investments Limited, Smurfit International Designated Activity Company, Smurfit Investments (Ireland) Limited, Smurfit Kappa Holdings Limited, Smurfit Kappa Investments Limited, Smurfit Kappa Ireland Limited, Smurfit Kappa Irish Paper Sacks Limited, Smurfit Kappa Leasing Unlimited Company, Smurfit Kappa News Press Limited, Smurfit Kappa Packaging Limited, Smurfit Kappa Services Limited, Smurfit Kappa Treasury Funding Designated Activity Company, Smurfit Kappa Treasury Receivables Designated Activity Company, Smurfit Natural Resources Limited, Smurfit Securities Limited.

Article 403 Guarantees

Smurfit Kappa Group plc has, in accordance with Article 403, Book 2 of the Dutch Civil Code, guaranteed the debts of its following Dutch subsidiaries – Adavale (Netherlands) B.V., Smurfit International B.V., Smurfit Corrugated B.V., Smurfit Holdings B.V., Smurfit Investments B.V., Packaging Investments Netherlands (PIN) B.V., Packaging Investments Holdings (PIH) B.V., Smurfit Kappa Europe B.V., Smurfit Kappa Nederland B.V., Smurfit Kappa Technical Services B.V.,Smurfit Kappa Corrugated Benelux B.V., Smurfit Kappa TWINCORR B.V., Smurfit Kappa MNL Golfkarton B.V., Smurfit Kappa Van Dam Golfkarton B.V., Smurfit Kappa Vandra B.V., Smurfit Kappa Orko-Pak B.V., Smurfit Kappa ELCORR B.V., Smurfit Kappa Trobox Kartonnages B.V., Smurfit Kappa Zedek B.V., Smurfit Kappa North East Europe Head Office B.V., Smurfit Kappa Recycling B.V., Smurfit Kappa Development Centre B.V., Smurfit Kappa Paper Services B.V., Smurfit Kappa Roermond Papier B.V., Kappa Holding (Nederland) B.V., Smurfit Kappa RapidCorr Eindhoven B.V., Smurfit Kappa Group IS Nederland B.V., Smurfit Kappa Finance B.V., Smurfit Kappa Hexacomb B.V., Reparenco Holding B.V., Smurfit Kappa Parenco B.V., Parenco Energy B.V., Reparco Nederland B.V.

Non-controlling Interests

	2020 €m	2019 €m
At 1 January	**41**	131
Share of profit for the financial year	**2**	8
Purchase of non-controlling interest	**(27)**	(97)
Dividends paid	**–**	(4)
Foreign currency translation adjustment	**(3)**	3
At 31 December	**13**	41

During the year, the Group continued the purchase of other Colombian non-controlling interests.

Alternative Performance Measures

The Group uses certain financial measures as set out below in order to evaluate the Group's financial performance. These Alternative Performance Measures ('APMs') are not defined under IFRS and are presented because we believe that they, and similar measures, provide both SKG management and users of the Consolidated Financial Statements with useful additional financial information when evaluating the Group's operating and financial performance.

These measures may not be comparable to other similarly titled measures used by other companies, and are not measurements under IFRS or other generally accepted accounting principles, and they should not be considered in isolation or as substitutes for the information contained in our Consolidated Financial Statements.

Please note where referenced 'CIS' refers to Consolidated Income Statement, 'CBS' refers to Consolidated Balance Sheet and 'CSCF' refers to Consolidated Statement of Cash Flows.

The principal APMs used by the Group, together with reconciliations where the non-IFRS measures are not readily identifiable from the Consolidated Financial Statements, are as follows:

A. EBITDA

Definition

EBITDA is earnings before exceptional items, share-based payment expense, share of associates' profit (after tax), net finance costs, income tax expense, depreciation and depletion (net) and intangible assets amortisation. It is an appropriate and useful measure used to compare recurring financial performance between periods. A reconciliation of profit to EBITDA is included below:

Reconciliation of Profit to EBITDA

	Reference	2020 €m	2019 €m
Profit for the financial year	CIS	**547**	484
Income tax expense (after exceptional items)	CIS	**201**	193
Exceptional items charged in operating profit	CIS	**31**	178
Net finance costs (after exceptional items)	Note 7	**144**	209
Share of associates' profit (after tax)	CIS	**(1)**	(2)
Share-based payment expense	Note 4	**37**	41
Depreciation, depletion (net) and amortisation	Note 4	**551**	547
EBITDA		**1,510**	1,650

B. EBITDA Margin

Definition

EBITDA margin is a measure of profitability by taking our EBITDA divided by revenue.

	Reference	2020 €m	2019 €m
EBITDA	A	**1,510**	1,650
Revenue	CIS	**8,530**	9,048
EBITDA margin		**17.7%**	18.2%

C. Operating Profit Before Exceptional Items

Definition

Operating profit before exceptional items represents operating profit as reported in the Consolidated Income Statement before exceptional items. Exceptional items are excluded in order to assess the underlying financial performance of our operations.

	Reference	2020 €m	2019 €m
Operating profit	CIS	**891**	884
Exceptional items	CIS	**31**	178
Operating profit before exceptional items	CIS	**922**	1,062

D. Pre-exceptional Basic Earnings per Share

Definition

Pre-exceptional basic EPS serves as an effective indicator of our profitability as it excludes exceptional one-off items and, in conjunction with other metrics such as ROCE, is a measure of our financial strength. Pre-exceptional basic EPS is calculated by dividing profit attributable to owners of the parent, adjusted for exceptional items included in profit before income tax and income tax on exceptional items, by the weighted average number of ordinary shares in issue. The calculation of pre-exceptional basic EPS is shown in Note 9.

E. Underlying EBITDA and Revenue

Definition

Underlying EBITDA and revenue are arrived at by excluding the incremental EBITDA and revenue contributions from current and prior year acquisitions and disposals and the impact of currency translation, hyperinflation and any non-recurring items.

The Group uses underlying EBITDA and underlying revenue as additional performance indicators to assess performance on a like-for-like basis each year.

	Europe 2020	The Americas 2020	Total 2020	Europe 2019	The Americas 2019	Total 2019
EBITDA						
Currency	**–**	**(9%)**	**(2%)**	–	–	–
Hyperinflation	**–**	**–**	**–**	–	(1%)	–
Acquisitions/disposals	**–**	**–**	**–**	3%	(2%)	2%
IFRS 16	**–**	**–**	**–**	5%	9%	6%
Underlying EBITDA change	**(11%)**	**12%**	**(7%)**	(3%)	7%	(1%)
Reported EBITDA change	**(11%)**	**3%**	**(9%)**	5%	13%	7%
Revenue						
Currency	**(1%)**	**(10%)**	**(3%)**	–	–	–
Acquisitions/disposals	**–**	**–**	**–**	3%	(4%)	1%
Underlying revenue change	**(4%)**	**2%**	**(3%)**	(2%)	6%	–
Reported revenue change	**(5%)**	**(8%)**	**(6%)**	1%	2%	1%

F. Net Debt

Definition

Net debt comprises borrowings net of cash and cash equivalents and restricted cash. We believe that this measure highlights the overall movement resulting from our operating and financial performance.

	Reference	2020 €m	2019 €m
Borrowings	Note 24	**3,276**	3,686
Less:			
Restricted cash	CBS	**(10)**	(14)
Cash and cash equivalents	CBS	**(891)**	(189)
Net debt		**2,375**	3,483

G. Net Debt to EBITDA

Definition

Leverage (ratio of net debt to EBITDA) is an important measure of our overall financial position.

	Reference	2020 €m	2019 €m
Net Debt	F	**2,375**	3,483
EBITDA	A	**1,510**	1,650
Net debt to EBITDA (times)		**1.6**	2.1

Alternative Performance Measures continued

H. Return on Capital Employed ('ROCE')

Definition

ROCE measures profit from capital employed. It is calculated as operating profit before exceptional items plus share of associates' profit (after tax) divided by the average capital employed (where average capital employed is the average of total equity and net debt at the current and prior year-end).

	Reference	2020 €m	2019 €m
Operating profit before exceptional items	C	**922**	1,062
Share of associates' profit (after tax)	CIS	**1**	2
Operating profit before exceptional items plus share of associates' profit (after tax)		**923**	1,064
Total equity – current year-end	CBS	**3,783**	2,993
Net debt – current year-end	F	**2,375**	3,483
Capital employed – current year-end		**6,158**	6,476
Total equity – prior year-end	CBS	**2,993**	2,890
Net debt – prior year-end	F	**3,483**	3,122
Capital employed – prior year-end		**6,476**	6,012
Average capital employed		**6,317**	6,244
Return on capital employed		**14.6%**	17.0%

I. Working Capital

Definition

Working capital represents total inventories, trade and other receivables and trade and other payables.

	Reference	2020 €m	2019 €m
Inventories	CBS	**773**	819
Trade and other receivables (current and non-current)	CBS	**1,563**	1,674
Trade and other payables	CBS	**(1,835)**	(1,863)
Working capital		**501**	630

J. Working Capital as a Percentage of Sales

Definition

Working capital as a percentage of sales represents working capital as defined above shown as a percentage of annualised quarterly revenue.

	Reference	2020 €m	2019 €m
Working capital	I	**501**	630
Annualised revenue		**8,875**	8,790
Working capital as a percentage of sales		**5.6%**	7.2%

K. Summary Cash Flow

Definition

The summary cash flow is prepared on a different basis to the Consolidated Statement of Cash Flows and as such the reconciling items between EBITDA and decrease/(increase) in net debt may differ from amounts presented in the Consolidated Statement of Cash Flows. The summary cash flow details movements in net debt. The Consolidated Statement of Cash Flows details movements in cash and cash equivalents.

Reconciliation of the Summary Cash Flow to the Consolidated Statement of Cash Flows

	Reference	2020 €m	2019 €m
EBITDA	A	**1,510**	1,650
Exceptional items	K.1	**(18)**	–
Cash interest expense	K.2	**(118)**	(156)
Working capital change	K.3	**94**	45
Capital expenditure	K.4	**(575)**	(730)
Change in capital creditors	K.4	**(18)**	19
Tax paid	CSCF	**(194)**	(222)
Change in employee benefits and other provisions	K.6	**(20)**	(73)
Other	K.7	**14**	14
Free cash flow	L	**675**	547
Share issues (net)	CSCF	**648**	2
Purchase of own shares (net)	CSCF	**(16)**	(23)
Purchase of businesses, investments and NCI	K.8	**(25)**	(204)
Dividends	CSCF	**(260)**	(242)
Derivative termination receipts	CSCF	**9**	1
Premium on early repayment of bonds	K.2	**–**	(31)
Net cash inflow		**1,031**	50
Net debt acquired	K.9	**(1)**	(7)
Adjustment on initial application of IFRS 16		**–**	(361)
Deferred debt issue costs amortised	K.10	**(7)**	(14)
Currency translation adjustment	Note 21	**85**	(29)
Decrease/(increase) in net debt		**1,108**	(361)

K.1 Exceptional Items

	Reference	2020 €m	2019 €m
Reorganisation and restructuring costs – paid		**(7)**	–
Recognition reward – paid	Note 5	**(11)**	–
Per summary cash flow		**(18)**	–

K.2 Cash Interest Expense

	Reference	2020 €m	2019 €m
Interest paid	CSCF	**(122)**	(233)
Interest received	CSCF	**3**	4
Move in accrued interest	K.10	**1**	3
Initial cost of bonds repaid	Note 21	**–**	39
Premium on early repayment of bonds	K	**–**	31
Per summary cash flow		**(118)**	(156)

K.3 Working Capital Change

	Reference	2020 €m	2019 €m
Net movement in working capital	CSCF	**95**	48
Other		**(1)**	(3)
Per summary cash flow		**94**	45

K. Summary Cash Flow continued

K.4 Capital Expenditure

	Reference	2020 €m	2019 €m
Additions to property, plant and equipment and biological assets	CSCF	**(493)**	(612)
Additions to intangible assets	CSCF	**(21)**	(20)
Additions to right-of-use assets	Note 12	**(79)**	(79)
Change in capital creditors	K	**18**	(19)
Per summary cash flow		**(575)**	(730)

K.5 Capital Expenditure as a Percentage of Depreciation

	Reference	2020 €m	2019 €m
Capital expenditure	K.4	**575**	730
Depreciation, depletion (net) and amortisation	A	**551**	547
Capital expenditure as a percentage of depreciation		**104%**	134%

K.6 Change in Employee Benefits and Other Provisions

	Reference	2020 €m	2019 €m
Change in employee benefits and other provisions	CSCF	**(7)**	51
Reorganisation and restructuring costs – unpaid	K.6.1	**(28)**	–
Past service cost – UK	K.6.2	**15**	–
Italian Competition Authority fine provision	K.6.3	**–**	(124)
Per summary cash flow		**(20)**	(73)

K.6.1 Reorganisation and Restructuring Costs

The change in the provision relating to exceptional reorganisation and restructuring costs is not included in the summary cash flow as it is not within EBITDA. Exceptional reorganisation and restructuring costs which were paid in 2020 are shown as a separate line item within 'Exceptional items' in the summary cash flow.

K.6.2 Past Service Cost – UK

The change in employee benefits relating to the exceptional past service cost on the UK pension scheme is not included in the summary cash flow as it is not within EBITDA.

K.6.3 Italian Competition Authority Fine Provision

The change in the provision relating to the Italian Competition Authority fine ruling of €124 million is not included within the summary cash flow as it is not within EBITDA.

K.7 Other

	Reference	2020 €m	2019 €m
Other within the summary cash flow comprises the following:			
Amortisation of capital grants	CSCF	**(2)**	(2)
Profit on sale of property, plant and equipment	CSCF	**(2)**	(3)
Profit on purchase/disposal of businesses	CSCF	**(4)**	(4)
Other (primarily hyperinflation adjustments)	CSCF	**6**	4
Receipt of capital grants	CSCF	**5**	2
Disposal of property, plant and equipment	CSCF	**5**	7
Dividends received from associates	CSCF	**1**	1
Lease terminations/modifications	L	**5**	9
Per summary cash flow		**14**	14

K.8 Purchase of Businesses, Investments and NCI

	Reference	2020 €m	2019 €m
Purchase of subsidiaries (net of acquired cash)	CSCF	**(2)**	(99)
Purchase of non-controlling interests	CSCF	**(23)**	(81)
Deferred consideration paid	CSCF	**–**	(14)
Cash and cash equivalents acquired	K.9	**–**	(10)
Per summary cash flow		**(25)**	(204)

K. Summary Cash Flow continued

K.9 Net Debt Acquired

	Reference	2020 €m	2019 €m
Debt acquired	Note 21	**(1)**	(17)
Cash and cash equivalents acquired	K.8	**–**	10
Per summary cash flow		**(1)**	(7)

K.10 Reconciliation of Other Non-cash Movements to Note 21

	Reference	2020 €m	2019 €m
Deferred debt issue costs amortised	K	**(7)**	(14)
Additions to right-of-use assets	K.4	**(79)**	(79)
Lease terminations/modifications	L	**5**	9
Move in accrued interest	K.2	**1**	3
Other non-cash movements	Note 21	**(80)**	(81)

L. Free Cash Flow ('FCF')

Definition

FCF is the result of the cash inflows and outflows from our operating activities, and is before those arising from acquisition and disposal of businesses. We use FCF to assess and understand the total operating performance of the business and to identify underlying trends.

Reconciliation of Free Cash Flow to Cash Generated from Operations

	Reference	2020 €m	2019 €m
Free cash flow	K	**675**	547
Reconciling items:			
Cash interest expense	K.2	**118**	156
Capital expenditure (net of change in capital creditors)	K.4	**593**	711
Tax payments	CSCF	**194**	222
Disposal of property, plant and equipment	CSCF	**(5)**	(7)
Lease terminations/modifications	K.7	**(5)**	(9)
Receipt of capital grants	CSCF	**(5)**	(2)
Dividends received from associates	CSCF	**(1)**	(1)
Non-cash financing activities		**(1)**	1
Cash generated from operations	CSCF	**1,563**	1,618

Shareholder Information

Ordinary Shareholdings

On 31 December 2020, the ordinary shares of the Company in issue were held as follows:

Number of Shares	Number of Shareholders	% of Total	Number of Shares Held	% of Total
1 – 1,000	1,493	44.71	548,368	0.21
1,001 – 5,000	699	20.93	1,708,057	0.66
5,001 – 10,000	248	7.43	1,822,670	0.71
10,001 – 100,000	599	17.94	20,478,335	7.94
100,001 – 500,000	206	6.17	45,997,853	17.83
Over 500,000	94	2.82	187,424,414	72.65
Total	3,339	100	257,979,697	100

Stock Exchange Listings

The Company's shares are listed on the following exchanges:

Exchange	Type	City	Symbol
LSE	Premium	London	SKG
Euronext Dublin	Secondary	Dublin	SK3

Financial Calendar

AGM	30 April 2021
Interim results announcement	28 July 2021

Website

The Investors section on the Group's website, smurfitkappa.com, provides the full text of the financial results and copies of presentations to analysts and investors. Press releases are also made available in this section of the website immediately after release to the stock exchanges.

Registrars

Enquiries concerning shareholdings should be directed to the Company's Registrars:

Link Registrars Limited,

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Tel: +353 (0)1 553 0050
Fax: +353 (0)1 224 0700
enquiries@linkgroup.ie
www.signalshares.com

Certificated/Electronic Shareholding

Shares in the Company may be held on the register of members of the Company (i.e. in the form of a physical share certificate) or electronically. The migration of electronic settlement of the Company's shares from CREST to the settlement system operated by Euroclear Bank occurred on 15 March 2021. Following the migration, those who hold shares electronically will hold their interests in the shares as Belgian law rights through the Euroclear Bank system or as CREST depository interests ('CDIs') through the CREST System.

Proxy Voting

The process for appointing a proxy will depend on the manner in which you hold your ordinary shares in the Company. Further details will be contained in the notes to the Notice of Annual General Meeting. Persons who hold their interests in ordinary shares as Belgian law rights through the Euroclear system or as CDIs should consult with their stockbroker or other intermediary for information on the processes and timelines for submitting proxy votes for the Annual General Meeting through the respective systems.

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