

Sustainable Development Report Summary 2014

Sustainability
in every fibre



TONY SMURFIT | Group CEO

"I am pleased to say that in 2014 we met or exceeded each of the sustainability goals we had set ourselves for the year. We are also on course to meet the objectives in our Sustainability Vision, such as reducing our CO₂ emissions by 25% by 2020 and achieving our target for Chain of Custody certification of fibre produced and purchased under FSC[®], PEFC[™] and SFI[™]."

Introduction

Sustainability means striving for a better world through innovation, maximised use of resources, and minimised emissions. We strongly believe in the circular economy. This means re-using and recycling, and ensuring that biodiversity and human rights are respected in the forests we source new fibre from. We have been pioneers in the circular economy, a long term approach long term that shapes how we think and act, and who we are, both as a company and as a corporate citizen.

In 2014, Smurfit Kappa was added to the FTSE4Good Index for the first time, for implementing best-in-class standards in sustainability and corporate governance.

We help to realise our customers' own sustainability strategies and better manage their environmental impact. This is how we do business. It is what drives our success, our competitive energy, and our hunger for fresh challenges. At Smurfit Kappa we have **sustainability in every fibre** – it is ingrained in our people, our processes and our products.

In every fibre of our business

We take a holistic approach in everything we do — we look at the big picture and the small details, at the range of packaging materials and at the overall solution. We look at the environmental impact each choice will have on our customer's product. This helps them make the right decisions along their supply and value chains, so that these become more sustainable.

Smurfit Kappa follows a strict approach to make all tools measurable to help our customers make the best choice for their business. To develop packaging that delivers tangible, sustainable value, we work within three pillars:

- 1) Eco-design:** This is underpinned by three actions. First, our *PaperToBox*, software tool tells us the environmental impact of the packaging material. Then, our *sustainability scorecard* provides reliable sustainability data for our customers. Lastly, our *performance packaging* tool helps to cut the environmental impact of fit-for-purpose packaging.
- 2) Developing supply chain value:** Our unique *Pack Expert* tool shows our customers the environmental impact of their supply chains. We work with supply-chain engineers to cut waste and we cooperate with our high-tech partner *EyeSee* to measure consumer behaviour. This enables us to cut our environmental footprint while meeting our customer's needs.
- 3) Co-operation:** we share knowledge and expertise with our customers to help them design their sustainability strategy through a number of means, including courses, workshops, round-table discussions, awards, and sponsored debates.



Strategic priority Forest

In 2014, we continued to implement Chain of Custody certification, which enables us to deliver packaging certified by FSC, PEFC or SFI to our customers. By the end of 2015, up to 97% of our packaging will be guaranteed as Chain of Custody certified.

We implement sustainable forest-management principles for our own plantations and forests. Our ambition is to win certification by the FSC and/or PEFC for all of our plantations and forests. We also expect our suppliers to deliver Chain of Custody certified materials.

Paper cannot be recycled indefinitely. New fibres must be introduced into the system. This has an impact on the whole cycle, something we must take responsibility for. On top of the certification of our virgin fibre material, we have included our recycled fibre sourcing under our certified Chain of Custody systems.

Our Commitment

All fibre produced and purchased will originate from Chain of Custody certified materials under FSC, PEFC or SFI by end of 2015 or from non-controversial sources. This target has been reached.

Over 90% of our packaging will be labelled as Chain of Custody certified under FSC, PEFC or SFI by end of 2015. In 2014 we already reached 41% in Europe.



Strategic priority Climate Change

At Smurfit Kappa we are committed to continually improving the efficiency of our operations so that we continue to cut the use of fossil fuels. This means cutting energy use, boosting energy efficiency, and using renewable sources wherever we can.

In 2005, we set ourselves a target: reduce CO₂ emissions by 20% by 2020, compared with the 2005 figure. In fact, we exceed that target in 2013, with a 21.6% cut. So in 2014 we raised the target to a 25% reduction by 2020 compared with 2005.

Part of our commitment to climate change is to help our customers to reduce their overall CO₂ emissions throughout their supply chains. Our tools, *PaperToBox* and *Pack Expert*, help us determine our customers' carbon footprint in different supply chain scenarios.

Our Commitment

A 25% reduction in relative total CO₂ emissions in our mill system by 2020, compared with 2005. By 2014, we had already reached a level of 21.6%.

Continuously collaborate with our customers to determine the carbon footprint of the packaging life cycle. In 2014, our supporting tools (*PaperToBox* and *Pack Expert*) were used more than 3000 times a day.



Strategic priority Water

By investing in water-treatment plants we have been able to clean more efficiently the water we use, to use it more resourcefully, and to re-use more of it than we could before.

In 2014, we invested in a new water-treatment plant in the United States, and expanded the capacities of two others, in Mexico and Germany. By the end of the year, we had also reduced the chemical oxygen demand, or COD—a measure of the presence of organic compounds—by 28% in the water we released into the environment.

We also performed an overall water-risk assessment of all our paper and board mills, and developed a mill-specific assessment tool, which we piloted at our Mexican Cerro Gordo mill. We can now set more-specific targets on water and make individual improvement plans for each mill.

Our Commitment

A reduction of the organic content of water (COD) returned to the environment from our mills by one third by 2020 compared to 2005 per tonne of paper. In 2014 we reached a reduction of 28%.

Perform environmental assessments of the water use of our sites and develop water usage measurements. An overall environmental impact assessment on water at our mills was made in 2014 and a mill specific risk assessment tool was piloted at our Cerro Gordo mill in Mexico.



Strategic priority Waste

About half of the waste products created in our production processes are being redirected to other uses mainly within our own operations. In addition, 75% of our raw material is recovered paper. Recovered paper collection today cannot fully eliminate non-fibrous materials entering into our processes, and we continuously look for uses for these waste streams, be it in incineration or recycling in other ways.

In 2014, we launched an initiative to further find ways to cut or, where possible, eliminate waste throughout our operations. All paper packaging we supply to our customers, is already fully recyclable. Eventually we will cut all the waste that can be eliminated from our production system and minimise the amount we send to landfills for those materials that are not recoverable or further recyclable.

Our Commitment

Execute company-wide assessments on non-hazardous and hazardous wastes and establish targets to minimise the burden of these wastes. Both assessments were launched in 2014 and work continues in 2015, including work to develop targets.



Strategic priority People

In 2014, we conducted our first company-wide employee engagement survey, MyVoice, which asked for our employees' views on putting our strategy into action. This saw a response rate of 80%. Plans are undergoing in all our operations to develop and implement actions in order to improve internal employee engagement even further.

In health and safety, efforts to raise awareness of reporting requirements have led to more-comprehensive accident reporting. In 2014, we introduced a set of core practices to create safer and healthier working environments and added the Total Recordable Injury Rate (TRIR) to our existing health and safety performance metrics.

In 2014, 90% of management teams in all countries we operate in were made up of local employees.

As at the end of 2014, the Smurfit Kappa Foundation had dedicated all €1.5 million of its committable funds for the period from 2011. In 2014 alone, the Group and its national foundations made almost €4 million in charitable donations to educational, research, health, and socially-inclusive projects.

Our Commitment

The Smurfit Kappa Foundation's aim is to reach 100,000 people in local communities by 2020. This will involve spending at least €1 million per annum on the education of children and at least €1 million per annum on scientific research in areas such as biodiversity. By the end of 2014, the Smurfit Kappa Foundation had dedicated 100% of its committable funds (1.5 million) for the three year period since 2011. Close to €4 million in charitable donations were made by the Group and its foundations at national level in 2014.

In 2014, 90% of our management teams at mill and plant level were made up of local citizens, meaning we were on target for that year.

Sustainable sourcing

Smurfit Kappa sources a vast range of products, materials and services. These include our main fibre sources, but also materials such as starch, chemicals, fuels, spare parts, and a host of services, from IT and logistics to energy and maintenance.

This is why it is vital to ensure that sustainability standards are being met across the board, and is why we audit our suppliers to ensure that everything we source is sustainable and meets the high standards we have set. In Europe, we have audited all of our strategic suppliers since we started the programme in 2010. In the Americas we began auditing suppliers in 2013.

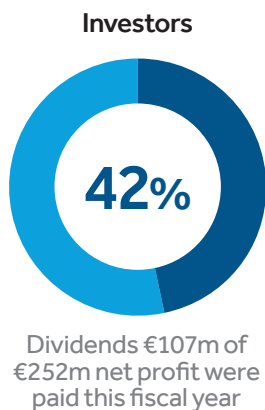
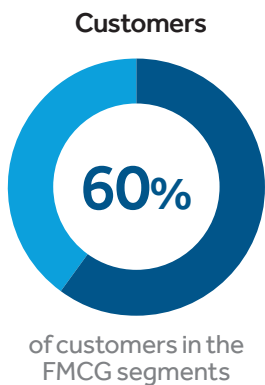
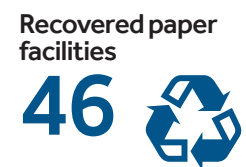
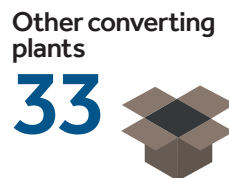
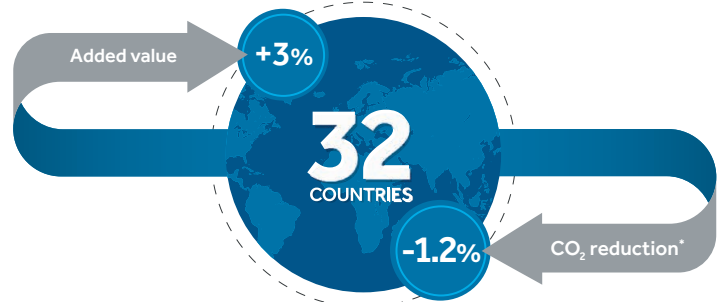
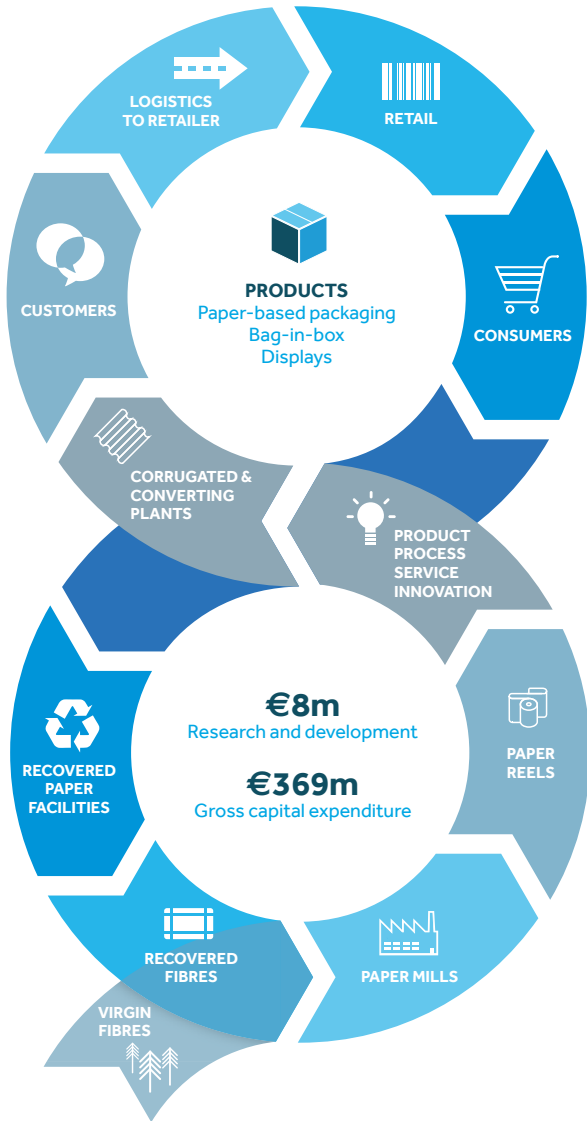
In our audits, we ask about social governance covering GRI, Sedex, UNGC and CDP. We favour suppliers who commit to the 10 principles of the UNGC and who report on social data to Sedex.

We procure locally wherever we can. This cuts transport and other costs, as well as the environmental impact of our operations.

Smurfit Kappa at a glance

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

Smurfit Kappa Product Life Cycle



*Relative

