



INTRODUCTION

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

The SDR 2011 details our vision and activities in the important area of sustainability. The Report demonstrates the Group's commitment to the supply of sustainable paper-based packaging solutions and outlines its approach to sustainability in the key areas of Environment, Society and Business.



Gary McGann, Group CEO: *"Once again, Smurfit Kappa has successfully shown that sustainability is entirely compatible with delivering profitable growth. At a time when economic conditions are challenging, we see sustainability as a key differentiating*

factor in the market. In particular, we continue to make progress on our Chain of Custody target for 2015, which will guarantee that all the paper and packaging we produce originates from reliable sources. The Group is committed to building a sustainable, responsible business which serves its customers and builds value for stakeholders."

OUR COMMITMENT AND APPROACH TO SUSTAINABILITY

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

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

In doing so, we will ensure that the environments within which Smurfit Kappa operates are respected and protected, both today and into the future. The Group employs some 38,000 people and strives to carefully use and recycle a wide range of natural resources.

HIGHLIGHTS

- **Chain of Custody Certification**
 - **Europe.** 100% of our paper mill system in Europe is FSC and/or PEFC certified.
 - **Latin America.** All three Mexican paper mills reached Chain of Custody certification (certificates received early 2012).
 - **Certified Packaging.** Considerable progress in the certification process of our packaging manufacturing operations. 25 additional plants achieved CoC certification.
- **CO₂ Reduction.** Year-on-year direct and indirect fossil CO₂ emissions decreased by 2.9%.
- **Investments in the Environment**
 - **CO₂ Reduction.** Investments were completed in a number of our paper mills that will lead to significant CO₂ emission reductions.
 - **COD Water Discharges.** Construction of a new water treatment plant in our paper mill in Bernal in Argentina was completed in 2011 and commissioned in early 2012.
- **Labour Relations.** The agreement with our European Works Council was renewed and is valid for another four years.
- **Sustainability Awards.** In Europe we introduced a Sustainability Awards competition for sustainable product designs, process and supply chain improvements, and local community involvement initiatives.
- **Sustainable Packaging.** Our unique packaging design tool Paper To Box™ was extended with environmental parameters allowing us to assess instantly the environmental impact of each packaging solution.

LONG TERM COMMITMENTS

1 Sustainable use of fibre:

By 2015:

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

2 CO₂ emissions

20% reduction in CO₂ emissions from fossil fuels in our global paper and board mill system in 2020 compared to 2005 (CO₂ emissions defined as direct and indirect CO₂ emissions from fossil fuel relative to production).

3 Water

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

4 Code of Business Conduct

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

ENVIRONMENT

Sustainable use of fibres

Smurfit Kappa has committed itself to produce products using raw materials from reliable and responsible origins. We have very strict policies in place, applicable to all operations, to monitor the origin of the fibres forming the basis of our products. 25% of the fibres used are virgin and 75% come from recovered paper. At the end of 2011, 78% of paper and board produced within Smurfit Kappa and 44% of our packaging operations were certified Chain of Custody (FSC or PEFC).

Efficient use of energy and carbon management

42% of our energy usage is generated from renewable sources, an increase of 9% since 2007. Over 54% of our electricity is generated by energy efficient Combined Heat & Power (CHP) installations, an increase of 9.7% since 2010.

Reducing CO₂ emissions

Since 2005, fossil CO₂ emissions per tonne of paper and board produced decreased by over 12%.

Water management

Water is a vital element in our manufacturing process and therefore carefully treated. Over 90% of our water intake is returned to the public water body. In 2011, water intake decreased by 2%. Since 2005, we have invested over €29 million in water treatment facilities resulting in a 21% relative reduction in COD discharges by our global mill system in 2011 compared to 2010.

SOCIAL

Social citizenship

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

Health and safety

We are committed to taking care of the health, safety and welfare of everyone affected by our activities. The well-being of our people is one of our key concerns.

Employee training and development

Training and development of our employees is key for us. This is reflected in terms of good practice, skill transfer, Health and Safety compliance, and ensuring that the Group's business ethics and standards are fully understood by the entire workforce and are reflected in its day-to-day conduct.

Our involvement with the community

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

SUSTAINABILITY IN OUR BUSINESS

Innovation in sustainable packaging solutions

Innovative design is a unique selling point of Smurfit Kappa. We share best practice in the Group using Innootools, an internal software suite for developing innovative sustainable packaging solutions. We assess the effectiveness and originality of our joint developments with customers through Innovation Award competitions.

Working together with customers

We develop sustainable, innovative, fit-for-purpose, 'right-weighted', as well as cost effective packaging. Working together with customers on sustainability has two main aspects to it. We credibly guarantee that the packaging supplied is produced in the most sustainable way using materials from sustainable sources. The second aspect on which we focus is the design and development of packaging which often allows the primary packaging to be optimised and minimises a customer's total sustainability impact per unit of product delivered to the consumer.

Product responsibility and product safety

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

Memberships in organisations

Smurfit Kappa is an active member of a number of industry and business organisations. These include CEPI, FEFCO, ICCA, ESBO and EUROKRAFT. We are also actively involved in organisations active in the area of environmental reporting and sustainability. These include the Carbon Disclosure Project, Sedex, the Water Footprint Network and the UN Global Compact.

KEY FACTS

General

Revenue	€7,357m
Employees	38,000
Number of facilities	331
Countries of operation	31

Our Production Network

Europe		Latin America	
Virgin Mills	5	Virgin Mills	2
Recycled Containerboard Mills	13	Recycled Paper & Board Mills	9
Other Recycled Paper & Board Mills	8	Corrugated Plants	27
Corrugated Plants	162	Paper Sack Plants	5
Other Locations	72	Other Locations	28

Our Production Capacity

Europe		Latin America	
Sales Volumes	mtonnes	Sales Volumes	mtonnes
Kraftliner	1.4	Containerboard	0.7
Recycled Containerboard	2.9	Other Paper & Board	0.4
Other Paper & Board	1.1	Corrugated	0.7
Corrugated	4.2		
Solid Board Packaging	0.3		



Our Sustainable Development Report 2011 is available at www.smurfitkappa.com