

OUR APPROACH TO TAX

Introduction

Smurfit Kappa Group plc, a FTSE 100 Company, is one of the leading providers of paper-based packaging solutions in the world, with around 45,000 employees in approximately 370 production sites across 35 countries and with revenue in excess of €8 billion in 2016. We are located in 22 countries in Europe and 13 in the Americas. We are the only large-scale pan-regional player in Latin America. Smurfit Kappa UK is a wholly owned subsidiary of Smurfit Kappa Group plc.

Smurfit Kappa is an integrated manufacturer of paper-based packaging solutions. We aim to create long-term value for our shareholders by helping to meet our customers' growing demand for packaging solutions. With our proactive team we relentlessly use our extensive experience and expertise, supported by our scale, to open up opportunities for our customers. We collaborate with forward-thinking customers by sharing superior product knowledge, market understanding and insights in packaging trends to ensure business success in their markets. We have an unrivalled portfolio of paper-packaging solutions, which is constantly updated with our market-leading innovations. This is enhanced through the benefits of our integration, with optimal paper design, logistics, timeliness of service, and our packaging plants sourcing most of their raw materials from our own paper mills. Our products, which are 100% renewable and produced sustainably, improve the environmental footprint of our customers.

Our business activities generate a significant amount and a variety of taxes including corporate income taxes, value added taxes, employment taxes, wealth taxes and other transfer taxes. Smurfit Kappa is committed to complying with tax laws in a fair and responsible manner and to having open and constructive relationships with tax authorities in the countries in which it is present. We understand our responsibility to pay an appropriate amount of taxes and we engage with initiatives to improve and simplify tax regimes to promote greater transparency and certainty.

Smurfit Kappa has a responsibility to our shareholders to be financially efficient and to deliver returns on their investments and this includes managing and maintaining an appropriate tax rate. As part of this strategy we seek to fully use tax incentives and exemptions offered by governments in support of their own employment and economic development objectives.

Governance

The Chief Financial Officer in each country is responsible for the implementation of the tax strategy. They work in close collaboration with the Group Tax Director and the tax team based at the Global Headquarters in the development and execution of that strategy. This includes the recruitment of complimentary and appropriately experienced professionals at the Global Headquarters and at a country level commensurate with the level and complexity of our operations.

Smurfit Kappa has robust financial and tax controllership policies, processes and procedures whose goal is to ensure consistency and accuracy across all operations in all countries. We work with external legal, tax and accounting firms when dealing with complex issues, uncertainties and transactions.



Tax compliance

Smurfit Kappa is committed to observing all applicable laws, rules and regulations in meeting our tax compliance, reporting and payment obligations across all forms of tax. These responsibilities are managed at a country or divisional level with appropriate internal and / or external resources. The local finance and tax teams work in collaboration with the Global Headquarters tax team and with other subject matter experts when appropriate.

Tax planning

Smurfit Kappa engages in efficient tax planning that supports our business and reflects the economic activity in each of the countries in which we are present. We are involved in a capital intensive industry and make investment decisions to support our strategic objectives. We seek to maximise the benefit of all available tax incentives and reliefs for such investments.

Tax risk management

Smurfit Kappa understands that the interpretation of law and practice differs from country to country and this can sometimes lead to tax risk and uncertainty.

We strive to achieve certainty in the tax treatment of our business activities and transactions commensurate with an objective to deliver sustainable returns to our shareholders. We implement a tax risk management strategy that is aligned with our commercial substance and activities. We do not invest in or purchase contrived or artificial schemes or arrangements.

We identify, consider and manage tax risks and appropriately record them as part of our tax controllership and reporting processes throughout the financial period. The tax provisions and calculations are subject to regular review and scrutiny with the tax team at the Global Headquarters. The results are reported to our Board on a quarterly basis.

Our tax provisions and disclosures arising from the implementation of our tax strategy are reviewed annually by our external and Independent Financial Auditors and the results are presented to the Audit Committee.

Transfer pricing

Our business is organised into strategic and geographical regions as well as into paper manufacturing and converting clusters resulting in cross-border transactions. Our transfer pricing policies are aligned with commercial substance and our operating business model.

Transactions between related parties are made on an arms-length basis in accordance with OECD guidance and principles. Our policy is to ensure compliance with all transfer pricing and documentation requirements at a local and Global Headquarters level. We regularly review our transfer pricing procedures to ensure they are in line with current and developing guidance and practice.

Transfer pricing is increasingly an area of uncertainty requiring subject matter expertise. We employ internal resources but also rely on external advisors to assist us in assessing our compliance with tax laws and to address any enquiries from tax authorities.



Relationship with governments and transparency

Smurfit Kappa aims to build positive and sustainable relationships with tax authorities that are proactive and constructive. We seek to avoid disputes and litigation but if there are areas of disagreement we will work with the authorities to explain and, if necessary, to defend our interpretation of law and practice based on advice from subject matter experts.

Smurfit Kappa UK has consistently achieved a low risk rating from HMRC and it strives to maintain such a rating.

We support the work of the OECD on BEPS and we actively engage in this process to provide constructive input and feedback. We comply with the requirements for Country-by-Country reporting to tax authorities. We encourage continued international co-operation with the goal of delivering a stable and certain fiscal environment that is essential for long term investment decisions.

End.

December 2017