

F0. Introduction

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F0.1

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**(F0.1) Give a general description of and introduction to your organization.**

Smurfit Kappa Group plc and its subsidiaries (together 'SKG' or 'the Group'), a FTSE 100 company, is one of the leading providers of sustainable packaging solutions in the world, with approximately 46,000 employees in 350 production sites across 35 countries and with revenue of €8.5 billion in 2020 of products, with operations in Europe, Latin America, the United States and Canada.

In 2020, the Group's Europe and Americas regions accounted for approximately 75% and 25% of revenue respectively.

The Group owns 34 mills (29 of which produce containerboard), 242 converting plants (most of which convert containerboard into corrugated boxes), 44 recovered fibre facilities and two wood procurement operations (which together provide raw material for our mills) and 34 other production facilities carrying out other related activities. The Group owns approximately 67,000 hectares of forest plantations in Latin America and 500 hectares in France and Spain.

**What we do:**

Our core activity is to produce paper-based packaging solutions for our 65,000 customers. We are involved in all stages of our supply chain: we collect and purchase waste paper and we grow and purchase wood both to supply the fibrous raw material our paper mills need to produce a full range of packaging papers. Most of this paper is converted by our corrugated converting plants into corrugated containers which we then deliver to our customers. The Group operates in 23 countries in Europe and is the European leader in corrugated packaging, containerboard and solidboard with key positions in several other packaging and paper market segments. We also have three bag-in-box facilities, located in Argentina, Canada and Mexico, which are managed as part of our European bag-in-box operations. The Group operates in 12 countries in the Americas and is the largest pan-regional producer of containerboard and corrugated containers in Latin America.

In Europe our business is highly integrated and includes a system of mills and plants that primarily produces a full line of containerboard that is converted into corrugated containers. In addition to other types of paper, such as solidboard and sack kraftpaper, and paper-based packaging, such as solidboard packaging and folding cartons, this segment includes the Group's bag-in-box operations.

In 2020, we delivered 6.7 million tonnes (13 billion m2) of corrugated packaging to our customers, using most of the 7.0 million tonnes of containerboard produced within our own mill system. In terms of world market positions, the Group is one of the largest producer of corrugated packaging. Given the high degree of integration between the mills and its conversion plants, particularly in terms of containerboard, the Group's end customers are primarily in the corrugated packaging market, which uses the packaging for product protection and product merchandising purposes. The Group's large manufacturing footprint provides it with a competitive advantage because the corrugated packaging market is a localised market and corrugated box plants need to be close to customers (generally 300 kilometres or less) due to the relatively high cost of transporting the product. Approximately 60% of the Group's corrugated customers are in the fast moving consumer goods ('FMCG') sector, comprising food, beverage, and household consumables, the remainder being split across a wide range of different industries.

**Our approach to sustainability:**

Our end-to-end approach to sustainability is about considering, understanding and promoting sustainability at every step of the value chain. We use sustainability as a lens through which to focus our innovation, our strategy and our processes. The transparency and detail we offer our stakeholders is industry leading. With our pro-active team we 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 paper-based products improve the environmental footprint of our customers as their raw material is 100% renewable and the products itself are 100% recyclable.

**Recognitions:**

We are listed and participate in many investor ratings and disclosure programmes, like FTSE4Good, Euronext Vigeo Europe 120, STOXX Global ESG Leaders, Ethibel, the Green Economy Mark, SEDEX, and are included in the Solactive ISS ESG Beyond Plastic Waste Index in 2020. Early 2021, we received a five star recognition from Support the Goals, the first FTSE100 company to do so

F0.2

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**(F0.2) State the start and end date of the year for which you are reporting data.**

	Start Date	End Date
Reporting year	January 1 2020	December 31 2020

F0.3

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**(F0.3) Select the currency used for all financial information disclosed throughout your response.**

EUR

## F0.4

**(F0.4) Select the forest risk commodity(ies) that you are, or are not, disclosing on (including any that are sources for your processed ingredients or manufactured goods); and for each select the stages of the supply chain that best represents your organization's area of operation.**

	Commodity disclosure	Stage of the value chain	Explanation if not disclosing
Timber products	Disclosing	Production Processing Trading Manufacturing	<Not Applicable>
Palm oil	<Not Applicable>	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Rubber	This commodity is not produced, sourced or used by our organization	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>	<Not Applicable>

## F0.5

**(F0.5) Are there any parts of your direct operations or supply chain that are not included in your disclosure?**

No

## F1. Current state

### F1.1

**(F1.1) How does your organization produce, use or sell your disclosed commodity(ies)?**

#### Timber products

##### Activity

Growing/production of raw materials  
 Harvesting  
 Refining & processing  
 Exporting/trading  
 Using as input into manufacturing process for power generation  
 Using as input into product manufacturing  
 Distributing/packaging

##### Form of commodity

Hardwood logs  
 Softwood logs  
 Sawn timber, veneer, chips  
 Unprocessed wood fiber  
 Pulp  
 Paper  
 Primary packaging  
 Secondary packaging  
 Tertiary packaging

##### Source

Owned/managed land  
 Smallholders  
 Single contracted producer  
 Multiple contracted producers  
 Trader/broker/commodity market  
 Contracted suppliers (processors)  
 Contracted suppliers (manufacturers)

**Country/Area of origin**

- Argentina
- Australia
- Austria
- Belarus
- Belgium
- Brazil
- Bulgaria
- Canada
- Chile
- Colombia
- Czechia
- Denmark
- Estonia
- Finland
- France
- Germany
- Hungary
- Indonesia
- Ireland
- Latvia
- Lithuania
- Luxembourg
- Netherlands
- Norway
- Poland
- Portugal
- Romania
- Russian Federation
- Slovakia
- Spain
- Sweden
- Switzerland
- Ukraine
- United Kingdom of Great Britain and Northern Ireland
- United States of America
- Uruguay

**% of procurement spend**

21-30%

**Comment**

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. What We Do Our core activity is to produce paper-based packaging solutions for our 65,000 customers. We are involved in all stages of our supply chain: we collect and purchase waste paper and we grow and purchase wood both to supply the fibrous raw material our paper mills need to produce a full range of packaging papers. In addition Smurfit kappa purchased containerboard paper from third parties. Most of this internal produced and external purchased paper is converted by our corrugated converting plants into corrugated containers which we then deliver to our customers. In 2020, we delivered 6.7 million tonnes (13 billion m2) of corrugated packaging to our customers, using most of the 7.0 million tonnes of containerboard produced within our own mill system. Natural fibres are our main raw material and we use them efficiently. 75% of the fibres we use have been recycled. Producing packaging from recycled fibres only is not possible. To maintain an optimized recycling system we need fresh fibres and therefore virgin fibres make up 25% of our raw material supply. We source all our fibrous raw materials sustainably as Chain of Custody certified, including our recycled fibres. Our wood is often a natural side product – from the woodchips and tops of the trees too small for sawmills, as well as trees that are removed in order to support healthy growth in the forest. This means that everything is used, nothing is wasted 84% of the wood we sourced in 2020 was procured at third party wood suppliers , while 16% was sourced from our own forestry operations. A total of 57% of the wood we use for virgin paper comes from forests certified under the FSC and/ or PEFC. The remaining 43% have at least an FSC Controlled wood status. More than 99% of our externally purchased paper and pulp had at least a FSC Controlled wood status and mostly was FSC certified. Our manufacturing sites are Chain of Custody certified, and over 99% of our fibres are sourced through Chain of Custody certified supply chains.

**F1.2**

**(F1.2) Indicate the percentage of your organization’s revenue that was dependent on your disclosed forest risk commodity(ies) in the reporting year.**

	<b>% of revenue dependent on commodity</b>	<b>Comment</b>
Timber products	21-30%	Smurfit Kappa’s final product is paper-based packaging solutions. Some 25% of our fibres are virgin fibres, the rest being recycled fibres from recovered paper. The products contain a mix of virgin and recycled fibres and therefore we use the same principle in calculating our share of revenue being dependent on the commodity
Palm oil	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>

**(F1.3) Provide details on the land area you control and/or manage that is used for the production of your disclosed commodity(ies).****Forest risk commodity**

Timber products

**Type of control**

Own land

**Country/Area**

Colombia

**Land type**

Tree plantations

**Area (Hectares)**

67000

**% Area certified**

100

**Certification scheme**

Other, please specify (Forest Stewardship Council® (FSC®))

**Conversion of natural ecosystems during the reporting year**

No

**Area converted during the reporting year (hectares)**

&lt;Not Applicable&gt;

**% covered by natural forests**

&lt;Not Applicable&gt;

**Please explain**

Forest and Plantation Management in Colombia Almost all the virgin wood fibre our Colombian plants need is supplied by 67,100 hectares (ha) of forests and plantations which we own and manage. We use protection programmes with the best sustainable development principles, promoting responsible use of natural resources along with economic development and social inclusiveness. We also conform to comprehensive legal, technical and environmental regulations set by local government and international bodies, subject to annual review. Our 67,100 ha of forests and plantations in Colombia include: • 42,000 ha of commercial plantations, of which 6,000 ha are partnerships with private landowners; • 22,000 ha of protected natural forest; and • 3,100 ha for infrastructure. In our commercial plantations, 58% of the land is pine, 35% eucalyptus, 6% is being replanted and 2% is dedicated to research. Our Colombian forest management programmes have been certified by FSC since 2003. 22,000 hectares of this area are protected natural forests devoted to conservation and are home to over 1,200 species of flora and fauna. We know that 53 of these are endangered species, such as the Andean bear. We do not convert natural forests into plantations, but we have rehabilitated land back to natural forest. Protecting and promoting natural habitats is important to our approach, so in Colombia we use our own research centre as well as third-party institutions. We do this by developing alliances with third parties, neighbouring communities and organisations, to research and promote sustainable practices. One of the organisations we collaborate with is the World Wildlife Fund (WWF) Colombia. Our continued work together includes many diverse projects, starting out with the Legal Timber Pact in 2009, to help reduce the illegal production of wood in Colombia. This involved the participation of the Ministry of Environment and local environmental authorities. In 2020, Smurfit Kappa Colombia announced a new alliance with WWF Colombia, with both organisations working together to restore, expand and protect forests and ecosystems. The alliance is a further example of Smurfit Kappa's commitment to protect the environment and communities to the highest sustainability standards. This initiative will also support the restoration and conservation programmes that WWF Colombia carries out.

**Forest risk commodity**

Timber products

**Type of control**

Concession/lease

**Country/Area**

France

**Land type**

Tree plantations

**Area (Hectares)**

250

**% Area certified**

100

**Certification scheme**

PEFC Sustainable Forest Management certification

**Conversion of natural ecosystems during the reporting year**

No

**Area converted during the reporting year (hectares)**

&lt;Not Applicable&gt;

**% covered by natural forests**

&lt;Not Applicable&gt;

**Please explain**

In Europe, we offer forest management services through our wood supply companies (Forrest contractors) in Spain and France, where we own and manage some 500 hectares of forest. We purchase most of the round wood and saw mill residue via our Smurfit kappa Forest contractor entities in Spain and France from third party supplier of round wood and saw mill residue. In both very small plantations in France and Spain, we follow local best practice for forest management, as certified by PEFC. Our wood-handling operations are Chain of Custody certified to FSC and PEFC standards.

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**Forest risk commodity**

Timber products

**Type of control**

Own land

**Country/Area**

Spain

**Land type**

Tree plantations

**Area (Hectares)**

250

**% Area certified**

100

**Certification scheme**

PEFC Sustainable Forest Management certification

**Conversion of natural ecosystems during the reporting year**

Please select

**Area converted during the reporting year (hectares)**

&lt;Not Applicable&gt;

**% covered by natural forests**

&lt;Not Applicable&gt;

**Please explain**

In Europe, we offer forest management services through our wood supply companies (Forrest contractors) in Spain and France, where we own and manage some 500 hectares of forest. We purchase most of the round wood and saw mill residue via our Smurfit kappa Forest contractor entities in Spain and France from third party supplier of round wood and saw mill residue. In both very small plantations in France and Spain, we follow local best practice for forest management, as certified by PEFC. Our wood-handling operations are Chain of Custody certified to FSC and PEFC standards.

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**F1.4**

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**(F1.4) Provide details on the land you control and/or manage that was not used for the production of your disclosed commodity(ies) in the reporting year.****Forest risk commodity**

Timber products

**Country/Area**

Colombia

**Type of control**

Own land

**Land type**

Set-aside land

**Area (hectares)**

22000

**% covered by natural forests**

100

**Please explain**

22,000 hectares of this area are protected natural forests devoted to conservation and are home to over 1,200 species of flora and fauna. We know that 53 of these are endangered species, such as the Andean bear, also known as the spectacled bear. Protecting and promoting natural habitats are an important part of our approach to biodiversity and ecosystem conservation. We do this by developing alliances with third parties, neighbouring communities and organisations, to research and promote sustainable practices. Since 2003, our Colombian plantations have been managed and certified according to the FSC Sustainable Forest Management standard. One of the organisations we collaborate with is the World Wildlife Fund (WWF) Colombia. WWF is one of the leading global conservation organisations with 6 million members and operations in more than 120 countries across the world. Our continued work together includes many diverse projects, starting out with the Legal Timber Pact in 2009, to help reduce the illegal production of wood in Colombia. This involved the participation of the Ministry of Environment and local environmental authorities. In 2020, Smurfit Kappa Colombia announced a new alliance with WWF Colombia, with both organisations working together to restore, expand and protect forests and ecosystems. As said before, third of our Colombian forest land is dedicated to protecting forest sustainability, helping maintain the area's rich biodiversity and preserving watersheds, habitats and ecosystems. To maintain forest biodiversity and sustainability, our principles are to: • conserve them, by protecting and promoting species diversity, sustaining ecosystems, and protecting water sources and habitats; • identify appropriate species and practices that increase plantation yields whilst protecting the environment; and • develop research programmes to preserve and enhance soil productivity. Protecting and promoting natural habitats is important to our approach, so in Colombia we use our own research centre as well as third-party institutions. We do not convert natural forests into plantations, but we have rehabilitated land back to natural forest.

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**F1.5**

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**(F1.5) Does your organization collect production and/or consumption data for your disclosed commodity(ies)?**

	Data availability/Disclosure
Timber products	Consumption data available, disclosing
Palm oil	<Not Applicable>
Cattle products	<Not Applicable>
Soy	<Not Applicable>
Other - Rubber	<Not Applicable>
Other - Cocoa	<Not Applicable>
Other - Coffee	<Not Applicable>

**F1.5a**

**(F1.5a) Disclose your production and/or consumption data.**

**Forest risk commodity**

Timber products

**Data type**

Consumption data

**Volume**

8500000

**Metric**

Metric tons

**Data coverage**

Full commodity production/consumption

**Please explain**

<Not Applicable>

**F1.5b**

**(F1.5b) For your disclosed commodity(ies), indicate the percentage of the production/consumption volume sourced by national and/or sub-national jurisdiction of origin.**

**Forest risk commodity**

Timber products

**Country/Area of origin**

Argentina

**State or equivalent jurisdiction**

Don't know

**% of total production/consumption volume**

0.1

**Please explain**

These fibres are part of our paper supplies from a third-party supplier that has supplies in Argentina. The total of the papers represent less than 0.1% of our paper supplies and may not contain any fibres from Argentina but are however covered by our Forest and Fibre Sourcing Policy and due-diligence risk assessment. Our Forest and Fibre Sourcing Policy stipulates that all virgin fibres supplied to Smurfit Kappa have to conform to our due-diligence and risk assessment procedures and be supplied to us through a traceable, FSC Chain of Custody certified supply chain and this applies to the papers with possible virgin fibres originating from Argentina.

**Forest risk commodity**

Timber products

**Country/Area of origin**

Australia

**State or equivalent jurisdiction**

Specify state/equivalent jurisdiction (Wood chips ( saw mill residue) from wood plantations.)

**% of total production/consumption volume**

0.1

**Please explain**

These fibres are part of our paper supplies from a third-party paper suppliers that has supplies to one SK plant located in El Salvador. The total of the papers represent less than 0.1% of our paper supplies and may not contain any fibres from Australia, but are however covered by our Forest and Fibre Sourcing Policy and due-diligence risk assessment. The third party paper with fiber origin Australia is FSC certified. Our Forest and Fibre Sourcing Policy stipulates that all virgin fibres supplied to Smurfit Kappa have to conform to our due-diligence and risk assessment procedures and be supplied to us through a traceable, FSC Chain of Custody certified supply chain and this applies to the papers with possible virgin fibres originating from Australia. One supplier of one SK converting plant supplied paper, which contains fibers derived from wood chips, made from wood, coming from wood plantation's, located in Australia.

**Forest risk commodity**

Timber products

**Country/Area of origin**

Brazil

**State or equivalent jurisdiction**

Specify state/equivalent jurisdiction (Arroio dos Ratos, Arroio Grande, Bage, Barra do Ribeiro, Barrao do Triunfo, Butia, Cacapava do Sul, Cachoeira do Sul, Camaqua, Candiota, Cristal, Dom Feliciano, Eldorado do Sul, Encruzilhada do Sul, Guaíba, Lavras do Sul, Mariana Pimentel )

**% of total production/consumption volume**

1

**Please explain**

These fibres are part of our paper supplies from a third-party supplier that has supplies in Brasil. Our SK paper mills Cellulose de Pin in France and SK Wrexen Paper and Board mill in Germany used market pulp with the country of origin Brasil. The third party paper used at our converting plants located in Brasil and the market pulp used by our own mills in Europe are FSC certified. In addition the market pulp used by our mills in Europe are EU and UK timber regulation conform. The total of the papers represent less than 1 % of our paper and market pulp supplies and may not contain any fibres from Brasil, but are however covered by our Forest and Fibre Sourcing Policy and due-diligence risk assessment. Our Forest and Fibre Sourcing Policy stipulates that all virgin fibres supplied to Smurfit Kappa have to conform to our due-diligence and risk assessment procedures and be supplied to us through a traceable, FSC Chain of Custody certified supply chain and this applies to the papers with possible virgin fibres originating from Brasil. SK is committed to performing additional due diligence on suppliers' purchases of timber, pulp and paper and other wood fibre-based products which originate from a high-risk country. The following countries in SK's current supply chain are considered high risk: Argentina, Brazil, Chile, Colombia, Romania, Russia Ukraine and Indonesia. Therefore Smurfit Kappa accept FSC certified paper or pulp only, if the fibers have country of origin Brasil.

**Forest risk commodity**

Timber products

**Country/Area of origin**

Colombia

**State or equivalent jurisdiction**

Specify state/equivalent jurisdiction (Cauca, Caldas, Quindio, Tolima and Valle regions)

**% of total production/consumption volume**

3

**Please explain**

Smurfit Kappa owns 67,100 ha of plantations in Colombia in the Cauca, Caldas, Quindio, Tolima and Valle regions. 42,000 ha is dedicated for tree plantations, 22,000 ha for forest conservation and 3,100h ha for infrastructure. All Forest own by Smurfit Kapa in Colombia is FSC certified since 2001. The wood used by SK Cali mill, located in Colombia, come only from these own FSC certified plantations. We follow our Forest and Fibre Sourcing Policy at our tree plantations in Colombia and according to our policy all the plantations are FSC certified and their management and logging follow the FSC Chain of Custody principles. Because all of our Colombian fibres are sourced at our own FSC certified plantations we consider them as low risk. Biodiversity and Ecosystem Conservation A third of our Colombian forest land is dedicated to protecting forest sustainability, helping maintain the area's rich biodiversity and preserving watersheds, habitats and ecosystems. To maintain forest biodiversity and sustainability, our principles are to: • Conserve them, by protecting and promoting species diversity, sustaining ecosystems, and protecting water sources and habitats; • Identify appropriate species and practices that increase plantation yields whilst protecting the environment; and • Develop research programmes to preserve and enhance soil productivity. Fibres for paper are efficiently produced on our plantations. We use carefully selected areas for plantations, avoiding valuable ecosystems and protected forest areas. Protecting and promoting natural habitats is important to our approach, so in Colombia we use our own research centre as well as third-party institutions. Since 2009, we have worked with four local universities – Cauca, Nacional, Valle and Quindío – studying the flora and fauna populations in and around our forests. Examples include: • Since 2013, a partnership with the Biology Programme of the Natural Science School of Universidad del Valle has studied • During the past five years, studies developed by Smurfit Kappa identified 1,280 species in our forests. This includes 662 trees, 540 birds, 77 mammals, and one amphibian, of which 53 species are endangered. Our plantations and neighbouring protected forests form important wildlife corridors, contributing to species conservation in the Andean ecosystem, and need careful management

**Forest risk commodity**

Timber products

**Country/Area of origin**

Indonesia

**State or equivalent jurisdiction**

Don't know

**% of total production/consumption volume**

0.1

**Please explain**

These fibres are part of our paper supplies from a third-party paper suppliers that has supplies to one SK plant located in Greece. The total of the papers represent less than 0.1% of our paper supplies and may not contain any fibres from Indonesia, but are however covered by our Forest and Fibre Sourcing Policy and due-diligence risk assessment. The third party paper with fiber origin Indonesia is FSC certified. Our Forest and Fibre Sourcing Policy stipulates that all virgin fibres supplied to Smurfit Kappa have to conform to our due-diligence and risk assessment procedures and be supplied to us through a traceable, FSC Chain of Custody certified supply chain and this applies to the papers with possible virgin fibres originating from Indonesia.

**Forest risk commodity**

Timber products

**Country/Area of origin**

Any other countries/areas

**State or equivalent jurisdiction**

&lt;Not Applicable&gt;

**% of total production/consumption volume**

96

**Please explain**

Although we source most of our wood from Europe, we source wood fibres indirectly via our third party paper supplies from 36 countries among which nine are classified as potential high-risk countries. In sourcing timber, pulp and paper, and other wood-fibre based materials preference will be given to the materials that are chain of custody certified through FSC®, PEFC (TM) or SFI (TM). As a minimum SK requires that all timber, pulp and paper suppliers guarantee a non-controversial origin of the fibrous

materials delivered to SK according to the FSC®, PEFCM and SFITM chain of custody and controlled wood standards. SK accepts purchases of timber, pulp and paper and other wood fibre-based products only from suppliers who offer a documented trail of the raw material origin on documentation as required in FSC®, PEFCM and SFITM chain of custody standards. SK is committed to implementing chain of custody certified fibre origin management systems at all sites operating with fibrous materials through FSC®, PEFCM and/or SFITM and including appropriate chain of custody information on all relevant documentation in its sales of products to its customers. SK is committed to performing additional due diligence on suppliers' purchases of timber, pulp and paper and other wood fibre-based products which originate from a high-risk country. During 2020, we continued our collaboration with 'Preferred by Nature' (formerly Nepcon) to keep our risk assessment and risk mitigation activities up to date. We continued training local employees in performing supplier due diligence at local level. In addition, 'Preferred by Nature' conducted a second gap analysis of the due diligence system related procedures at Group level that should prevent the purchasing of any wood-based material with a controversial origin. Although we source most of our wood from Europe, we source wood fibres indirectly via our third part paper from 36 countries among which nine are classified as potential high-risk countries: Argentina, Brazil, Bulgaria, Chile, Colombia, Indonesia, Romania, Russia and Ukraine. In Colombia, we only source from our own FSC certified plantations. Fibres sourced from the other eight countries require additional due diligence ( Minimum FSC Controlled wood) before purchasing to ensure our sourcing policy requirements are followed.

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## F1.6

### (F1.6) Has your organization experienced any detrimental forests-related impacts?

No

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## F2. Procedures

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### F2.1

#### (F2.1) Does your organization undertake a forests-related risk assessment?

Yes, forests-related risks are assessed

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### F2.1a

#### (F2.1a) Select the options that best describe your procedures for identifying and assessing forests-related risks.

##### Timber products

##### Value chain stage

- Direct operations
- Supply chain
- Other parts of the value chain

##### Coverage

Full

##### Risk assessment procedure

Assessed as part of other company-wide risk assessment system

##### Frequency of assessment

Annually

##### How far into the future are risks considered?

> 6 years

##### Tools and methods used

- Internal company methods
- External consultants
- NEPCon Sourcing Hub
- FSC Global Forest Registry
- National specific tools and databases
- Other, please specify ((FSC CNRAs/NRAs; World Bank's Worldwide Governance Indicators (WGI); Transparency International's Corruption Perceptions Index (CPI); UN/EC websites on sanctions, armed conflicts, legal enforcement; Global Witness; CITES, IUCN databases, etc))

##### Please explain

As part of our obligations under the EU Timber Regulation and US Lacey Act, as well as our FSC chain of custody certified management systems, we have a due diligence system in place for all of our fibre sourcing. We use public available FSC National Risk Assessments (NRA) results, and methods for items including management of country of origin, tree species, local risk factors and valid documentation. As part of the risk assessment, we evaluate our processes group-wide and at different operational levels. Risk assessment is a critical part of any Due Diligence system. "Preferred by Nature" ( Nepcon) is a recognized expert for assessing risk of illegal practices in the forest sector on country and sub-national level. With "Preferred by Nature", Smurfit Kappa performed an assessment and gap analysis to measure the impact of Smurfit Kappa Chain of Custody and related due diligence systems during 2021, and using this to strengthen our Chain of custody procedures further. In 2021 we updated our risk assessment and have sourced wood fibres from 36 countries among which nine are classified as potential high risk: Argentina, Brazil, Bulgaria, Chile, Colombia, Indonesia, Romania, Russia, Ukraine. In Colombia, we only source from our own FSC certified plantations and fibres sourced from the other eight countries, have to be at least FSC controlled wood certified. If suppliers use wood-fibers with a high risk areas origin, we only accept FSC certified raw materials. All our own paper mills and all converting plants including all consumed wood fiber and wood based raw materials consumed to produce our finish good ( packaging) are in scope of our Group Due Diligence System (DDS) and the DDS at site level. Together with "Preferred by Nature" we update our risk assessment yearly, based on information from all our related suppliers about wood species and country of origin information, updates of FSC national risk assessment and additional information we receive from "Preferred by Nature" Sourcing Hub. We have made wood fiber risk assessment results of all suppliers easy accessible for all relevant internal stakeholders ( e.g. purchasers of paper) to make sure that relevant data are always up to date. In addition Preferred by Nature will do a gap analysis every 2-years in order to be sure that at all levels our DDS is adequately implemented.

**(F2.1b) Which of the following issues are considered in your organization's forests-related risk assessment(s)?****Availability of forest risk commodities****Relevance & inclusion**

Relevant, always included

**Please explain**

As a responsible company, operating globally, Smurfit Kappa has sustainability in its DNA and is acutely aware of its responsibilities around corporate citizenship and is committed to doing its part in resolving these critical issues. Within these pillars our People and our Communities, Climate Change, Forest, Water and Waste are the main strategic environmental and corporate social responsibility priorities. Tougher questions than ever before are being asked about how we treat our planet. From changing weather patterns and melting polar ice, to growing activism, the call for action has become urgent. We understand the challenges and the changes that need to be made and we are strongly committed to making a positive contribution. Natural fibres are our main raw material and we use them efficiently. 75% of the fibres we use have been recycled. Producing corrugated packaging from recycled fibres only is not possible. To maintain an optimised recycling system we need fresh fibres and therefore virgin fibres make up 25% of our raw material supply. We source all our fibrous raw materials sustainably as Chain of Custody certified, including our recycled fibres. Through Smurfit Kappa's risk management framework, Smurfit Kappa has identified decreased availability of sustainable wood and fibre in its own operations and along its supply chain as a principal risk. Climate change impacts (increased frequency of severe weather events & instances of pest and disease, changes in rainfall patterns) have a potential negative impact on the availability of sustainable wood. Today, climate change is damaging ecosystems at an unprecedented rate, but these same ecosystems are also our strongest allies in mitigating future climate change. With its certification scheme for forest management, its chain of custody control standard, and its outreach to consumers with its labels, FSC and PEFC contributes to mitigating climate change by promoting sustainable forest management, and by promoting the recycling of wood materials. We regard these certification schemes as the best available means to conserve forests and their biodiversity. We are members and actively engage with FSC and PEFC to participate in developments and improvement of their governance systems and certification standards.

**Quality of forest risk commodities****Relevance & inclusion**

Relevant, sometimes included

**Please explain**

Wood is one of Smurfit Kappa primary raw materials and is essential to our operations. Pulp and paper industry for containerboard paper is not very sensitive to the quality of the wood itself, used in the pulp and paper making process. The risk is more related to supply disruptions as a result from the reduced quality of forests, reflected by reduced resilience with risk of increased forest calamities and disruption of ecosystem services. We include information on Forest (timber) quality in our risk assessments when needed as sometimes e.g. wide storm damages may impact the wood quality for paper making. This issue is part of the availability and climate change related risks and covered in those assessments. Understanding the quality of forest risk commodities is used internally in the decision making in the pulping process planning. The issue is mainly relevant for our virgin paper mills' planning processes where it impacts their process when issues in quality for example due to storm damage appear. Smurfit Kappa has developed group-wide risk management procedures and risk register, which measures and monitors risk management performance. All business unit operating committees review the principal risks in their respective businesses and supply chains and identify the actions and controls in place to mitigate risk, including those related to quality of wood supply.

**Impact of activity on the status of ecosystems and habitats****Relevance & inclusion**

Relevant, always included

**Please explain**

Forests are the world's first line of defence in the fight against climate change and essential to biodiversity. Sustainable forestry and only delivering certified sustainable products to our customers is one of our top priorities. Mismanagement of important ecosystems can have a serious reputational and financial impact on Smurfit Kappa. Smurfit Kappa businesses in Colombia and local communities rely on ecosystems for the provision of services such as water and fibre, two of our most important raw materials. Biodiversity and Ecosystem Conservation A third of our Colombian forest land is dedicated to protecting forest sustainability, helping maintain the area's rich biodiversity and preserving watersheds, habitats and ecosystems. To maintain forest biodiversity and sustainability, our principles are to: • Conserve them, by protecting and promoting species diversity, sustaining ecosystems, and protecting water sources and habitats; • Identify appropriate species and practices that increase plantation yields whilst protecting the environment; and • Develop research programmes to preserve and enhance soil productivity. Fibres for paper are efficiently produced on our plantations. We use carefully selected areas for plantations, avoiding valuable ecosystems and protected forest areas. Protecting and promoting natural habitats is important to our approach, so in Colombia we use our own research centre as well as third-party institutions. Since 2009, we have worked with four local universities – Cauca, Nacional, Valle and Quindío – studying the flora and fauna populations in and around our forests. Examples include: • Since 2013, a partnership with the Biology Programme of the Natural Science School of Universidad del Valle has studied the 'diversity of birds, mammals and plants in the natural forests of the forestry nucleus in Sevilla'. • In 2014, a literature review aimed to inform conservation planning by identifying areas of special biodiversity close to the Company's plantations Santa Rosa-Pereira core areas. • During the past five years, studies developed by Smurfit Kappa identified 1,280 species in our forests, of which 53 species are endangered. Our plantations and neighboring protected forests form important wildlife corridors, contributing to species conservation in the Andean ecosystem, and need careful management.

**Regulation****Relevance & inclusion**

Relevant, always included

**Please explain**

Smurfit Kappa are located in 23 countries in Europe and 12 in the Americas. Smurfit Kappa has production operations across more than 35 countries, a number of which are in jurisdictions where the political, economic and legal systems are less predictable than in countries with more developed institutional structures. Political or economic upheaval, inflation, changes in laws, protectionism, nationalization, trade tariffs or expropriation of assets may have a material effect on our operations in those countries. Non-compliance with emerging international or national laws can negatively impact Smurfit Kappa's reputation and result in fines and penalties. Smurfit Kappa risk management framework identifies regulatory risk (compliance risk) as a principal risk. Through this framework, regulatory risks, including emerging regulations, are actively monitored at all levels of the business, from group, to operations and across our supply chains in all countries and environments in which we operate, through regular formal and informal interaction with authorities, local communities, trade and industry associations and business partners, which assist us to remain abreast of changes and new developments. A due diligence system (DDS) is required from companies operating in the EU Single Market area or in the US as part of the compliance with regulations on timber legality, namely EU Timber Regulation (EUTR) and US Lacey Act in the case of Smurfit Kappa. Smurfit Kappa's approach is to extend this to cover all fibrous material sourcing through its certified chain of custody management systems of which our due diligence system is part of. Our DDS covers data collection of: total quantities delivered as FSC, PEFC or SFI Chain of Custody Certified or Controlled Wood; country and/or region of harvest and tree species used. Regulation is included in our risk assessment because in our key market areas, the EU, as well as the US, legal origin of timber is of high importance and also covered by regulations regarding wood imports.

## Climate change

### Relevance & inclusion

Relevant, always included

### Please explain

Ongoing deforestation and land conversion destroy ecosystems and are a major contributor to climate change. Smurfit Kappa businesses rely on ecosystems for the provision of services such as water and fibre. Minimizing losses from forest disturbances by developing resilient landscapes that support natural ecosystems is an important aspect of long-term productivity. Through our risk management framework, Smurfit Kappa has identified the impacts of climate change, which can give rise to significant business interruptions, as a risk to its business – in its own operations and across the value chain. We include this information because long-term, climate change forms a risk to forests in multiple ways and therefore can create additional risk to the supply of the wood materials we need for our manufacturing processes chains. There can be changes in climate patterns effecting timber growth as well as increased risks for storms damaging the forest stock. Both potential changes impact our forestry operations as well as our timber availability planning. We do this through assessing the competition for the use of land and the use of renewable raw materials to tackle climate change. We also look at related policies and market dynamics that may impact the availability of this forest risk commodity. In addition the availability of sufficient sustainable virgin fibres may have a cost impact that we need to monitor as part of our sourcing procedures. The risk assessment covers our full value chain and is relevant because 25% of our raw material is virgin fibre. The issue is mainly relevant for our virgin paper mills' planning processes where it impacts their process quality when issues in quality for example due to storm damage appear.

## Impact on water security

### Relevance & inclusion

Relevant, always included

### Please explain

We are committed to responsible water stewardship. We focus our efforts on continually improving the quality of water we discharge, decreasing our water intake and understanding the risks associated with water availability in the areas where we operate. Smurfit Kappa is mainly a processor of water. Our global operations used 144 million m3 of water in 2020. Almost all of that – 142 million m3 – was used by our 34 paper and board mills and the remainder is used by our 242 other (packaging) operations. Of the 142 million m3 used by the paper and board mills, 130 million m3 was discharged in good condition and almost 12 million m3 is evaporated in the air and will return as rainfall. We also reuse water several times, after which it is processed in our water treatment facilities and returned to public water bodies. Of the water discharged, 80 million m3 was used for processing and 51 million m3 for cooling. Since 2014, we have investigated the environmental impact of our paper and board mills and undertook water risk assessments across all our mills. Water risk assessments focus on three main risks – physical risk, including local water scarcity and mill equipment, regulatory risk, and reputational risk. Each assessment comprises a supporting desk study and an on-site audit of each category, including interviews with key stakeholders. Since 2018, the mills have included these assessments in their ISO 14001:2015 certification risk assessments. All assessments to date confirmed that our mills' water use has no impact on water availability to neighboring areas. Only 12% of our paper and board production and just 3% of our water intake takes place in areas of water scarcity. Nevertheless, we always use water sustainably – many of our stakeholders are concerned with local quality and expect good water management practices. Our products need to meet hygiene standards, and our paper-making technologies require good-quality water. To manage possible changes in our mill environments, the assessments will be repeated every five years. Since 2018, we are a signatory to the CEO Water Mandate and we are also a member of the CEPI Water Issue Group that is looking into water specific industry issues.

## Tariffs or price increases

### Relevance & inclusion

Relevant, always included

### Please explain

Smurfit Kappa risk management measures and monitors tariff and price increases as principal risks to the business. Virgin wood represents 25% of our fibrous raw material and any (significant) price or tariff increase has a significant impact in our cost structure. These costs cumulate through our value chain and it may not be possible to transfer these into our final product prices, leading possibly changes of suppliers or substituting materials by our customers. Business unit operating committees review the principal risks in their respective businesses and supply chains and identify the actions and controls in place to mitigate the risk. Smurfit Kappa operates in cyclical markets and fluctuations and our key packaging and paper prices or converting margins can have material profit and cash flow implications. Selling prices are determined by changes in capacity and by demand for our products and these differ between products and geographic regions and the timing and magnitude of such changes vary significantly over time. The prices for many of Smurfit Kappa's raw materials generally fluctuate in correlation with global commodity cycles. High levels of vertical integration reduce our exposure to price volatility of our key input costs. Smurfit Kappa's financial policies and structures consider the inherent price volatility of the markets in which we operate. Smurfit Kappa regularly reviews and monitors the current market fundamentals, market demand trends and market prices to evaluate price expectations in the short term but also to understand the long-term trends. We focus on improving the efficiency of our operations to reduce ongoing operating costs. We engage in regular formal and informal interaction with the authorities to ensure we remain abreast of any new developments in tariffs and other related costs and we regularly review our sales strategies to mitigate export risk in countries with less predictable environments. We take part in multi-stakeholder forums and industry & trade associations to keep up to date.

## Loss of markets

### Relevance & inclusion

Relevant, always included

### Please explain

We include the loss of markets in our risk assessment because sustainable virgin fibres play a role in maintaining our market position for certain products. Therefore this step in our value chain risk mapping is relevant and always included for example through gathering information from tenders in which we participate. Smurfit Kappa's group-wide risk management framework has identified loss of markets due to global socio-economic and demographic trends and changing consumption patterns (such as increased public awareness of sustainability, increasing customer purchasing power, changes in customers' needs and attitudes), as a significant risk to Smurfit Kappa's business. The increased public and stakeholder focus on the impact of plastic-based packaging on marine and terrestrial ecosystems has led to heightened environmental considerations, changes in legislation and a shift in consumer attitudes towards packaging. While this could create opportunities for the Group, there could also be a risk of substitution, which may be to different solutions not produced by Smurfit Kappa meeting the same customer requirements. Factors that may positively or negatively impact the demand for our products include factors such as the weight of packaging materials, increased use of recycled raw materials, electronic substitution of paper products, substitution of plastic packaging, substitution of rigid plastic by flexible packaging, increased demand for high-quality printed material, increased demand for paper-based packaging, certified and responsibly produced goods, and changes in demand for specific material qualities such as recyclable/biodegradable packaging. Smurfit Kappa's ability to meet changes in consumer demand depends on our capacity to correctly anticipate change and develop new products on a sustainable, competitive and cost-effective basis. We work with our customers to develop new markets and new, innovative products. Our broad range of converting products provides some protection from the effects of substitution between paper and plastic based packaging products. Our research and development pipeline ensures that our products remain cutting-edge with added focus on sustainability properties (e.g. recyclable, compostable or biodegradable products, sourced responsibly).

## Leakage markets

### Relevance & inclusion

Relevant, always included

### Please explain

Loss of markets due to illegal logging, controversial sources; non-compliance with regulations and/or human rights issues, which could expose Smurfit kappa's product brands to significant risk if not actively managed; and reputational risk as principal risks. Smurfit kappa's group risk management framework has identified non-compliance with the legal and governance requirements in any of the jurisdictions in which we operate; loss of markets due to illegal logging, controversial sources; non-compliance with regulations and/or human rights issues, which could expose Smurfit kappa's product brands to significant risk if not actively managed; and reputational risk as principal risks. These risks are not limited to our own operational boundaries, but can occur anywhere along the value chain. This has an impact on how we manage markets, strategy, communication and stakeholder engagement approach, as well as our reputation. The risk management procedures and risk register require all business unit operating committees review the principal risks in their respective businesses and supply chains and identify the actions and controls in place to mitigate risk. We work to strengthen our monitoring and reporting on potential issues in our operations and supply chain. This is particularly important as we move into new and emerging markets, where governance may be weaker and where there is an opportunity to help build capacity alongside our stakeholders. While much of our focus remains on securing responsibly produced fibre and other raw materials, we also increasingly look to better communicate our sustainability practices with our customers. This helps to highlight the value embedded in our products and to encourage responsible purchasing in markets where we operate.

## Brand damage related to forest risk commodities

### Relevance & inclusion

Relevant, always included

### Please explain

The use of unsustainable raw materials may lead to significant reputational brand damage. This has occurred in our industry in the past. Therefore it is an important element in our risk mapping but also opportunity mapping for example through gathering information from the tenders in which we participate. Smurfit kappa operates in an increasingly transparent and connected world that involves a globalized economy and widespread use of internet, mobile technology and social media. Changing global socio-economic and demographic trends and consumer awareness of responsible purchasing and awareness of sustainability challenges has boosted the demand for increased transparency across the whole value chain, including certified forestry products, water issues and human rights issues. Smurfit kappa's group risk management framework has identified non-compliance with the legal and governance requirements in any of the jurisdictions in which we operate; loss of markets due to illegal logging, controversial sources; non-compliance with regulations and/or human rights issues, which could expose Smurfit kappa's product brands to significant risk if not actively managed; and reputational risk as principal risks. These risks are not limited to our own operational boundaries, but can occur anywhere along the value chain. This has an impact on how we manage markets, strategy, communication and stakeholder engagement approach, as well as our reputation. The risk management procedures and risk register require all business unit operating committees review the principal risks in their respective businesses and supply chains and identify the actions and controls in place to mitigate risk. We work to strengthen our monitoring and reporting on potential issues in our operations and supply chain. This is particularly important as we move into new and emerging markets, where governance may be weaker and where there is an opportunity to help build capacity alongside our stakeholders. While much of our focus remains on securing responsibly produced fibre and other raw materials, we also increasingly look to better communicate our sustainability practices with our customers. This helps to highlight the value embedded in our products and to encourage responsible purchasing in markets where we operate.

## Corruption

### Relevance & inclusion

Relevant, always included

### Please explain

Smurfit kappa understand that the future success of our Group depends upon understanding the laws and regulations that apply to our business wherever we operate. We set a minimum (and absolute) standard of compliance with the law, but expect our people to hold themselves to higher standards as appropriate. Smurfit kappa maintains a zero-tolerance policy regarding acts of bribery and corruption. We comply with 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. Anti-bribery and Anti-corruption Our Group 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. Smurfit Kappa supports the UN Global Compact and is committed to promoting its 10 principles of human rights, labour, environment and anti-corruption. As part of this, Smurfit Kappa reports transparently on its activities and performance in these areas.

## Social impacts

### Relevance & inclusion

Relevant, always included

### Please explain

Smurfit kappa has a significant socio-economic impact on its surrounding communities. Some of our operations are in remote regions where there may be high levels of poverty and unemployment and where access to jobs and infrastructure may be more limited, making Smurfit kappa a key employer. Smurfit kappa's continued success, growth and positive reputation therefore depends on maintaining healthy relationships with local communities, its employees and other stakeholders. Through stakeholder-inclusive and transparent processes, we apply due diligence to our operational investments to address challenges, understand and manage our risks, enhance positive environmental and social benefits to the business and the community, and mitigate negative impacts. We do this through various forms of impact assessment tools, monitoring and reporting: We are committed to managing our employees in accordance with our values. We recognise that good social citizenship, shown in our interactions with employees, business partners and host communities, is essential to creating a sustainable future. We believe that ethical business conduct must be promoted from the most senior levels of the business, and fostered through the whole organisation. We expect the same standards of conduct from our suppliers: Reducing Supply Chain Risk To meet the requirements of our vision and strategy, our suppliers must adhere to the Smurfit Kappa Suppliers' Code of Conduct. Those who do not sign up to it must be committed to a compatible code in compliance with the UN Declaration of Human Rights and the ILO Principles and Rights at Work covering: freedom of association, prohibiting child labour and forced labour, treating employees humanely, respecting employee contributions, fair compensation, encouragement of continuous training and development, health and safety at work, nondiscrimination, and promoting community involvement. Suppliers are also required to follow our Sustainable Sourcing Policy, and all other relevant policies which also cover the safeguarding of the natural environment. We monitor our suppliers' compliance through our sustainable sourcing The social impacts related risks are included in sustainable forest management practices as well as certified chain of custody management systems. We also require chain of custody certification from all fibre materials that we source.

## Other, please specify

### Relevance & inclusion

Relevant, always included

### Please explain

Negative media coverage and associated damage to reputation: We operate in an increasingly transparent and connected world that involves a globalised economy and widespread use of internet, mobile technology and social media. Changing global socioeconomic and demographic trends and public awareness of responsible purchasing and awareness of sustainability challenges has boosted the demand for increased transparency across the whole value chain, including certified forestry products and human rights issues, over the past 20 years. Smurfit kappa's group risk management framework has identified non-compliance with the legal and governance requirements in any of the jurisdictions in which we operate; loss of markets due to illegal logging, controversial sources; non-compliance with regulations and/or human rights issues, which could expose Smurfit kappa's product brands to significant risk if not actively managed; and reputational risk as principal risks. We manage the risk by:

- Strengthening monitoring and reporting on potential issues in our operations and supply chain, particularly in new and emerging markets, where governance may be weaker
- Transparently communicate our sustainability practices with our customers and the public to help highlight the value embedded in our products
- Publicly disclosing our sustainability performance on a regular basis through meetings with stakeholders, ongoing web and media communications and formal reporting.
- Operating a confidential reporting hotline, Speak out, enabling all stakeholders to raise concerns about conduct that may be contrary to our values.
- Regularly screening of media reports at both a group and operational level.
- Through our due diligence management system, which provides a list of relevant external sources for regular screening of any negative cases in relation to Smurfit kappa, certification grades or wood sourcing regions.

## F2.1c

### (F2.1c) Which of the following stakeholders are considered in your organization's forests-related risk assessments?

#### Customers

##### Relevance & inclusion

Relevant, always included

##### Please explain

Customers are one of Smurfit Kappa's most important stakeholders and partnering with customers for innovation as a key value driver for our joint success is part of our strategy. Changing global socio-economic and demographic trends & consumption patterns, and increased public awareness of sustainability challenges affect the demand for Smurfit Kappa's products. Consumer interest in the sustainability criteria of products and services is greater than ever. Customers' needs and purchasing power are changing in emerging markets. Substitution may be to different products not produced by Smurfit Kappa or to different solutions meeting the same customer requirement. We consider the customers in our forest related risk assessments because it is important for them to have confidence in their supply chains related to deforestation risks and damage to their brands. Therefore our task is to understand this customer pain and react to it. We have identified as our key stakeholders: customers and our holistic approach ensures:

- Relevance: Constant dialogue to understand their sustainable business drivers and help expand their capabilities;
- Influence: Valuing their opinion, and sharing experience and best practice from working with a wide range of suppliers and customers;
- Value: Ensuring we deliver maximum sustainability value by understanding the sustainability drivers throughout our value chain; and
- Affect: Sharing knowledge and expertise to increase understanding and find sustainable solutions.

We do this through training courses, round-table discussions and meetings – including awards and partnership debates. We know which issues are important to our customers through continual multi-level engagement that includes:

- organising meetings and round-table discussions on sustainability with our stakeholders;
- participating in discussions within and outside our industry through our membership of CEPI and the World Business Council for Sustainable Development (WBCSD);
- participating in CDP, EcoVadis, FTSE4Good and SEDEX surveys, and benchmarking against UN Sustainable Development Goals;
- participating in the development of Forest Certification as a member of FSC and PEFC.

- regular business meetings at our Experience Centres - Customer conferences - WBCSD membership - Awards and competitions run by customers

#### Employees

##### Relevance & inclusion

Relevant, always included

##### Please explain

We are committed to managing our employees in accordance with our declared values. We recognise that good social citizenship, shown in our interactions with employees, business partners and host communities, is essential to creating a sustainable future. Our Group risk management framework has identified losing skills or failing to attract new talent to our business as one of Smurfit Kappa's principal risks as it has the potential to undermine our ability to drive performance and deliver on our strategic objectives. Developing and retaining our 46,000 employees is thus a key priority. Our employees are the ones that implement our policies which is why they are always considered in our risk assessments. Therefore it is important to understand where we could have gaps and risks for human error and understand how we can cover them, including training and tools. We have identified as our key stakeholders employees and our holistic approach ensures:

- Relevance: Constant dialogue to understand their sustainable business drivers and help expand their capabilities;
- Influence: Valuing their opinion, and sharing experience and best practice from working with a wide range of suppliers and customers;
- Value: Ensuring we deliver maximum sustainability value by understanding the sustainability drivers throughout our value chain; and
- Affect: Sharing knowledge and expertise to increase understanding and find sustainable solutions.

We do this through training courses, round-table discussions and meetings – including awards and partnership debates. We know which issues are important to our employees through continual multi-level engagement that includes:

- MyVoice engagement surveys
- Day-to-day interactions
- Works Councils
- Social committees

Inclusion, Diversity and Belonging Our ambition is to create an inclusive workplace where everyone has a real sense of belonging and can be their authentic selves at work, everyday. 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.

## Investors

### Relevance & inclusion

Relevant, always included

### Please explain

Our investors want long-term profitable businesses, so environmental and social responsibility are key factors when choosing companies for investment. This can be seen in the many investor ratings and disclosure programmes that we participate in, such as FTSE4Good, Euronext Vigeo Europe 120, STOXX Global ESG Leaders, Ethibel's sustainable investment register, the Green Economy Mark from the London Stock Exchange, CDP, SEDEX and EcoVadis. Furthermore, paper-based packaging is expected to grow as consumers are increasingly aware of environmental issues and 80% prefer paper-based packaging (Cepi and Paper and Packaging Org Surveys). According to the UN Global Compact-Accenture CEO Study on Sustainability, sustainability is essential to a CEOs' business strategies, and 88% of investors see it as a competitive advantage. We integrate sustainable measurement into our business strategy, and throughout our global operations. We know the impact of our sustainable strategy – the facts and figures are in this report, enabling investors to appraise the effect of sustainable performance on our business. We are proud to have received investor recognition for our sustainability performance. We have identified as our key stakeholders: investors and our holistic approach ensures. • Relevance: Constant dialogue to understand their sustainable business drivers and help expand their capabilities; • Influence: Valuing their opinion, and sharing experience and best practice from working with a wide range of suppliers and customers; • Value: Ensuring we deliver maximum sustainability value by understanding the sustainability drivers throughout our value chain; and • Affect: Sharing knowledge and expertise to increase understanding and find sustainable solutions. We do this through training courses, round-table discussions and meetings – including awards and partnership debates. We know which issues are important to our investors through continual multi-level engagement that includes: - Investor days and conferences - One-to-one meetings - ESG ratings by rating agencies - Feedback from sustainability analysts at asset management companies - Queries directly from investors

## Local communities

### Relevance & inclusion

Relevant, always included

### Please explain

Business plays a fundamental role in the wellbeing of local communities, but conflict and mistrust can arise and opportunities may be missed if impacts are not managed and stakeholder concerns not considered. Smurfit Kappa depends on its surrounding communities for talent and skills, and goods and services, while our 'social license to operate' is influenced by local relationships. Communities are therefore a key consideration in Smurfit Kappa's group-wide risk rating processes. We have always believed strongly in being part of the communities in which we are privileged to operate. Through our local operations, we actively support projects that help build a sustainable future for our communities. Our aim is to make positive, long-lasting changes in the communities in which we operate. We do this by focusing on areas such as education, income generation, collaboration and participation. In 2011, we established the Smurfit Kappa Foundation to contribute to funding projects that empower people to improve their lives. We adhere to high ethical and professional standards and our values of Safety, Loyalty, Integrity and Respect have been displayed right across our business and are clearly illustrated in the projects in which we participate, through our employees' volunteering, our operations social investments at local level, as well as all the projects we support through our Foundation. We always consider the concerns of the wider community at national and international level. Community involvement builds trust and serves as a link to the issues important to us. In our philanthropic work, we focus on self-help initiatives, education and health programmes, and contribute through financial donations and volunteering by local employees. The circular economy has an impact on our communities as well. Smurfit Kappa participate widely in local circular operations. Some examples of these are: • Delivering district heating from our paper mill to the residents of Piteå, Sweden; • Supporting municipality water treatment systems with our effluent that has nutrients that help treat municipality waste water in Nettingsdorf, Austria and Nervión, Spain; • Treating municipality waste water in Morava, Czech Republic; • Maintaining rural road structures at our Colombian Forestry Operations; and • Collecting city-recovered paper in Malaga, Spain.

## NGOs

### Relevance & inclusion

Relevant, always included

### Please explain

Changing global social trends (such as population growth, urbanisation and rising incomes) and the associated rise in material consumption is causing increased pressure on constrained natural resources and a resultant increase in scrutiny from non governmental organisations (NGOs) and the local communities and businesses that share our natural resources. Non-compliance with the legal and governance requirements in any of the jurisdictions in which we operate and any association with deforestation and human rights issues such as illegal logging, controversial sources and/or human rights abuses are quickly pointed out by NGOs and could result in negative media coverage, exposing Smurfit Kappa to significant reputational risk if not actively managed. Therefore, the risk of NGO campaigns against Smurfit Kappa or any of its stakeholders is always considered in Smurfit Kappa's group-wide risk assessment and management processes. However, while NGOs can expose a business, they can also help businesses better understand their social and environmental impacts – and by working together with all key stakeholders, including NGOs, we can achieve far more impact, innovation, scale and long-term solutions than we could by working alone. This drives us to collaborate with NGOs, building our shared understanding of sustainability issues and developing the best solutions, together. An example of collaboration with an NGO is Smurfit Kappa's partnership with WWF, which allows us to share perspectives and experiences and leverage skills and influence from both networks. In 2020, Smurfit Kappa Colombia announced a new alliance with WWF Colombia, with both organisations working together to restore, expand and protect forests and ecosystems. In addition, we are active participants in and signatories to many environmental reporting and sustainability organisations: CDP (formerly Carbon Disclosure Project); • UN Global Compact; • UN Global Compact's CEO Water Mandate; • The Forest Stewardship Council (FSC); • The Programme for the Endorsement of Forest Certification (PEFC); • The Supplier Ethical Data Exchange (SEDEX); and • World Business Council for Sustainable Development (WBCSD).

## Other forest risk commodity users/producers at a local level

### Relevance & inclusion

Relevant, sometimes included

### Please explain

Due to our sourcing structures, we are relatively shielded from competition of other timber users and producers of other commodities on a landscape level. However, the competition for the use of land and especially the increased interest in bio-energy production is important to us in long-term planning and risk assessments. The engagement takes place through our engagement with communities and suppliers: - Participation in local initiatives - Supporting social investment projects - Careful research and creating win-win solutions through closed material loops - Support local business ecosystems - Encourage employee volunteering - Cross-industry collaboration helps to deliver financial and environmental benefits, such as reducing waste to landfill - Supplier sustainability audits - Participating in the development of Forest Certification as members of the Forest Stewardship Council (FSC) and the Programme for the Endorsement of Forest certification (PEFC) - WBCSD membership

## Regulators

### Relevance & inclusion

Relevant, always included

### Please explain

Smurfit Kappa has production operations across more than 35 countries, a number of which are in jurisdictions where the political, economic and legal systems are less predictable than in countries with more developed institutional structures. Political or economic upheaval, inflation, changes in laws, protectionism, nationalization, trade tariffs or expropriation of assets may have a material effect on our operations in those countries. Non-compliance with emerging international or national laws can negatively impact Smurfit Kappa's reputation and result in fines and penalties. Regulators are therefore considered critical stakeholders in our group-wide risk assessment processes. We engage with national and local governments, working together with our local operations teams. We actively monitor all countries and environments in which we operate and along our supply chain through regular formal and informal interaction and engagement with local and national authorities and trade and industry associations, which assist us to remain abreast of changes and new developments. The regulators take decisions that often impact cross policy sectors. Therefore it is important for us to be aware of policy developments and make sure that the regulators understand our position in the cross-sectoral regulative environment. We know which issues are important to the relevant authorities through continual multi-level engagement that includes: - Continuous contact with relevant local authorities - Membership and active participation in relevant industry association committees that assess existing and developing regulatory frameworks at local, national and supra-national levels - Through our own expert employees maintain the relevant knowledge for the regulatory frameworks at local, national and supra-national levels -Leadership in self-governing industry standards on regulatory issues such as on the definition of sustainable forestry management

## Suppliers

### Relevance & inclusion

Relevant, always included

### Please explain

In an increasingly globalised and connected economy, sustainable growth depends on creating transparent and responsible supply chains. Increasing consumer awareness of responsible purchasing and awareness of sustainability challenges has boosted the demand for increased transparency across the whole value chain, including certified forestry products, water issues and human rights issues. Sourcing from a controversial source or human rights issues in the supply chain could expose Smurfit Kappa's product brands to significant risk if not actively managed. In 2020, we spent €4.7 billion on raw materials, energy, logistics, maintenance/repair, and investment goods. Sourcing materials, goods and services represents the single largest cost item for Smurfit Kappa. As such, Sustainable and Responsible Sourcing is an integral part of our sustainability vision and strategy. We want to sustainably grow our business and value chain. That means our materials, goods and services not only have the right quality and cost, but also should be sourced securely in a sustainable and responsible way as described in our Sustainable and Responsible Sourcing Policy and in alignment with the objectives of the 2030 UN SDGs. By developing more sustainable supply chains in collaboration with our suppliers, we can manage risks and costs, develop new revenue streams, and add value to our brands. We have a Sustainable and Responsible Sourcing audit programme, which helps us deliver against our three pillars of sustainability: Planet, People and Impactful Business.

## Other stakeholders, please specify

### Relevance & inclusion

### Please explain

## F3. Risks and opportunities

### F3.1

(F3.1) Have you identified any inherent forests-related risks with the potential to have a substantive financial or strategic impact on your business?

	Risk identified?
Timber products	Yes
Palm oil	<Not Applicable>
Cattle products	<Not Applicable>
Soy	<Not Applicable>
Other - Rubber	<Not Applicable>
Other - Cocoa	<Not Applicable>
Other - Coffee	<Not Applicable>

### F3.1a

### (F3.1a) How does your organization define substantive financial or strategic impact on your business?

SKG defines substantive impact as significant financial, strategic or reputational damage that forces us to change our business strategy significantly either locally or as a Group. This definition applies to both our direct operations and our supply chain. The Group's risk process is based upon a standardised approach to risk identification, assessment and review with a clear focus on mitigating factors and assignment of responsibility to risk owners. Each individual risk identified is assessed based upon potential impact and likelihood of occurrence criteria. The likelihood of occurrence categories are based upon the probability of the risk occurring using percentage thresholds from remote up to probable. The impact of risk on cost is measured based upon applicable percentage thresholds of the Group's pre-exceptional EBITDA and reputational impact is also considered.

#### Our Engagement Methods

We know which issues are important to our stakeholders through continual multi-level engagement with our customers, investors, employees, communities and other relevant parties. This engagement includes:

- Organising meetings and round-table discussions on sustainability with our stakeholders;
- Participating in discussions within and outside our industry through our membership of Cepi, FEFCO, 4evergreen initiative and World Business Council for Sustainable Development (WBCSD);
- Participating in CDP, EcoVadis, FTSE4Good and SEDEX surveys, and benchmarking against UN 2030 Sustainable Development Goals; and
- Participating in the development of Forest Certification as a member of FSC and PEFC

For stakeholders, our holistic approach ensures:

- Relevance: Constant dialogue to understand their sustainable business drivers and help expand their capabilities;
- Influence: Valuing their opinion, and sharing experience and best practice from working with a wide range of suppliers and customers;
- Value: Ensuring we deliver maximum sustainability value by understanding the sustainability drivers throughout our value chain; and
- Affect: Sharing knowledge and expertise to increase understanding and find sustainable solutions. We do this through training courses, round-table discussions and meetings –including awards and partnership debates.

During 2020, we continued our collaboration with 'Preferred by Nature' (formerly Nepcon) to keep our risk assessment and risk mitigation activities up to date. We continued training local employees in performing supplier due diligence at local level.

In addition, 'Preferred by Nature' conducted a second gap analysis of the due diligence system related procedures at Group level that should prevent the purchasing of any wood-based material with a controversial origin. The outcome of this analysis will be used to further strengthen our related policies/procedures and the implementation of our sustainable fibre sourcing policy requirements. We plan to perform a gap analysis on-site at a sample of our converting sites during 2021.

### F3.1b

#### (F3.1b) For your disclosed forest risk commodity(ies), provide details of risks identified with the potential to have a substantive financial or strategic impact on your business, and your response to those risks.

##### Forest risk commodity

Timber products

##### Type of risk

Physical

##### Geographical scale

Global

##### Where in your value chain does the risk driver occur?

Direct operation

Supply chain

##### Primary risk driver

Increased severity of extreme weather events

##### Primary potential impact

Supply chain disruption

##### Company-specific description

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 our raw materials like wood where access to forests is hampered or forests are made more vulnerable to pests and disease 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 principle risks as appropriate. We will continue to monitor climate change and any other emerging risk identified in order to assess the potential risk to our strategy and the need for investment to mitigate against the risk. These can lead to disruptions in one or more of our regional supply chains. Disruptions in regional supply chains may lead to production rearrangements or shortcuts of raw material supply, over supply of certain raw material and increased storage costs. The Group ensures that all facilities have adequate insurance to mitigate significant interruptions. Operational contingency plans

are in place for all mills and plants in the vent of shut down, including damages caused by climate change related to extreme weather patterns. In Europe the Group has a network of operations which can facilitate the transfer of significant volumes to other mills in the event of shut down.

**Timeframe**

>6 years

**Magnitude of potential impact**

Medium-low

**Likelihood**

Likely

**Are you able to provide a potential financial impact figure?**

Yes, an estimated range

**Potential financial impact (currency)**

<Not Applicable>

**Potential financial impact figure - minimum (currency)**

0

**Potential financial impact figure - maximum (currency)**

13000000

**Explanation of financial**

The upper limit represents the loss in revenue for a two weeks production stop in one of our kraftliner mills due to interruption of wood supply resulting from a severe storm. This is highly theoretical as mitigating measures are available. Our kraftliner mills produce on average 525 ktonnes per year per mill. Increased severity of extreme weather events may have a negative financial impact on Smurfit Kappa's operations. In water-scarce countries, we may see decreased production capacity due to limited water availability and fibre supply chain interruptions. Extreme weather conditions may also impact our forests and plantations (e.g. sustained higher temperatures lead to stronger winds and increased windfalls). Higher temperatures increase vulnerability of forests to pests and diseases. With extreme weather events, fires and pests & diseases expected to happen more frequently in the future. This poses a non-substantive risk to Smurfit Kappa.

**Primary response to risk**

Promotion of sustainable forest management, including financial incentives

**Description of response**

Our plantations in Colombia are all certified against FSC sustainable forest management standard, and in Europe our small forest holdings are PEFC certified. Sustainable forest management is an approach that aims to prevent degradation of forest and making forests more resilient against severe storms resulting from climate change: maintaining forest cover, and ensuring its quality through sustainable forest management, both belong on an effective climate change mitigation agenda. Sustainable forest management can maintain, or restore, the carbon sequestration function of a forest, and is essential for safeguarding the forest health that remains. With its certification scheme for forest management, its CoC control standard, and its outreach to consumers with its labels, FSC contributes to mitigating climate change by promoting sustainable forest management, and by promoting the recycling of wood materials. We invest in R&D at our forestry operations as well as in plantations to find more resilient ways for forest management. This R&D we do in collaboration with local universities and research centers. We also source our wood from a broad supplier base and stimulate CoC certification to the origin of timber and aim at long-term relationships with our suppliers which should provide preferential supply in periods of disruption. We show leadership by supporting suppliers to get certified such as in Spain where we work with smallholders towards FSC forest certification.

**Cost of response**

1000000

**Explanation of cost of response**

This costs is an estimation and includes the cost of certifying our own operations, promoting sustainable forest management among wood suppliers and paper suppliers and cost of specific R&D on how to create resilient forest conditions, we estimate this cost to be about 1,000,000 euro annually

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**Forest risk commodity**

Timber products

**Type of risk**

Regulatory

**Geographical scale**

Global

**Where in your value chain does the risk driver occur?**

Direct operation

Supply chain

**Primary risk driver**

Non-compliance with international law and bilateral agreements

**Primary potential impact**

Fines, penalties or enforcement orders

**Company-specific description**

If our suppliers cannot comply with EU Timber Regulation Directive, UK timber regulation or the US Lacey Act, we may have disruptions in one or more of our supply chains. This may lead to increased operating costs especially in case where we need to set-up new supply chains to replace suppliers or pay fines. Less than 1% of the paper we consume in our operations is imported from outside the EU and placed first time on the EU market by us according to the EU Timber Regulation Directive. Smurfit kappa is not placing any third party paper on the UK market first time and only own virgin mills in Europe, which are operators according UK Timber regulation. We do not import virgin paper into the US market which makes us compliant with the US Lacey Act requirements going forward. We will perform additional due diligence in case we import wood material from countries with high risk as defined by EU regulation/ UK regulations and FSC and PEFC guidelines. We using at all our virgin mills in Europe the DDS of a accredited monitoring organization Control Union to be compliant with requirement of the new UK Timber regulation. Our internal Paper Trader for third party paper in Europe is an operator according EU Timber regulation and also use the DDS of Control Union to be compliant with the EU timber regulation. Current volumes from these markets are small and can be easily replaced by suppliers from non-high risk countries.

**Timeframe**

>6 years

**Magnitude of potential impact**

Low

**Likelihood**

Unlikely

**Are you able to provide a potential financial impact figure?**

Yes, an estimated range

**Potential financial impact (currency)**

<Not Applicable>

**Potential financial impact figure - minimum (currency)**

0

**Potential financial impact figure - maximum (currency)**

100000

**Explanation of financial**

This is an estimation of an annual cost. We have assumed one fine per kraftliner mill every three years plus the cost of changing certain suppliers due to their sourcing practices that are not acceptable to us. We have not yet received any fine in relation to this risk to date and have not changed suppliers for this reason to date either.

**Primary response to risk**

Promotion of certification, including financial incentives

**Description of response**

FSC and PEFC certification is accepted as risk mitigation action to place illegal wood on EU, UK or US markets. It is quite easy to make imported FSC or PEFC certified paper conform with timber regulation requirements. 99,1 % of all consumed third party paper was FSC or PEFC conform paper. Our own mills only use wood which have the FSC controlled wood status. On top to the Chain of custody certification of our raw materials and operations, Smurfit Kappa has established a mature due diligence system for its fibre raw material sourcing. To stay up to date with the process, we continuously work to improve our system. In 2017-2018 we commissioned a third party consultancy to make a gap assessment of our due diligence system and to be able to improve our performance. Risk assessment is a critical part of any due diligence system. "Preferred by Nature" (formerly Nepcon) is a recognized expert for assessing risk of illegal practices in the forest sector on country and sub-national level. In addition, 'Preferred by Nature' conducted a second gap analysis of the due diligence system related procedures at Group level beginning 2021 that should prevent the purchasing of any wood-based material with a controversial origin. We have increased our targets for the production of certified Chain of Custody paper produced by our mills and packaging solutions delivered to customers to 95%, to be reached by 2025 at the latest.

**Cost of response**

75000

**Explanation of cost of response**

The annual cost of 75,000€ is an estimation of a third party risk assessment in combination with internal risk assessment costs, development of sourcing policies and guidelines and training of local sourcing managers

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**Forest risk commodity**

Timber products

**Type of risk**

Reputational and markets

**Geographical scale**

Global

**Where in your value chain does the risk driver occur?**

Direct operation

Supply chain

Other parts of the value chain

**Primary risk driver**

Increased stakeholder concern or negative stakeholder feedback

**Primary potential impact**

Brand damage

**Company-specific description**

Wood is one of Smurfit Kappa's primary raw materials and is essential to our operations. Wood, pulp and paper for recycling comprise almost a third of our input costs. Smurfit Kappa is committed to acquiring all its raw materials from sustainable, responsible sources and avoiding any controversial or illegal supply. Our long-term aim is to make more products from certified fibre. The current challenge is that the current certified wood supply is not meeting growing demand and the risk is reduced quantities of available wood supply in our value chain that meet our standards for Chain-of-Custody certified or Controlled Wood. Availability of fibre at a regional level may also be exacerbated by climate-related factors, such as extreme weather conditions and forest disturbances over large areas, such as forest fires and pests & diseases, in the medium to longer term. Disruptions in the supply of sustainable certified wood fibre may result in reduced availability of sustainable wood fibre, which may potentially drive up raw material costs, the need to seek alternate suppliers and/or source wood further away from our operations, resulting in increased transportation costs. Our customers and/or investors may be of the opinion that the way we source our wood materials is unsustainable. This may lead to customers turning to other suppliers and loss of revenue on our side. This may also lead to investors not willing to invest in us.

**Timeframe**

4-6 years

**Magnitude of potential impact**

Medium-high

**Likelihood**

About as likely as not

**Are you able to provide a potential financial impact figure?**

Yes, an estimated range

**Potential financial impact (currency)**

<Not Applicable>

**Potential financial impact figure - minimum (currency)**

0

**Potential financial impact figure - maximum (currency)**

9000000

**Explanation of financial**

Our turnover is euro 8,5 million euro and we have over 65,000 customers (Annual Report 2020). The average turnover per customer is approx. euro 140,000. In the case that 0,1% of customers would turn to alternative suppliers for the reason above the loss of turnover in a year would be approx. euro 9 million. In our view this scenario is exceptionally unlikely to happen.

**Primary response to risk**

Promotion of sustainable forest management, including financial incentives

**Description of response**

The most efficient management method to mitigate deforestation risk in our supply-chain are certified chain of custody management systems at all of our operating facilities, sourcing of certified and non-controversial fibres and the ability to sell products as chain of custody certified. Smurfit Kappa has invested in certified chain of custody management systems covering all operations across our regions, as well as certified forest management at our forest holdings and plantations. These investments include certification costs, efficient IT systems to support processes as well as education of our personnel. Part of the process is to require certified timber, pulp and paper deliveries from our suppliers. Smurfit Kappa produces and purchases 99.9% of its fibres through certified chain of custody management systems, over 92% of its paper production is certified and 93,8% of its products were sold as chain of custody certified at the end of 2020. For 2021 we just increase our related sustainability targets, which we like to reach latest in 2025. 1) Over 95% of paper based packaging is sold as Chain of Custody certified 2) Over 95% of paper/board produced to be certified Chain of Custody Participating in the development of Forest Certification as members of the Forest Stewardship Council (FSC) and the Programme for the Endorsement of Forest Certification (PEFC) Another way to mitigate this risk is to use 75% recycled paper.

**Cost of response**

200000

**Explanation of cost of response**

The management cost of 200,000€ is estimated including personnel costs, management system and other certification costs and maintenance and establishment of supporting IT systems.

**F3.2****(F3.2) Have you identified any forests-related opportunities with the potential to have a substantive financial or strategic impact on your business?**

	Have you identified opportunities?
Timber products	Yes
Palm oil	<Not Applicable>
Cattle products	<Not Applicable>
Soy	<Not Applicable>
Other - Rubber	<Not Applicable>
Other - Cocoa	<Not Applicable>
Other - Coffee	<Not Applicable>

**F3.2a****(F3.2a) For your selected forest risk commodity(ies), provide details of the identified opportunities with the potential to have a substantive financial or strategic impact on your business.****Forest risk commodity**

Timber products

**Type of opportunity**

Markets

**Where in your value chain does the opportunity occur?**

Direct operation

Supply chain

**Primary forests-related opportunity**

Increased demand for certified materials

**Company-specific description & strategy to realize opportunity**

Transparent and sustainable sourcing of its principal raw materials is a key pillar in Smurfit Kappa's sustainability strategy. By making sure that our packaging solutions are produced from sustainable, recyclable, renewable and biodegradable material that is also produced in a sustainable way we minimise the risk for our customers related to forest issues such as deforestation. Our customers value this approach and these tangible sustainability credentials can be used by our customers to the benefit of their own business. This may lead to increased brand value for our own business. Smurfit Kappa is a leading paper-based packaging provider and 93.8% of our products were sold as Chain of Custody certified by the end of 2020.

**Estimated timeframe for realization**

1-3 years

**Magnitude of potential impact**

Medium-high

**Likelihood**

Virtually certain

**Are you able to provide a potential financial impact figure?**

Yes, an estimated range

**Potential financial impact figure (currency)**

<Not Applicable>

**Potential financial impact figure – minimum (currency)**

0

**Potential financial impact figure – maximum (currency)**

9000000

**Explanation of financial impact figure**

In case this increased brand value generates 1% in additional revenue, the effect will add euro 9 million in revenue

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**Forest risk commodity**

Timber products

**Type of opportunity**

Resilience

**Where in your value chain does the opportunity occur?**

Direct operation

**Primary forests-related opportunity**

Ensuring supply chain resilience

**Company-specific description & strategy to realize opportunity**

Applying sustainable forest management practices, combined with research and innovation in our nurseries and forestry operations, can increase our resilience to climate change related risks and will help to adapt better to future developments. Smurfit Kappa has balanced its fibre raw material sourcing between virgin fibres (25% of fibre volumes) and recycled fibres (75%). We also have split our fibre sourcing to sourcing from our own forests and plantations as well as from third parties. A major part of our recovered paper needs is sourced by our recycling operations. By applying sustainable management practices in our own forests and plantations makes the virgin raw material from our own forests more resilient to climate change and other natural disruptions. Applying sustainable sourcing practices increases resilience within our complete supply chains of virgin fibres.

**Estimated timeframe for realization**

>6 years

**Magnitude of potential impact**

Medium

**Likelihood**

Virtually certain

**Are you able to provide a potential financial impact figure?**

Yes, an estimated range

**Potential financial impact figure (currency)**

<Not Applicable>

**Potential financial impact figure – minimum (currency)**

0

**Potential financial impact figure – maximum (currency)**

13000000

**Explanation of financial impact figure**

This opportunity is the counter effect of the good management of Risk 1. Therefore the potential impact is in the range of 0-13M€ avoided costs due to required resilience.

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**Forest risk commodity**

Timber products

**Type of opportunity**

Efficiency

**Where in your value chain does the opportunity occur?**

Direct operation

**Primary forests-related opportunity**

Cost savings

**Company-specific description & strategy to realize opportunity**

Use of a mix of virgin and recycled fibres gives Smurfit Kappa an opportunity to create more optimised packaging solutions for our customers, whilst using raw materials in the most efficient manner. Both virgin and recycled fibres are needed for sustainable fit-for-purpose packaging solutions. Smurfit Kappa's strategy is to optimise the complete packaging solution for its customer's packaged goods and through that increasing material efficiency in our own value chain and the supply chains of our customers'.

**Estimated timeframe for realization**

Current - up to 1 year

**Magnitude of potential impact**

High

**Likelihood**

Virtually certain

**Are you able to provide a potential financial impact figure?**

Yes, an estimated range

**Potential financial impact figure (currency)**

<Not Applicable>

**Potential financial impact figure – minimum (currency)**

0

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**Potential financial impact figure – maximum (currency)**

5000000

**Explanation of financial impact figure**

Our pulp and paper sourcing annually is some 500M€. If we would generate one percent higher efficiency in the use of raw materials the benefit would be euro 5 million.

**F4. Governance**

**F4.1**

**(F4.1) Is there board-level oversight of forests-related issues within your organization?**

Yes

**F4.1a**

**(F4.1a) Identify the position(s) of the individual(s) (do not include any names) on the board with responsibility for forests-related issues.**

Position of individual	Please explain
Chief Sustainability Officer (CSO)	The Chief Sustainability Officer is a member of the SK Group Executive Committee and responsible for Smurfit Kappa's overall sustainability strategy and its implementation. This includes forest related issues. One of the non-financial key-performance indicators of the SK Group is the percentage of chain of custody certified packaging solutions we sell to third party customers. The target is to reach a threshold of 95% COC certified products. In 2020 we sold 93.8 % as FSC certified products. Smurfit Kappa board has an overall responsibility for ensuring the Group demonstrates leadership within the paper-based packaging sector, promoting an actionable sustainable development agenda. The Group CEO reports to the board as its member on any water related issue and those are discussed in minimum three times a year.
Chief Executive Officer (CEO)	The Group CEO is ultimately responsible for actions governing forest. The Group CEO is also a director of the SKG Board and lead the Group Executive Committee.
Board-level committee	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 SKG's sustainability strategy is based on three key strategic pillars: People; Planet and Impactful Business. Forest related issues are part of Smurfit Kappa's sustainability strategy. The Committee is currently comprised of four non-executive Directors. In its first full year, had an active and productive year with the Group completing many developments in its sustainability agenda. An example of the Board-level committee's decisions is the Committee decided and proposed to the main Board further increased the Smurfit Kappa ambition to deliver Chain of Custody certified product deliveries to customers' target to 95% by 2025.
Other, please specify (Executive Sustainability Committee)	The Executive Sustainability Committee consists of a key, relevant number of Group Executive Committee members that have responsibilities that are directly connected to sustainability issues, ensures that the sustainability strategy is driven throughout the business and reports to the Sustainability Committee of the Board. Forest related issues will be governed by some of the members as part of their direct operational responsibilities

**F4.1b**

**(F4.1b) Provide further details on the board's oversight of forests-related issues.**

	Frequency that forests-related issues are a scheduled agenda item	Governance mechanisms into which forests-related issues are integrated	Please explain
Row 1	Scheduled - some meetings	Monitoring implementation and performance Overseeing acquisitions and divestiture Overseeing major capital expenditures Reviewing and guiding business plans Reviewing and guiding corporate responsibility strategy Reviewing and guiding major plans of action Reviewing and guiding risk management policies Reviewing and guiding strategy Setting performance objectives	Forest related issues are part of many governance mechanisms. In Smurfit Kappa's case forest related issues are focused on the availability of sustainable wood fibres as raw material at an affordable price. This is a strategic issue and part of operational review meetings, an element in certain major capital expenditure projects, an element in our overall corporate strategy and business plans of relevant units. It is also part of the CSR strategy and we have set a number of long term target related to forest issues. When relevant it is part of acquisitions and divestitures. For the relevant managers it is also part of their performance objectives. The main Board of Smurfit Kappa Group receives three reports on forest issues, two interim reports at the end of Q1 and Q3 as well as the annual Sustainable Development Report.

**F4.2**

**(F4.2) Provide the highest management-level position(s) or committee(s) with responsibility for forests-related issues (do not include the names of individuals).**

Name of the position(s) and/or committee(s)	Responsibility	Frequency of reporting to the board on forests-related issues	Please explain
Chief Sustainability Officer (CSO)	Both assessing and managing forests-related risks and opportunities	Quarterly	The CSO is reporting to the Board Sustainability Committee on forest related issues. The CSO is part of the Group Executive Committee. The CSO is responsible for coordinating Group sustainability strategies, including forest related issues, internal and external target setting and reporting against these targets. The Board is informed through presentations on specific topics and also receives three times per year progress performance reports on forest related issues among which progress on the long term sustainability targets related to forest issues.
Sustainability committee	Both assessing and managing forests-related risks and opportunities	Quarterly	Implementation level: The Sustainability Working group consists of relevant representatives from operations and the Group's head office, with different expertise areas in sustainability. This group is responsible for ensures that targets are met across all material areas, supporting Group operations in implementing its sustainability/forest strategies, collecting and analysing data from the operations to the Group Excom, it also promotes sustainability targets among our customers and suppliers and it is led by CSO. The members of this working group coordinate sustainability roles in operations who are responsible for local implementation.
Other, please specify (The Group Chain of Custody manager)	Managing forests-related risks and opportunities	As important matters arise	The Group Chain of Custody Manager is a member of the Sustainable Working Group and reports to the CSO on forest and wood fiber chain of custody related issues. He also represents Smurfit Kappa in external stakeholder groups, such as FSC, PEFC etc. on sustainable forest management and chain of custody related issues.

**F4.3**

**(F4.3) Do you provide incentives to C-suite employees or board members for the management of forests-related issues?**

	Provide incentives for management of forests-related issues	Comment
Row 1	Yes	

**F4.3a**

**(F4.3a) What incentives are provided to C-Suite employees or board members for the management of forests-related issues (do not include the names of individuals)?**

	Role(s) entitled to incentive?	Performance indicator	Please explain
Monetary reward	Chief Executive Officer (CEO) Chief Sustainability Officer (CSO)	Achievement of commitments and targets Other, please specify (Chain of custody certified deliveries to customers)	The incentive indicator is the percentage of deliveries to customers that are certified Chain of custody. We aim to deliver at least 95% of our products chain of custody certified. This requires us to only source wood products from sustainable FSC and or PEFC managed forests. It is measured as percentage of total deliveries to customers. Because of this target/incentive the Group has certified chain of custody all of its operations and requires all its suppliers to deliver wood from sustainable origin and chain of custody certified paper. Future benefits expected include increased brand value. For the CEO this incentive is part of his personal/strategic goals and annual KPIs that he reports to the Group Board which collectively has a weight of his annual bonus scheme. (Smurfit Kappa Annual Report 2020, p 88). Sustainability and forest related targets are part of the personal KPI's measures for the CSO , as part of the annual bonus system.
Non-monetary reward	Please select	Please select	

**F4.4**

**(F4.4) Did your organization include information about its response to forests-related risks in its most recent mainstream financial report?**

Yes (you may attach the report – this is optional)  
Smurfit\_Kappa\_Annual\_Report\_2020.pdf

**F4.5**

**(F4.5) Does your organization have a policy that includes forests-related issues?**

Yes, we have a documented forests policy that is publicly available

**F4.5a**

**(F4.5a) Select the options to describe the scope and content of your policy.**

Scope	Content	Please explain
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	Scope	Content	Please explain
Row 1	Company-wide	<p>Commitment to eliminate conversion of natural ecosystems</p> <p>Commitment to eliminate deforestation</p> <p>Commitment to protect rights and livelihoods of local communities</p> <p>Commitments beyond regulatory compliance</p> <p>Commitment to transparency</p> <p>Commitment to stakeholder awareness and engagement</p> <p>Commitment to align with the SDGs</p> <p>Recognition of the overall importance of forests and other natural ecosystems</p> <p>Description of business dependency on forests</p> <p>Recognition of potential business impact on forests and other natural habitats</p> <p>Description of forest risk commodities, parts of the business, and stages of value-chain covered by the policy</p> <p>List of timebound milestones and targets</p> <p>Description of forests-related performance standards for direct operations</p> <p>Description of forests-related standards for procurement</p>	<p>As a significant user of wood and recycled paper fibre in its paper-based packaging solutions, Smurfit Kappa Group recognises its impact and responsibility in the sustainable use of wood-based raw materials and combatting deforestation. Independent, third-party certification is the most reliable means to promote sustainable forest management throughout the paper-based packaging value chain. Therefore Smurfit Kappa focuses on forest and related chain of custody certification. Smurfit Kappa takes responsibility throughout its full value chain from managing its forests and plantations, sourcing of wood and fibre, and converting them into appropriate value added products. The policy sets a framework for all of the Group's forestry, wood, fibre, and paper sourcing operations including: Forests and tree plantations owned, leased or managed; Timber purchases and exchanges, including imports and exports; Sourcing of pulp and paper from third parties as well as sales of paper to third parties; Sourcing of recovered paper and board; others. Smurfit Kappa's publicly available Forest and Fibre Sourcing Policy describes the framework within which we work in our own forestry and plantation management and what we require from our supply chains. Our policy in short is to promote sustainable, certified forest management through having pure plantations certified to FSC in Colombia and PEFC in Spain. We require from our suppliers a full Chain of Custody and applicable Due Diligence of their fibre sourcing. We aim at purchasing all our fibre based materials as CoC certified according to FSC, PEFC or SFI. This policy is the key tool for our fibre sourcing and the basis for any customer relationship. SK further commits to implementing appropriate communication, training and auditing procedures to ensure that all SK operations meet the requirements outlined in this policy. To meet our policy requirements, Smurfit Kappa also sets public targets, these are: #1: All fibre produced and purchased is CoC certified under FSC, PEFC or SFI (Sustainable Forest Initiative). #2: At least 95% of our packaging is certified as CoC certified under FSC, PEFC or SFI. #3: All production sites use FSC, PEFC and/or SFI CoC standards. Smurfit Kappa will evaluate the sustainable forestry and fibre sourcing policy regularly in light of new developments in the areas of sustainability.</p>

F4.5b

(F4.5b) Do you have commodity specific sustainability policy(ies)? If yes, select the options that best describe their scope and content.

Do you have a commodity specific sustainability policy?	Scope	Content	Please explain

	Do you have a commodity specific sustainability policy?	Scope	Content	Please explain
Timber products	Yes	Company-wide	<p>Commitment to eliminate deforestation</p> <p>Commitment to protect rights and livelihoods of local communities</p> <p>Commitments beyond regulatory compliance</p> <p>Commitment to transparency</p> <p>Commitment to stakeholder awareness and engagement</p> <p>Commitment to align with the SDGs</p> <p>Recognition of the overall importance of forests and other natural ecosystems</p> <p>Description of business dependency on forests</p> <p>Recognition of potential business impact on forests and other natural ecosystems</p> <p>Description of forest risk commodities, parts of the business, and stages of value-chain covered by the policy</p> <p>List of timebound commitments and targets</p> <p>Description of forests-related performance standards for direct operations</p> <p>Description of forests-related standards for procurement</p>	<p>Smurfit Kappa has a Forestry and fibre sourcing policy, available on our website that defines our approach to sustainable forest management and fibre sourcing and sets the principles on how we operate around timber commodity in general and long-term. Smurfit Kappa takes responsibility throughout its full value chain from managing its forests and plantations, sourcing of wood and fibre, and converting them into appropriate value added products. The policy sets a framework for all of the Group's forestry, wood, fibre, and paper sourcing operations including: Forests and tree plantations owned, leased or managed; Timber purchases and exchanges, including imports and exports; Sourcing of pulp and paper from third parties as well as sales of paper to third parties; Other wood and wood fibre-based product purchases; Sourcing of recovered paper and board This sustainable forestry and fibre sourcing policy complements the SK Code of Business Conduct and other relevant policies supporting sustainable development. SK performs due diligence on the legality of all wood-fibre based materials in accordance with applicable timber sourcing regulations. The policy is updated if necessary due to changes of requirements otherwise every two years. All Smurfit kappa sites producing paper and packaging are FSC certified and trainings about this policy are executed for all regional and local FSC managers are regularly. Every 3 years Nepcon checks the implement level of all requirements listed in our Policy on SK Group and local site level. During 2020, we continued our collaboration with 'Preferred by Nature' (formerly Nepcon) to keep our risk assessment and risk mitigation activities up to date. We continued training local employees in performing supplier due diligence at local level. In addition, conducted a second gap analysis of the due diligence system related procedures at Group level that should prevent the purchasing of any wood-based material with a controversial origin. To meet our policy requirements, Smurfit Kappa also sets public targets, these are: #1: All fibre produced and purchased is CoC certified under FSC, PEFC or SFI (Sustainable Forest Initiative). #2: At least 95% of our packaging is certified as CoC certified under FSC, PEFC or SFI. #3: All production sites use FSC, PEFC and/or SFI CoC standards.</p>
Palm oil	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>

	Do you have a commodity specific sustainability policy?	Scope	Content	Please explain
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Smurfit  
Kappa  
Sustainable  
Forestry  
Policy  
Statement  
English.pdf

#### F4.6

**(F4.6) Has your organization made a public commitment to reduce or remove deforestation and/or forest degradation from its direct operations and/or supply chain?**

No

#### F5. Business strategy

##### F5.1

**(F5.1) Are forests-related issues integrated into any aspects of your long-term strategic business plan, and if so how?**

	Are forests-related issues integrated?	Long-term time horizon (years)	Please explain
Long-term business objectives	Yes, forests-related issues are integrated	21-30	To understand the sustainability issues most relevant to our business operations and our stakeholders, we conducted a thorough materiality process to assess the issues, the impact we have on them, and that they have on us. We reassess which issues are most material every three years to ensure our assessment is always up-to-date. To ensure that our material issues are well formed and relevant, we explore a myriad of internal and external factors. A desk study includes an assessment of internal policies and positions in areas including Environmental, Forest, Health and Safety and Sustainable Sourcing, long-term strategic plans and the Code of Business Conduct. The materiality process undertaken is based on the globally recognised sustainability framework, Accountability's AA1000 Principles Standard, and aligned to the Global Reporting Initiative (GRI) framework and other best-practice standards, including CDP, the FTSE4Good Index, Sustainability Accounting Standards Board and the TCFD. Promoting sustainable forest management involves managing supplies of sustainable, renewable fibre, while protecting biodiversity and ecosystems as well as creating employment in rural areas. Wood fibres can be recycled up to eight times when producing paper-based packaging. We track our long-term performance against strategic, sustainability and financial key performance indicators (KPIs). Our key raw materials are virgin and recycled fibres and therefore their sustainable availability is an important factor in our long-term objectives, including cost, availability, production, sourcing etc. We own 103,000 ha of forests and plantations where we implement certified sustainable forest management standards and improve our way of working as these standards develop. We also run our own recycling operations and have 15 recovered paper depots in Europe and 33 in the Americas. FSC Certification of our Colombian plantation management as a case study We have certified our forest plantations in Colombia since 2003. This means that we are investing in sustainable forest management and do it in an ecologically, economically and socially viable way, including stakeholders to our processes. This is part of our long-term strategy in Colombia but also shows our commitment to sustainable forest management as a company.
Strategy for long-term objectives	Yes, forests-related issues are integrated	21-30	We focus on promoting sustainable forest management through voluntary, third-party verified systems. As a case study: we are the leading paper-based packaging company who has implemented chain of custody certified management systems throughout our operations. This means that we are able to sell our products as CoC certified from any of our production sites to any of our customers. It is a chosen strategy that differentiates us from competition.
Financial planning	Yes, forests-related issues are integrated	11-15	Forest and plantation management, forest and chain of custody certification as well as sustainable and responsible sourcing of wood and recycled fibres is part of our annual financial planning. As a case study: we are the leading paper-based packaging company who has implemented chain of custody certified management systems throughout our operations. This means that we are able to sell our products as CoC certified from any of our production sites to any of our customers. It is a chosen strategy that gives us a competitive advantage. The strategy shows willingness to invest in sustainable fibres but is also offering us a unique position on the market place. Financial planning is intrinsic to implementing Smurfit kappa's overall business strategy, including in the area of sustainable development. For e.g. wood accounts for around one third of our raw material input cost and access to sustainable sources of wood is essential to our operations. We depend on the long-term productivity of our commercial forests for maintaining or increasing yields to remain globally competitive.

#### F6. Implementation

##### F6.1

**(F6.1) Did you have any timebound and quantifiable targets for increasing sustainable production and/or consumption of your disclosed commodity(ies) that were active during the reporting year?**

Yes

##### F6.1a

**(F6.1a) Provide details of your timebound and quantifiable target(s) for increasing sustainable production and/or consumption of the disclosed commodity(ies), and progress made.**

**Target reference number**

Target 1

**Forest risk commodity**

Timber products

**Type of target**

Third-party certification

**Description of target**

We source virgin fibres from certifiably well-managed forests, or at least of non-controversial origin, or certified recycled fibres. All wood based or wood fiber based materials must be delivered through a third-party-verified Chain of Custody certified supply chain. We accept Forest Stewardship Council® (FSC®), Programme for Endorsement of Forest Certification™ (PEFCTM) and Sustainable Forestry Initiative® (SFI®) certified wood, and the Chain of Custody systems at our mills and plants also cover recycled fibre sourcing. We regard these certification schemes as the best available means to conserve forests and their biodiversity. All fibre produced and purchased is Chain of Custody certified under FSC®, PEFC™ or SFI: 100%

**Linked commitment**

Other environmental commitments

**Traceability point**

&lt;Not Applicable&gt;

**Third-party certification scheme**

FSC Forest Management certification

FSC Chain of Custody

FSC Controlled Wood

FSC Recycled

PEFC Sustainable Forest Management certification

PEFC Chain of Custody

SFI Chain of Custody

SFI Fiber Sourcing certification

**Start year**

2005

**Target year**

2025

**Quantitative metric**

&lt;Not Applicable&gt;

**Target (number)**

&lt;Not Applicable&gt;

**Target (%)**

100

**% of target achieved**

99.8

**Please explain**

We continued to produce and purchase 99.8% of our fibres under fibre origin management systems that are CoC certified in 2020. This is within our margin of 1% variation. We only source paper that is FSC, PEFC or SFI certified or verified for FSC Controlled Wood, which includes no conversion of natural habitats, no conversion of high conservation value areas, no sourcing of illegally produced and/or traded wood, no sourcing of wood from unknown/controversial sources. All paper produced at our own SK mills and all consumed third party paper and other wood or wood-fiber based minor components are in scope of this target. Only very small amount of locally purchased minor components from third party, do not carry sometimes any Chain of custody claim of any of the Forest certifications schemes, mentioned above. SK has the aim to substitute the last small quantities of not certified materials with certified materials by end of 2021. SK takes responsibility throughout its full value chain from managing its forests and plantations, sourcing of wood and fibre, and converting them into appropriate value added products. The policy sets a framework for all of the Group's forestry, wood, fibre, and paper sourcing operations. This sustainable forestry and fibre sourcing policy complements the SK Code of Business Conduct and other relevant policies supporting sustainable development. Our annual due diligence risk assessment of all consumed wood based raw materials to produce our final products requires all our paperboard suppliers to inform about all regions and geographies from where wood is sourced for the production of paperboard and about every tree species. The information is compared with the CITES lists for endangered species and also with websites, risk maps such as the "Preferred by Nature" Global Risk Assessment or the public available FSC National Risk Assessments. "Preferred by Nature" supports us to conduct these risk assessment. Smurfit kappa is a member of the Consumer Goods Forum (CGF) and a signatory to CGF's zero-net deforestation commitment by 2020.

**Target reference number**

Target 2

**Forest risk commodity**

Timber products

**Type of target**

Third-party certification

**Description of target**

New Target : At least 95% of our packaging of our packaging is certified as CoC certified under FSC, PEFC or SFI. We have increased our target to 95%, to be reached by 2025 at the latest. WE have reached our old target of 90% FSC certified packaging sold to external customers in 2016. Progress made: 93.8% packaging solutions sold as Chain of Custody certified in 2020. In scope of this target is all packaging material we sell to our third party customers. To be able to reach this target all relevant SK mills, converting sites need to be FSC certified. In addition all wood based raw materials consumed by our converting plants, like paper and other wood based minor components, need to be FSC certified to be able to reach this target. The FSC certified sales percentage target to sell 95% our finish products to our customers, is a non final key performance indicator for sustainability of SK Group.

**Linked commitment**

Other environmental commitments

**Traceability point**

&lt;Not Applicable&gt;

**Third-party certification scheme**

FSC Chain of Custody  
PEFC Chain of Custody  
SFI Chain of Custody

**Start year**

2014

**Target year**

2025

**Quantitative metric**

<Not Applicable>

**Target (number)**

<Not Applicable>

**Target (%)**

95

**% of target achieved**

93.8

**Please explain**

Smurfit Kappa has set itself an ambition to deliver all of its sold products as chain of custody certified to all of its customers. Our target was to reach 90% of deliveries to our customers as chain of custody certified by end of 2016. During 2019 we delivered 92,1% of our packaging products as chain of custody certified. In 2020 we have reached a level 93,8% on SK Group level. We have increased our targets for the production of certified Chain of Custody paper produced by our mills and packaging solutions delivered to customers to 95%, to be reached by 2025 at the latest. The remaining 7,9% (6,5%) have partly a FSC controlled wood status, which cannot be sold with any FSC claim to the final consumers according FSC COC requirements ( FSC STD. 40-004 V3) or coming from low risk sources like 100% recycled materials or PEFC or SFI controlled sources. Each quarter we are gather the % of FSC certified of each side on Group level via an digital upload portal and make plausibility and consistency checks of this uploaded data. All converting plants of SK make an FSC sales % calculation each month. 16 regional FSC managers and ~240 local FSC managers collaborate and taking care to reach this ambitions target. End of each year the whole FSC sales calculation is verified by a third party (KPMG), including onsite audits at a sample of sites.

**Target reference number**

Target 3

**Forest risk commodity**

Timber products

**Type of target**

Third-party certification

**Description of target**

All relevant production sites ( Paper mills & converting sites) are FSC certified. All paper mills in Europe are dual certified and are PEFC certified in addition to the FSC certification. Our recycled mill in USA are triple certified: FSC, PEFC and SFI A new acquired site is granted a grace period to be FSC certified of maximum two years. All paper mills ( virgin and recycled), all relevant internal traders, the internal paper supply chain, and all converting plants using wood and wood fiber based raw materials to produce our final products, are in scope.

**Linked commitment**

Other environmental commitments

**Traceability point**

<Not Applicable>

**Third-party certification scheme**

FSC Forest Management certification  
FSC Chain of Custody  
FSC Recycled  
PEFC Sustainable Forest Management certification  
PEFC Chain of Custody  
SFI Chain of Custody

**Start year**

2009

**Target year**

2015

**Quantitative metric**

<Not Applicable>

**Target (number)**

<Not Applicable>

**Target (%)**

100

**% of target achieved**

100

**Please explain**

All our paper mills and converting plants are FSC certified and partly in addition PEFC/SFI certified. Newly aquired mills or plants have a two years grace period to get FSC certified and partly PEFC certified. The complete European Smurfit Kappa paper and board mill system has been Chain of Custody certified under the FSC and PEFC schemes since 2010. Since January 2015, all our American paper mills have been certified by FSC and/or SFI standards. ( Recycled and virgin) Furthermore, all our converting operations are Chain of Custody certified since 2013 in Europe and since 2015 in the Americas.

## F6.2

### (F6.2) Do you have traceability system(s) in place to track and monitor the origin of your disclosed commodity(ies)?

	Do you have system(s) in place?	Description of traceability system	Exclusions	Description of exclusion
Timber products	Yes	Our own virgin mills located in Europe, getting wood from third party suppliers: All our virgin mills know the origin of the consumed round wood to a detail level until the level of a forest management unit. We have a local GPS data tracking system in place for our virgin mills in Europe, in order to know the exact place, where the round wood was loaded on the trucks of our direct suppliers. The virgin mill located in Colombia only use wood from our own FSC certified forest. For the supplies of saw mill residue, we know at least the supply chain until the saw mill level. In addition we know at least the country of origin of all wood used by our directly supplier of saw mill residue, but often we do not know the Forest management unit ( sub-suppliers) form the wood, used by our saw mill residue suppliers.( process waste from the saw milling process). The wood supply chain of our direct suppliers to is often complex, but nevertheless we know at least the country of origin of the round wood, the source of the wood chips, we get from the saw mills residue suppliers. Third party paper consumed by our won converting sites: All third party suppliers of paper has to deliver the chain of custody status of all their paper suppliers 3 times a year. In addition each year all third party suppliers of paper have to inform us about potential wood species and country of origin information of all paper, supplied to Smurfit Kappa converting plants. All information about the Chain of custody status of all suppliers of third party paper and other minor components and information about the country of origin and wood species are entered to SK Group wood fiber risk assessment platform. The information is part a Due diligence system on SK Group level. A supplier get the status as low risk supplier, if the paper is FSC certified. If the supplier get a high risk status according the Smurfit kappa DDS rules, we ask the supplier to provide us with more detail information about e.g. the country of origin, like a declaration of a specific region or state. If the country of origin is a high risk country, we only accept FSC certified paper from this supplier. In low risk countries, we also accept PEFC or SFI certified paper as risk mitigation measure to get controversial wood based materials. Each new supplier need to be approved, before the paper can be processed.	Specific supplier(s)	All our virgin mills are FSC certified and all not FSC certified raw material has at least a FSC Controlled Wood status. If we use saw mill residue as raw material, it is very difficult to get information about the exact Forest management units, where the trees have been harvested . The round wood have been processed at these saw mills ( our suppliers) and we only get the residue of this process as input to our production of paper. Due to the requirements of the FSC Controlled wood risk assessment procedure, including onsite supplier audits at a sample of our suppliers down to the FMU level, we know at least the country of origin of the the trees from which the saw mill residue of our direct supplier derived.
Palm oil	<Not Applicable >	<Not Applicable>	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable >	<Not Applicable>	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable >	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable >	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable >	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable >	<Not Applicable>	<Not Applicable>	<Not Applicable>

## F6.2a

### (F6.2a) Provide details on the level of traceability your organization has for its disclosed commodity(ies).

Forest risk commodity	Point to which commodity is traceable	% of total production/consumption volume traceable
Timber products	Country	99

## F6.3

### (F6.3) Have you adopted any third-party certification scheme(s) for your disclosed commodity(ies)?

	Third-party certification scheme adopted?	% of total production and/or consumption volume certified
Timber products	Yes	99.8
Palm oil	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>

## F6.3a

### (F6.3a) Provide a detailed breakdown of the volume and percentage of your production and/or consumption by certification scheme.

**Forest risk commodity**

Timber products

**Third-party certification scheme**

FSC Controlled Wood

**Chain-of-custody model used**

&lt;Not Applicable&gt;

**% of total production/consumption volume certified**

100

**Form of commodity**

Hardwood logs

Softwood logs

Sawn timber, veneer, chips

Pulp

**Volume of production/ consumption certified**

2000000

**Metric for volume**

Metric tons

**Is this certified by more than one scheme?**

Yes

**Please explain**

The virgin fibres we use are primarily made of wood for pulp from certified sustainably managed forests. Smurfit Kappa sustainably manages its own eucalyptus and pine plantations in Colombia which are FSC Certified since 2003 and our forestry operations in Spain and France support small forest owners to manage their forests, certified by FSC and/or PEFC. Smurfit Kappa buys most of the virgin fibres from suppliers in Europe: Austria, the Baltic countries, France, Germany, Spain and Sweden. Our virgin mills in Europe use round wood and saw mill residue from third parties as raw materials. Our timber is often a natural side product – from the woodchips and tops of the trees too small for sawmills, as well as trees that are removed in order to support healthy growth in the forest. This means that everything is used, nothing is wasted. All (100%) round wood, saw mill residue and market pulp consumed by our virgin mills have at least a FSC controlled wood status and are also conform with PEFC controlled sources requirements. The virgin mill located in Colombia only use FSC certified round wood harvested at our own FSC certified Forest plantation. 58% of the virgin wood fibers consumed by our virgin mills (round wood and wood chips) are FSC and/ or PEFC certified and as mention above the remaining 42% are at least FSC Controlled wood and PEFC controlled sources conform.

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**Forest risk commodity**

Timber products

**Third-party certification scheme**

FSC Chain of Custody

**Chain-of-custody model used**

&lt;Not Applicable&gt;

**% of total production/consumption volume certified**

92.7

**Form of commodity**

Paper

**Volume of production/ consumption certified**

7000000

**Metric for volume**

Metric tons

**Is this certified by more than one scheme?**

Yes

**Please explain**

The paper produced at our own recycled and virgin mills was 92.7% FSC certified in 2020. The rest (7.3%) had at least a FSC Controlled wood status. The mills in Europe and in US in addition are PEFC certified.

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**Forest risk commodity**

Timber products

**Third-party certification scheme**

FSC Controlled Wood

**Chain-of-custody model used**

&lt;Not Applicable&gt;

**% of total production/consumption volume certified**

99.2

**Form of commodity**

Paper

**Volume of production/ consumption certified**

2000000

**Metric for volume**

Metric tons

**Is this certified by more than one scheme?**

Yes

**Please explain**

99,2% consumed third party paper, consumed by our own converting plants, was at least FSC Controlled wood or was conform with PEFC and or SFI controlled sources definitions. 99% of the 99,2% was FSC Controlled certified. On top the vast majority of the 99,2 % has been FSC Chain of custody certified. Smurfit Kappa is highly integrated company and produce much paper by itself, which are consumed by our converting plants. Nevertheless SK Group purchase 2 Million tons of paper at external paper suppliers across the whole Group. Only 0.8 % was not conform with FSC Controlled wood definitions in 2020. The network of our regional and local FSC managers together will the local purchasers have the aim to substitute all third party suppliers, which deliver not FSC conform paper or other minor components to us by end of 2021.

**Forest risk commodity**

Timber products

**Third-party certification scheme**

FSC Chain of Custody

**Chain-of-custody model used**

<Not Applicable>

**% of total production/consumption volume certified**

93.8

**Form of commodity**

Primary packaging

Secondary packaging

Tertiary packaging

**Volume of production/ consumption certified**

6000000

**Metric for volume**

Metric tons

**Is this certified by more than one scheme?**

No

**Please explain**

93.8% of all packaging sold to external customers of all converting plants has been FSC certified during 2020. ( FSC Mix certified claim) The FSC sales % to customers is a SK Group non financial KPI for sustainability. To be able to reach this level of FSC certified packaging, all converting plants and almost all consumed relevant raw materials, like paper ( internally produced & externally purchased) need to be FSC certified. We sell all our packaging products per default with a FSC Mix certified claim to our customers, as long we get the raw materials ( e.g. paper) from our third party suppliers FSC conform ( at least FSC CW). We cannot sell packaging as FSC certified according the FSC rules, if even a small minor component is not FSC conform ( at least FSC CW). Packaging with FSC Controlled wood status cannot be sold with FSC Controlled wood claim to third party customer according the FSC rules. That means that parts of the remaining 6,2% not FSC certified packaging are FSC controlled wood certified, but are evaluate as not FSC certified sales to our customers in our internal calculations. Another part of the remaining 6.2 % not FSC certified packaging, we sell to our customer, are 100% recycled, but some of our supplier of recycled paper, or other minor components made out of Recycled fibers, still are not FSC conform. Therefore we are in principle very close to sell 100% of our packaging as FSC certified, FSC conform or 100% recycled.

## F6.4

**(F6.4) For your disclosed commodity(ies), do you have a system to control, monitor, or verify compliance with no conversion and/or no deforestation commitments?**

	A system to control, monitor or verify compliance	Comment
Timber products	Yes, we have a system in place for our no conversion and/or deforestation commitments	<Not Applicable>
Palm oil	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>

## F6.4a

**(F6.4a) Provide details on the system, the approaches used to monitor compliance, the quantitative progress, and the non-compliance protocols, to implement your no conversion and/or deforestation commitment(s).****Forest risk commodity**

Timber products

**Operational coverage**

Direct operations

Supply chain

**Description of control systems**

Smurfit Kappa actively monitors its third party suppliers of wood, virgin pulp at our virgin mills to ensure that none of its sourcing contributes to deforestation or illegal logging and that no tropical species or those listed by the CITES are used, in line with our policy requirements and the FSC controlled wood requirements. All our suppliers of wood are assessed through the FSC CW DDS, to monitor forest-related risks through our supply chain. For high-risk suppliers of wood according FSC National risk assessment reports, we use different risk tools, such as GIS maps, satellite imaging tools and local forestry reports (by the media, NGOs, community forums, etc.) to identify local, country and/or regional risks. We also perform onsite visit at our direct suppliers and sub suppliers. ( Forestland owner, saw mills, traders)

**Monitoring and verification approach**

Ground-based monitoring system  
Second-party verification  
Third-party verification

**% of total volume in compliance**

100%

**% of total suppliers in compliance**

100%

**Response to supplier non-compliance**

Retain & engage  
Suspend & engage

**Procedures to address and resolve non-compliance with suppliers**

Developing time-bound targets and milestones to bring suppliers back into compliance  
Providing information on appropriate actions that can be taken to address non-compliance  
Assessing the efficacy and efforts of non-compliant supplier actions through consistent and quantified metrics  
Re-integrating suppliers back into supply chain based on the successful and verifiable completion of activities

**Please explain**

We are committed to: • working with suppliers that adhere to our Sustainable Sourcing Policy, Supplier Code of Conduct, are Chain of Custody certified where applicable, and commit to our Modern Slavery Act statement; and • regularly auditing our preferred suppliers to ensure adherence with our key sustainable sourcing principles  
Sustainable sourcing of wood and recovered paper is vital for our fibre-based products. Wood, pulp, paper and recovered-paper sourcing, as well as our own forestry operations, is controlled by our Forestry and Fibre Sourcing Policy. Smurfit kappa has established long term relationships with most of its suppliers of paper & wood, including a contractual link. All suppliers have to deliver FSC conform paper according the specifications of SK. Almost all supplier of wood fiber are FSC certified or at least PEFC or SFI conform. The supplier list is quite stable for paper and Smurfit kappa only works together with well-known suppliers of paper. Nevertheless in the unlikely event that a supplier has delivered not FSC conform materials it will be locally detected at the mandatory 100% input checks at the reception at our paper mills or converting plants or in parallel due to the FSC related checks performed by our central purchasing units. The suppliers are contacted by our technical Service team or the responsible purchasing unit and the issue will be discussed and followed up until it will be tackled or supplier will be blocked.

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**Forest risk commodity**

Timber products

**Operational coverage**

Direct operations  
Supply chain

**Description of control systems**

For all purchased third party paper and other wood based minor components of our final products, we have a SK Group and local Due diligence system implemented. In sourcing timber, pulp and paper, and other wood-fibre based materials preference will be given to the materials that are chain of custody certified through FSC®, PEFC™ or SFITM. As a minimum SK requires that all timber, pulp and paper suppliers guarantee a non-controversial origin of the fibrous materials delivered to SK according to the FSC®, PEFC™ and SFITM chain of custody and controlled wood standards. Although we source most of our wood from Europe, we source wood fibres indirectly via third party suppliers from 36 countries among which nine are classified as potential high-risk countries: Argentina, Brazil, Bulgaria, Chile, Colombia, Indonesia, Romania, Russia and Ukraine. Fibres sourced from these countries require additional due diligence before purchasing to ensure our sourcing policy requirements are followed.

**Monitoring and verification approach**

Ground-based monitoring system

**% of total volume in compliance**

100%

**% of total suppliers in compliance**

91-99%

**Response to supplier non-compliance**

Retain & engage  
Suspend & engage  
Exclude

**Procedures to address and resolve non-compliance with suppliers**

Developing time-bound targets and milestones to bring suppliers back into compliance  
Providing information on appropriate actions that can be taken to address non-compliance  
Re-integrating suppliers back into supply chain based on the successful and verifiable completion of activities

**Please explain**

Smurfit Kappa actively monitors it's hird party suppliers of paper to our converting plants to ensure that none of its sourcing contributes to deforestation or illegal logging and that no tropical species or those listed by the CITES are used, in line with our policy requirements and the FSC controlled wood requirements. During 2020, we continued our collaboration with 'Preferred by Nature' (formerly Nepcon) to keep our risk assessment and risk mitigation activities up to date. We continued training local employees in performing supplier due diligence at local level. We have a SK Group Due diligence system for all third party paper suppliers and all other wood or wood fiber based minor components, our converting plants consume to produce their final products. Central and local purchaser working together to keep this databank up to date and make sure that we only use Chain of Custody conform paper. ( FSC, PEFC or SFI conform). Our purchasers have the aim to substitute all non- compliant suppliers or convince them to get a FSC certification in reasonable timeframe or at least an PEFC or SFI certification. Each new supplier need to be registered at our wood fiber risk assessment platform and need to be approved, before the paper can be consumed by our converting plants. SK is committed to performing additional due diligence on suppliers' purchases of paper and other wood fibre-based products which originate from a high-risk country.

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F6.5

**(F6.5) For your disclosed commodity(ies), indicate if you collect data regarding your own compliance and/or the compliance of your suppliers with the Brazilian Forest Code.**

	Do you collect data regarding compliance with the Brazilian Forest Code?	Please explain
Timber products	Yes, from both suppliers and owned/managed land	Illegal logging in the Amazon is one of the main drivers of deforestation, accounting for almost 20% of trees felled this year 2020, according to data gathered by the DETER satellite monitoring system of Brazil's national space agency, INPE. To mitigate all business risks associated with illegal and unsustainable commodity production in Brasil, Smurfit kappa push for best practice, going beyond legal compliance towards zero conversion of native vegetation. According to the risk assessment of Preferred by Nature any FSC claim is sufficient prove in Brasil that the wood fibers are not coming from any controversial materials. According to our Forestry and fibre sourcing policy, all of our fibrous raw material has to be delivered to Smurfit Kappa through a certified chain of custody management system, FSC, PEFC or SFI. As part of our chain of custody due diligence process as well as EU Timber regulation and US Lacey Act, we require compliance with: - non-controversial origin ( FSC CW) - legal logging All our used wood, market pulp with country of origin Brasil are FSC certified or at least compliant with FSC controlled wood requirements. According to the FSC controlled wood requirements all wood have to be compliant with national Forest laws like the Brazilian Forest code. According FSC CW requirements it controversial to use any: •illegally harvested wood •wood harvested in violation of traditional and human rights •wood harvested in forests in which high conservation values (HCVs) are threatened by management activities (HCVs are areas particularly worthy of protection) •wood harvested in forests being converted to plantations or non-forest use •wood from forests in which genetically modified trees are planted Smurfit Kappa have only paper mills in Brasil using Recycled wood fibre as raw materials to produce packaging papers. The SK converting operations located in Brasil use mainly Recycled paper from own SK mills to produce packaging. All third party virgin paper consumed by SK converting plants located in Brasil are FSC certified or at least compliant with FSC controlled requirements. The market pulp we use in Europe as minor component to produce our white virgin papers are all FSC certified.
Palm oil	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>

**F6.5a**

**(F6.5a) For your disclosed commodity(ies), indicate which Key Performance Indicators (KPIs) you use to measure your own compliance with the Brazilian Forest Code and your performance against these indicator(s).**

**Forest risk commodity**

Timber products

**KPIs**

Other, please specify (We sell 100% of our packaging produced at our Brazilian converting plants as FSC certified products. The FSC sales percentage of all our Brazilian plants is part of our SK Group non financial KPI for sustainability FSC sales % with 95%.)

**Performance against indicators**

91-100%

**Please explain**

In Brasil we have only Recycled paper mills, which do not use any virgin fiber or solid wood as raw material input. The paper consumed by our converting plants, located in Brasil, is all FSC certified. Market pulp with the country of origin Brasil is used as raw materials at some of our our paper mills in Europe. All virgin market pulp used by own paper mills is FSC certified. We monitor the FSC status of all third party paper and pulp suppliers and 3 times a year we updating the FSC status of all relevant suppliers. The converting plants located in Brasil sell 100% of their output with FSC Mix certified claim and all paper consumed by these converting plants are FSC certified. Smurfit Kappa do not won or leased any Forest in Brasil.

**F6.5b**

**(F6.5b) For your disclosed commodity(ies), indicate which Key Performance Indicators (KPIs) you use to measure the compliance of your suppliers with the Brazilian Forest Code and their performance against these indicator(s).**

**Forest risk commodity**

Timber products

**KPIs**

Other, please specify (SK is committed to performing additional due diligence on suppliers' purchases of timber, pulp and paper from Brasil. We only accept FSC conform wood based materials with country of origin Brasil. )

**Performance against indicators**

100%

**Please explain**

According to our Forestry and Fibre Sourcing Policy, we only source FSC certified raw materials in high risk countries. This makes us compliant with the Brazilian Forest Code. The FSC system remains the most credible and robust sustainable forest certification system available in the paper sector as of today, and therefore Nepcons general recommendation is to keep supporting the FSC system. From the "very high-risk countries" as classified in the SK Country Risk Assessments by Nepcon it is recommended that Smurfit Kappa only accepts sources certified against the FSC standards. According Nepcons recommendation for wood fibers with country of origin Brazil no extra due diligence is required, other than confirming the FSC claim on sales document and that the supplier's FSC certificate is valid and the product included in their scope. Ensuring that only FSC certified material is accepted from Brazil should be Smurfit Kappa's priority.

F6.6

**(F6.6) For your disclosed commodity(ies), indicate if you assess your own compliance and/or the compliance of your suppliers with forest regulations and/or mandatory standards.**

	Assess legal compliance with forest regulations	Comment
Timber products	Yes, from both suppliers and owned/managed land	<Not Applicable>
Palm oil	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>

F6.6a

**(F6.6a) For you disclosed commodity(ies), indicate how you ensure legal compliance with forest regulations and/or mandatory standards.**

**Timber products**

**Procedure to ensure legal compliance**

According our Sustainable Forestry and fiber sourcing policy Smurfit kappa do not place any illegal harvested timber and timber products to the EU market whether of domestic or imported origin. Smurfit kappa do not use any wood species, which are listed on the CITES list (Convention on International Trade in Endangered Species) . All mills and converting Units and traders are compliant to the EU timber regulation (995/2010 operational as of 3rd of March 2013.) Most of relevant SK entities acting as "trader" according EU TR follow the obligation of traceability and are able to provide information about suppliers and customers to competent authorities of the EU member states and monitoring organizations during potentially executed audits. The European Smurfit Kappa virgin paper mills only acting as trader. The vast majority of all wood used by our virgin mills are harvested within EU market. A comparable small amount of wood consumed have been imported to EU, but placed already by traders (our suppliers) on the EU market. On top as risk mitigation all imported wood need to be FSC certified. Market pulp imported to EU market and used by few mills are placed by traders as well on the EU market already and all is FSC certified. Most of the third party virgin paper consumed by our converting sites ( more than 99%) placed on EU market by our external suppliers already. External paper are purchased by only one legal entity on behalf of all converting plants ( Internal Trader). This entity is FSC certified and act as "operator" according EU TR. This legal entity uses a due diligence system of a monitoring organization (They import virgin paper from US market ( FSC CW). We use the DDS of the accredited monitoring organization Control Union to make our virgin mill located in continental Europe compliant with UK timber regulation. We use a the DDS of the monitoring organization Control Union to make our paper imports from USA, done by our central purchasing Unit, compliant with EU timber regulation. In Italy we use the recognized monitoring organization "(Conlegno)" to make all virgin paper imported, compliant with EU TR requirements. Smurfit kappa use both internal & external auditing to monitor compliance to ensure legal compliancy. SK in USA do not import any virgin wood materials to USA and therefore we are conform with USA Lacey Act.

**Country/Area of origin**

**Law and/or mandatory standard(s)**

- Brazilian Forest Code
- EU Timber Regulation
- USA Lacey Act

**Comment**

Smurfit kappa only import very few wood based products to EU market or do not import anything relevant to USA market. Moreover SK do not import any paper with fiber origin of countries listed in the drop down menu above. We do not harvest any trees in Brasil directly and all paper or market pulp which contains fiber with country of orgin Brasil are FSC certified. All FSC certified products meet the requiremenst of the Brasilian Forest Code. When Smurfit kappa act as operator according EU TR requirements, Smurfit kappa always use the service of EU commison accredited monititoring organisations in order to avoid to take any risk to place any illegal harvested wood based material on EU market. Smurfit Kappa only import paper to EU market, if it is at least FSC conform.

F6.7

**(F6.7) Are you working with smallholders to support good agricultural practices and reduce deforestation and/or conversion of natural ecosystems?**

	Are you working with smallholders?	Type of smallholder engagement approach	Smallholder engagement approach	Number of smallholders engaged	Please explain
Timber products	Yes, working with smallholders	Please select	Please select		In Spain, and France Smurfit kappa works with Smurfit Kappa Forest contractors, which are responsible as internal trader to purchase round wood, saw mill residue on behalf of our virgin mills located in North Spain and south France. In these area's the Forestland is mainly owned by small holders. These smallholders have gotten support by Smurfit kappa to be PEFC or FSC certified. In France we work together with 800 local smallholders ( Forestland owners, saw mills) Many smallholders get the necessary technical support from Smurfit kappa to be able to harvest the trees and to maintain the COC certification of their Forests. In Spain our Forest contractor has established and leading a FSC smallholder Group in order to increase the FSC certified input to our virgin mills in Spain. Both Smurfit kappa Forest contractors harvest on behalf of the small holder standing trees and transport them to our own mills, but also external customers In Austria and Czech Republic and Germany we have contracts with PEFC certified smallholder Groups managed by smallholder associations. The paper mill located in Austria has direct connectional link to smallholders ( Forestland owners, small saw mills and Forest traders). Our mill in Sweden gets most of their wood input from a third party trader of wood and wood chips and have not many direct contact with small holders. In Columbia we use only wood from our own Forest and do not work together with small Forest contractors. Our paper supply chain mainly consists of large companies and we have no direct access to smallholders ourselves. We build our approach on forest certification and related chain of custody certification.
Palm oil	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>

**F6.8**

**(F6.8) Are you working with your direct suppliers to support and improve their capacity to comply with your forests-related policies, commitments, and other requirements?**

	Are you working with direct suppliers?	Type of direct supplier engagement approach	Direct supplier engagement approach	% of suppliers engaged	Please explain
Timber products	Yes, working with direct suppliers	Capacity building	Offering on-site training and technical assistance	<10%	Our objective is to increase certified wood supplies. Low availability of certified wood at competitive prices in the regions where we can economically source our wood supplies is limiting the possibility of increasing certified wood supplies. The administrative effort to achieve certified Chain of Custody status makes it often not economically feasible for small forest holders to certify their forest holdings further, limiting the availability of certified wood supplies. However, efforts to increase FSC certified supplies have started to have positive impacts on the certified wood volumes in Spain where we support forest owners, all smallholders, in achieving the FSC certification of their forests. Also, in Sweden volumes could be increased through finding better agreements with forest owners in Sweden.
Palm oil	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>

**F6.9**

**(F6.9) Are you working beyond your first-tier supplier(s) to manage and mitigate deforestation risks?**

	Are you working beyond first tier?	Type of engagement approach with indirect suppliers	Indirect supplier engagement approach	Please explain
Timber products	Yes, working beyond first tier	Capacity building	Offering on-site training and technical assistance Participating in workshops	Due to FSC Controlled wood risk assessments and risk mitigation activities we train and support indirectly all parties of our complex supply chain until Forest level. Smurfit Kappa takes a value chain approach to sustainability and we actively work with our entire supply chain. For example, as part of global timber legality due diligence system, we require our suppliers to report on wood supply geographical origin and timber species to mitigate risks of unwanted wood fibres in our supply chain. In Europe, we offer forest management services ( Forest contractor entities) through our wood supply companies in Spain and France. Our wood-handling operations ( Forest contractors) are Chain of Custody certified to FSC and PEFC standards. Our Forest contractor entities in France and Spain help small forest land owners to be PEFC certified. Both Smurfit Kappa organizations support local Forest land owner to be PEFC or FSC certified. They provide training to the Forestland owner and in Spain Smurfit Kappa has established a FSC Group for small holders ( 80 Small holders are participating at this FSC Group). In practice all cases this represents 2nd -tier information or beyond. Furthermore, we require all our paper supplier to have Chain of Custody certification throughout their supply chains, all the way back to the forest, and to only provide us with paperboard from certified forest and controlled sources. Our demands for chain of custody certification has an indirect impact on 2nd -tier supply chain. In 2020 99.2% of the paper we purchased came from FSC Chain of Custody certified suppliers, all of them are FSC certified.
Palm oil	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>

**F6.10**

**(F6.10) Do you participate in external activities and/or initiatives to promote the implementation of your forests-related policies and commitments?**

**Forest risk commodity**

Timber products

**Do you participate in activities/initiatives?**

Yes

**Activities**

Engaging with non-governmental organizations

**Initiatives**

<Not Applicable>

**Jurisdictional approaches**

<Not Applicable>

**Please explain**

Our goal is to be the most sustainable paperbased packaging solutions company globally. To achieve this, we believe it is important to share our sustainability experience with our customers, suppliers and the wider industry. As active members of FSC and PEFC certification schemes we promote the implementation of our forests-related policies and commitments. From time to time, FSC establishes working groups, committees, advisory panels and similar bodies to work on policy or technical issues. Smurfit Kappa was a member of the official FSC International "Technical working group" to revise the FSC Chain of custody standard FSC STD 40-004 V3 from 2012 until 2017 and consulted FSC during the revision process as technical expert. Smurfit kappa is member of the FSC Consultative Forum, a self-selecting group of interested/affected members, certificate holders, certification bodies and other stakeholders interested in providing ongoing, direct and meaningful input into the process of the the revision of the standards, policies.. Smurfit kappa was a member of the PEFC international technical working Group to revise the PEFC Chain of custody of Forest and Tree Based Products PEFC ST 2002:2020 and the PEFC trademark standard PEFC ST 2001:2020 from 2012-2020. SK established a smallholder FSC certification Group in Spain 2018 -2020 ( ongoing project) Before 2015, there was no FSC certified wood in the area – at the end of 2018 there was over 76,000 m3. The increased supply of FSC certified virgin fibres has led to new customers. Currently the scheme has over 30 smallholder members and the number is growing. We are involved with selected trade bodies to influence understanding and share knowledge about embedding sustainability Confederation of European Paper Industries (CEPI) Smurfit Kappa's Group CEO is currently a board member • European Corrugated Packaging Association (FEFCO) Smurfit Kappa's CEO for Europe is a board member • International Corrugated Case Association (ICCA). Smurfit Kappa's CEO for Europe is a board member • Asociación de Corrugadores del Caribe Centro y Sur América (ACCCSA). Smurfit Kappa's CFO for the Americas is a board member In addition, we are active participants in • UN Global Compact • UN Global Compact's CEO Water Mandate • The Supplier Ethical Data Exchange (SEDEX) • World Business Council for Sustainable Development (WBCSD)

**F6.11**

**(F6.11) Is your organization supporting or implementing project(s) focused on ecosystem restoration and protection?**

Yes

**F6.11a**

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**(F6.11a) Provide details on your project(s), including the extent, duration, and monitoring frequency. Please specify any measured outcome(s).**

**Project reference**

Project 1

**Project type**

Forest ecosystem restoration

**Primary motivation**

Required by regulation

**Description of project**

As part of the plantation regulations in Colombia, a share of the land we own for plantations has been dedicated for habitat restoration. More than half of Colombia is covered by forests. Smurfit Kappa Colombia is the custodian of 67,000 hectares of forest and plantations in the country. 22,000 hectares of this area are protected natural forests devoted to conservation and are home to over 1,200 species of flora and fauna. We know that 53 of these are endangered species, such as the Andean bear, also known as the spectacled bear. Protecting and promoting natural habitats are an important part of our approach to biodiversity and ecosystem conservation. We do this by developing alliances with third parties, neighbouring communities and organisations, to research and promote sustainable practices. Since 2003, our Colombian plantations have been managed and certified according to the FSC Sustainable Forest Management standard. One of the organisations we collaborate with is the World Wildlife Fund (WWF) Colombia. WWF is one of the leading global conservation organisations with 6 million members and operations in more than 120 countries across the world. Our continued work together includes many diverse projects, starting out with the Legal Timber Pact in 2009, to help reduce the illegal production of wood in Colombia. This involved the participation of the Ministry of Environment and local environmental authorities. In 2020, Smurfit Kappa Colombia announced a new alliance with WWF Colombia, with both organisations working together to restore, expand and protect forests and ecosystems. The alliance is a further example of Smurfit Kappa's commitment to protect the environment and communities to the highest sustainability standards. This initiative will also support the restoration and conservation programmes that WWF Colombia carries out, working together to stop deforestation and forest degradation through the continued promotion of sustainable practices within the forestry industry, increased surveillance systems to crack down on illegal logging and working closely with Colombian national parks.

**Start year**

2003

**Target year**

Indefinitely

**Project area to date (Hectares)**

22000

**Project area in the target year (Hectares)**

22000

**Country/Area**

Colombia

**Latitude**

4.624335

**Longitude**

-74.063644

**Monitoring frequency**

Annually

**Measured outcomes to date**

Biodiversity  
Carbon sequestration  
Soil  
Water  
Climate regulation

**Please explain**

As part of our plantation management, a part of our land has been set for conservation. This area has either been protected or has been restorted for habitat and biodiversity. We monitor the progress with three universities (Cauca, Valle and Quindio) by measuring the existing flora and fauna on these sites. So far we have been able to identify 651 tree species, 494 bird species and 77 mammals by end of 2020. Out of these, 42 have been classified to some extent endangered, according to IUCN and CITES. ( see more detail above about this project related to the FSC certification of our plantations in Colombia.

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## F7. Verification

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### F7.1

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**(F7.1) Do you verify any forests information reported in your CDP disclosure?**

Yes

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### F7.1a

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**(F7.1a) Which data points within your CDP disclosure have been verified, and which standards were used?**

**Disclosure module**

F1. Current State

**Data points verified**

all

**Verification standard**

ISAE 3000

**Please explain**

Our complete sustainability report is verified through assurance process by an independent third-party assurance provider with a level of limited assurance. We applied the 'Comprehensive' version of the GRI Standards. This covers all material metrics, data and other reporting. For details see Assurance Statement on page 104 in our Sustainable Development Report 2020.

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**Disclosure module**

F6. Implementation

**Data points verified**

all

**Verification standard**

ISAE3000

**Please explain**

Our complete sustainability report is verified through assurance process by an independent third-party assurance provider with a level of limited assurance. We applied the 'Comprehensive' version of the GRI Standards. This covers all material metrics, data and other reporting. For details see Assurance Statement on page 104 in our Sustainable Development Report 2020.

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**F8. Barriers and challenges**

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**F8.1**

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**(F8.1) Describe the key barriers or challenges to eliminating deforestation and/or conversion of other natural ecosystems from your direct operations or from other parts of your value chain.**

**Forest risk commodity**

Timber products

**Coverage**

Supply chain

**Primary barrier/challenge type**

Supply chain complexity

**Comment**

There is a limited availability of certified forests (just 11% globally). These certified forests account for nearly 30% of total volumes of industrial groundwood production globally, which is still rather low. One challenge is the administration burden, complexity and high cost (and therefore reluctance) of third party forestry certification, particularly for small growers. This affects our wood sourcing supply chain, which accounted for around 84% of our total wood supply in 2020. Our primary wood sourcing regions are in EU and in Colombia. We believe that certification systems must apply a risk-based approach to simplify certification. Without this practical change, the risk is that many communities and small to medium forest enterprises will continue to be excluded by the complexity and resource demands of certification, and many forests will remain uncertified. Smurfit Kappa actively works with credible certification schemes to develop and implement innovative approaches & modern technologies to ensure effective risk based solutions. Technology such as open maps indicating boundaries of forest units and high conservation value areas (e.g. core areas of Intact Forest Landscapes), could significantly reduce the administrative burden of ensuring traceability in complex wood supply chains. Controlled Wood (CW), which is an effective tool for assuring responsible sourcing and promoting the inclusion of uncertified suppliers, is a critical component of that framework, particularly for those in low-risk areas.

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**Forest risk commodity**

Timber products

**Coverage**

Supply chain

**Primary barrier/challenge type**

Limited availability of certified materials

**Comment**

Despite the efforts of various certification systems, most of the world's forests uncertified and current certification schemes are not yet able to meet demand. Although the level of certification is significantly higher in areas where we operate, it is not increasing at the necessary rate to satisfy increasing demand, making it challenging to source an increasing proportion of certified wood. There is also the threat of distortions in the market from inappropriate energy subsidies relating to climate change, leading to an increased demand for renewable forest products. Another threat is the continual clearing of forests for agriculture. Unless managed with knowledge and reason, subsidies for agriculture and biofuels could result in short-term gains and widespread degradation of soils and freshwater systems.

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**Forest risk commodity**

Please select

**Coverage**

Supply chain

**Primary barrier/challenge type**

Limited public awareness and/or market demand

**Comment**

There is currently no clear, practical or global standard definition for the term 'deforestation' and there is a risk that sustainable harvesting of a natural forest can be misinterpreted as deforestation. This has the potential to adversely affect markets, branding and reputation by stakeholders such as customers, investors and the banking community.

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**Forest risk commodity**

Timber products

**Coverage**

Supply chain

**Primary barrier/challenge type**

Limited supply chain engagement

**Comment**

Another challenge is mobilizing, increasing capacity and meeting the expectations of the three right holder groups, including the indigenous people, local communities and small forest owners/ small growers who together potentially control approximately one third of the world's wood supply.

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**F8.2**

**(F8.2) Describe the main measures that would improve your organization's ability to manage its exposure to deforestation and/or conversion of other natural ecosystems.**

**Forest risk commodity**

Timber products

**Coverage**

Supply chain

**Main measure**

Greater supplier awareness/engagement

**Comment**

There is a need to create public awareness around the need to demand certified agricultural products. There is also a need to firmly move towards integrated land-use planning where food-forests-fibre and fuel are sustainably managed together in the landscape.

**Forest risk commodity**

Timber products

**Coverage**

Supply chain

**Main measure**

Reduced cost of certification/certified products

**Comment**

The FSC Forest certification must be more attractive for smallholders in near future in order to get more Forest FSC certified. In countries like France or Austria it exists more or less no FSC certified Forest due to the fact, that the forestland is mainly owned by Forest small holders. For smallholders the FSC Group certification must be simplified and the cost of an FSC certification should be somehow compensated. FSC is working on solutions to make the FSC Forest certification more attractive for smallholders.

**F17 Signoff**

**F-FI**

**(F-FI) Use this field to provide any additional information or context that you feel is relevant to your organization's response. Please note that this field is optional and is not scored.**

Please note that the data regarding our Latvian operations has been reported under our Lithuanian operations.

**F17.1**

**(F17.1) Provide the following information for the person that has signed off (approved) your CDP forests response.**

	<b>Job Title</b>	<b>Corresponding job category</b>
Row 1	Chief Executive Officer	Chief Executive Officer (CEO)