

Impactful Business continued

# Governance and human rights

We are committed to strive for the highest standards of corporate governance and ethical business conduct. This commitment is instilled across our business, from the boardroom to the factory floor, and throughout our operations and supply chain.

We believe that ethical business conduct must be promoted from the most senior levels of the business, and fostered through the whole organisation. This section outlines Smurfit Kappa's approach to governance in terms of sustainable conduct. We expect the same standards of conduct from our suppliers, and this section also summarises our approach to supplier compliance. For further information on corporate governance, see pages 57-61 of the 2019 Smurfit Kappa Group Annual Report.

### Lead from the Top

The overall responsibility for ensuring the Group demonstrates leadership within the paper-based packaging sector, promoting an actionable sustainable development agenda, lies with the Board.

During the year, we formed a Sustainability Committee of the Board, which has the responsibility to drive and provide overall strategic guidance of our sustainability strategy for the benefit of all our stakeholders. The sustainability strategy will focus on the three key pillars: People, Planet, and Business. In addition, the development and implementation of the Group's sustainability strategy, objectives and policies are managed by the Group Executive Committee led by the Group CEO.

The Executive Committee is supported in this work by a Sustainability Working Group. This is led by our Group Vice President Development, and includes key representatives from operations in Europe and the Americas. The Working Group primarily monitors the implementation of the Group's sustainability strategy and ensures that targets are met across all material areas. It also promotes sustainability targets among our customers, suppliers and corporate peers.

### Complying with Regulations and Guidelines

It is Group policy to comply, at a minimum, with the relevant laws and regulations in the countries we operate in. We ensure that our employees are aware of relevant guidelines and conduct themselves accordingly.

During 2019, one of the Group's subsidiaries, Smurfit Kappa Italia S.p.A. (SKI) was found to have engaged in anti-competitive practices in

Italy, and was levied a fine of €124 million by the Italian Competition Authority (ICA). We are very disappointed with the decision of the ICA on many levels and are vigorously appealing this decision on both administrative and substantive grounds. This process may take a number of years. Smurfit Kappa is committed to the highest standards of conduct in its business and does not tolerate any actions that are inconsistent with its values.

During 2019, no other material fines were imposed on the Group for any breaches of such laws and regulations.

To demonstrate our commitment, wherever possible we go beyond minimum compliance with regulations and maintain the highest reporting standards. Information about our voluntary actions in legal and regulatory matters can be found in sections Planet, People and Business on pages 20-69. Our entire Sustainable Development Report is assured by KPMG, in accordance with the 'Comprehensive' level of the GRI Standards.

In addition, each significant business unit is subject to an annual external and independent financial audit conducted by the Group's external Auditor. Most of our business units are subject to local statutory financial audits. The Group also has an Internal Audit function which, during 2019, performed 72 detailed internal financial and IT audits.

### Code of Business Conduct and Corporate Policies

The Smurfit Kappa Group Code of Business Conduct (the Code) applies to the Board of Directors, officers and employees, as well as all individuals, entities, agents or anyone acting on the Group's behalf. The Code, which was updated in 2019, is available in 17 languages to ensure accessibility and worldwide compliance.

The Code takes account of the following international conventions and codes:

- International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work (core conventions)
- UN Declaration on Fundamental Human Rights
- Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises
- UN Global Compact

The Code provides accessible and understandable guidance for employees in every jurisdiction. Each Smurfit Kappa Company and its employees are required to apply the Code, as well as abiding by the laws and practices of their industry and the jurisdiction in which they operate. It makes clear that personal and professional integrity is essential to conducting business in an ethical manner. The Code also expects adherence to ethical standards, and commitment to quality and service.

During 2019, there were no material incidents reported, which the Group considered to be non-compliant with the Code of Business Conduct.

The Code is supplemented by policies relating to our operational and managerial practices. These policies cover Environment, Sustainable Forestry and Fibre Sourcing, Sustainable Sourcing, Social Citizenship, and Health and Safety. All our codes and policies are available on our website: [www.smurfitkappa.com](http://www.smurfitkappa.com).

### Respecting Human Rights

As a responsible business, we support global human rights and labour standards, and check that our suppliers do too. Smurfit Kappa Group is committed to the application of the principles expressed in the UN Guiding Principles on Business and Human Rights, and the Fundamental Principles and Rights at Work developed by the ILO in all of the countries in which we have (or will have) a presence. Our Social Citizenship Policy Statement reflects our commitment to upholding internationally recognised human rights.

Our Supplier Code of Conduct demands that those who seek to do business with the Group respect and uphold the rights of workers and prohibit the use of child labour and forced labour of any type. For more information on our engagement with suppliers in this area, see our Sustainable Sourcing Section on pages 68-69.

The Group is subject to the provisions of the UK Modern Slavery Act and publishes an annual Modern Slavery Act Statement, which is available on the Group website at [www.smurfitkappa.com](http://www.smurfitkappa.com). We also expect our suppliers to comply with the Modern Slavery regulations and conduct audits on them to ensure compliance.

In keeping with the UN Guiding Principles on Business and Human Rights, and the Fundamental principles and Rights at Work developed by the ILO, we are committed to the principles of respect, diversity, working fairly, fair pay, compensation and benefits, and our acquisition practices are in line with these principles as well. They are maintained in every country in which we have a presence and our principles and policies with respect to our employees and suppliers are updated to ensure compliance.

### Demonstrating Leadership

Our goal is to be the most sustainable paper-based 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.

We are involved with selected trade bodies to influence understanding and share knowledge about embedding sustainability throughout operations, including:

- Confederation of European Paper Industries (CEPI) – Group and National level membership. Smurfit Kappa's Group CEO is currently a board member
- European Corrugated Packaging Association (FEFCO) – Group and national level membership. Smurfit Kappa's CEO for Europe is currently a board member
- International Corrugated Case Association (ICCA). Smurfit Kappa's CEO for Europe is currently a board member

- Asociación de Corrugadores del Caribe Centro y Sur América (ACCCSA). Smurfit Kappa's CFO for the Americas is currently a board member

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)
- World Business Council for Sustainable Development (WBCSD)

### Influencing Public Policy for Good

Beyond compliance, Smurfit Kappa upholds standards on a variety of matters material to our business, representing them to the parties concerned, either directly or through industry bodies such as CEPI, FEFCO or the European Round Table of Industrialists (ERT). We also work closely with the Irish Business and Employers' Confederation (IBEC) and equivalent bodies in other countries. Our Group CEO is a member of the ERT.

At all times, the people representing the views of Smurfit Kappa do so with reference to the Code of Business Conduct, and the local laws and regulations which apply to the Group's operations. There were no significant criticisms of the Group in this respect in 2019. In line with the Group's Code

of Business Conduct, no financial contributions were made to political parties in 2019. No national government is a direct investor in Smurfit Kappa.

### Safe Products and Satisfied Customers

Ensuring our packaging solutions are safe is an integral part of our business. As our packages are used to deliver and store food products, our products must meet all food safety standards. These include OECD guidelines for Multinational Enterprises and providing statements on food safety and REACH to our customers. These are available on request through our website.

As a highly customer-centric organisation, we put customer experience at the heart of our operating model. We strive to differentiate ourselves with an enhanced buying experience, and to create measurable value for our customers and key stakeholders.

Delivering a great customer experience calls for disciplined execution and consistent service delivery. We use data and analytics-based insights to review customer journeys and pinpoint the operational improvements that can have the biggest effect. We also use tangible methods and tools to measure customer satisfaction and understand what matters to our customers and how we can deliver it. Our Customer Relationship (CRM) tools enable us to follow up on customer feedback and capture insights that can maximise customer satisfaction. This drives customer value and loyalty.

## Copame – Giving Children a Better Life // Brazil

“We are grateful to see our children grow and find permanent homes,” says Derk Lambers, fundraiser for Copame, the Children's Aid Communitarian Association in Santa Cruz do Sul in Brazil.

Copame's facility can host 45 orphaned, abandoned or maltreated children, from newborn to age 18. The project is more than just a place to stay, however. Since its foundation in 1984, the charity has found placement homes for 302 of the children who went there. All others, 1,702 of them, were returned to parents, grandparents or family members, or moved on to a facility for older children.

The site includes residential and play facilities as well as an on-site bakery which supplies bread to the area and is an important source of income. Other financial support comes from individual donations, corporations, members' fees, projects, resources provided by the municipality and overseas donations.

Management and maintenance of the facilities remains a major challenge, however, and is dependent on external funding. The Smurfit Kappa Foundation supported this, to ensure that resident children have the best quality accommodation possible.

The facility also provides for its children's future well-being by partnering with the local university. University teachers and students offer expertise with medicine, dentistry, psychology and nutrition. Copame employees and volunteer-drivers also commute between three different schools, taking the children to sport, musical and religious events, as well as medical and dental appointments.

“Our 26 permanent and 38 on-call volunteers are indispensable in supporting these young people,” says Derk Lambers. “They help our children get a better start in their lives.”

