Smurfit Kappa

Dynamically & Sustainably Delivering

Annual Report
2021

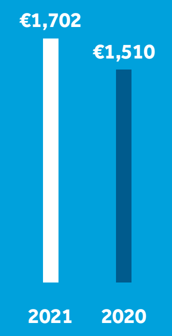
Smurfit Kappa ('SKG'), a FTSE 100 company, is one of the leading providers of paper-based packaging solutions in the world.

We operate across 36 countries with approximately 48,000 employees in over 350 production sites with revenue of €10.1 billion in 2021.

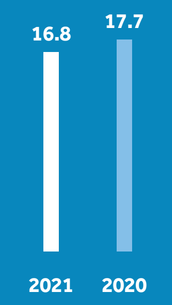
FINANCIAL HIGHLIGHTS OF 2021

Revenue (million)
€10,107
+18%

EBITDA* (million)
€1,702
+13%

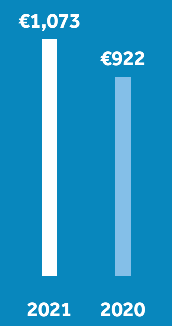


EBITDA Margin* (%)
16.8

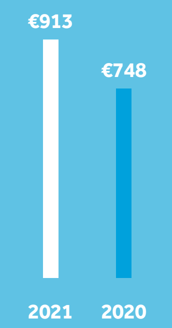


Free Cash Flow* (million)
€455
-33%

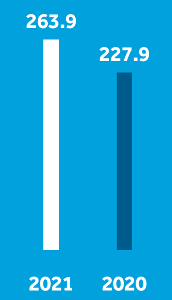
Operating Profit before Exceptional Items* (million)
€1,073
+16%



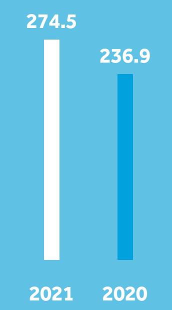
Profit Before Income Tax (million)
€913
+22%



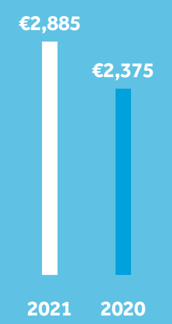
Basic Earnings per Share (cent)
263.9
+16%



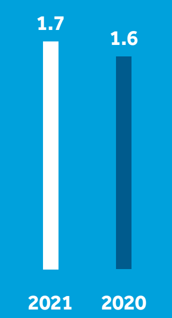
Pre-exceptional Basic Earnings per Share* (cent)
274.5
+16%



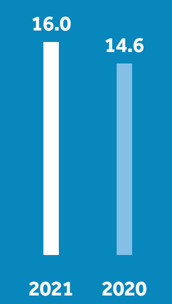
Net Debt* (million)
€2,885
+22%



Net Debt to EBITDA* (times)
1.7x



Return on Capital Employed* (%)
16.0



* These financial Key Performance Indicators are not defined under International Financial Reporting Standards. Further information in relation to these Alternative Performance Measures is included in the Supplementary Information section on **pages 191 to 197**.

We are a packaging leader in a growth industry

We create innovative and sustainable paper-based packaging solutions for our customers, we protect products in transit and precious resources for future generations while caring for each other, the environment and the planet.

Paper
We manufacture a wide range of papers mainly used for packaging purposes. Our total global paper and board capacity is approximately 8.3 million tonnes per annum.

Packaging
We design, manufacture and supply paper-based packaging to package, promote and protect our customers' products. We manufacture corrugated packaging and also produce solidboard, folding carton and certified, bag-in-box and tubes.

Recycling
We provide recycling solutions to ensure our customers' corrugated packaging and paper is recycled responsibly, efficiently and reliably. We handle 7.4 million tonnes of primarily post consumer recovered paper each year across the globe.

Forestry
We own approximately 68k hectares of forest globally, which are FSC or PEFC certified, promoting economic growth, protection of biodiversity and ecosystems and fostering social equity.

What Differentiates Us

Integrated Model
Our vertical integration drives efficiency across the entire value chain, including the sourcing and collecting of our natural primary raw materials, production of paper, conversion of paper into corrugated boxes and their delivery to customers which means we can offer optimal paper design, quality and logistics management. We have lower exposure to volatility in containerboard prices and our integrated structure ensures that we provide a stable outlet for material through the uncertainty of market falls and rises.

Global
As one of the world's largest integrated manufacturers of paper-based packaging solutions, our global reach enables us to synergise global competencies with local processes. Our scale and unique global footprint makes us well placed to reliably deliver on customer requirements.

Data
Innovation and impact at SKG is data driven, with a proven scientific approach informing good business decisions. Data collected from our operations is combined with market and sectoral research and a deep knowledge of over 80,000 supply chains, providing a unique insight and fit-for-purpose solutions for our customers.

Our Innovative Solutions

We have an unrivalled portfolio of sustainable paper-based packaging solutions which are constantly updated with our market leading innovations.

Sustainability

Sustainability is integrated into everything we do and forms a significant part of how we engage with stakeholders. We focus on long-term ambition with action today. Our reporting on sustainability has been independently assured by a third party since 2009. Sustainability is embedded across our business and included in our senior management incentives and our cost of funding. As a key contributor to the circular economy, we handle 7.4 million tonnes of primarily post-consumer recovered paper each year across the globe. SKG is well positioned to continue to lead as the world moves to a low-carbon, circular approach to business. We reuse or recycle side streams, power our business with renewable energy where possible and are finding smarter ways of saving energy.

Innovation

Creativity and innovation is part of our every-day. We innovate across all aspects of our business to increase the value and benefits of what we do for our customers. We offer an unrivalled portfolio of sustainable paper-based packaging solutions which is constantly updated with our market leading innovations. Our range of unique tools feed information to our value-added services, SupplySmart, ShelfSmart and eSmart work to improve all aspects of our customers packaging, from packing line to supply chain to customer experience. With over 1,000 packaging designers across our business network and a supporting network of laboratories, facilities and applications, we create sustainable fit-for-purpose packaging for our customers.

People

We aim to ensure a working culture in which every member of our 48,000-strong team feels engaged, appreciated as they are and has a sense of belonging. We are committed to being a great place to work and an employer of choice for top talent. We are also committed to driving Inclusion, Diversity and Equality and strive to create a diverse workforce. By delivering top-level training and development, and rewards and recognition programmes, we empower our people to reach their full potential, for the benefit of our customers and stakeholders.

We are a world leader with operations in 36 countries

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 13 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.

Europe

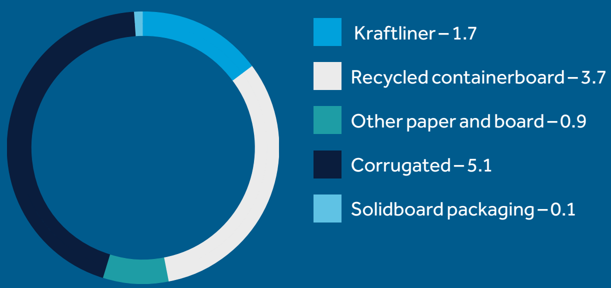
Revenue

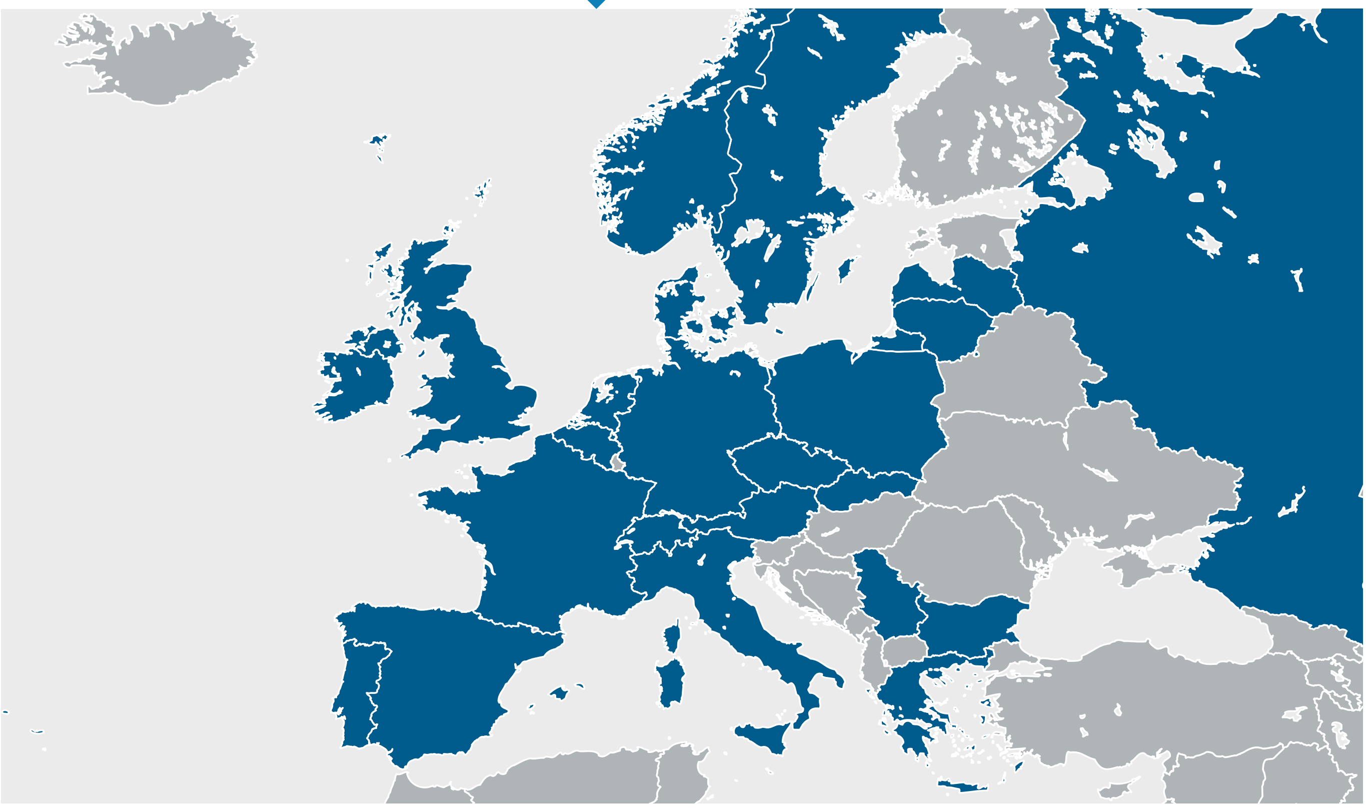
€7.8 billion

We are the European leader in the production of corrugated packaging, containerboard and bag-in-box. The Europe segment includes mills and plants that primarily produce containerboard that is converted into corrugated containers. In addition, we produce other types of paper, such as solidboard, sack kraft paper and graphic paper; and other paper-based packaging, such as hexacomb and solidboard packaging, folding cartons; and bag-in-box packaging.

Read more on **page 23**

2021 Gross Sales Volume (million tonnes)





The Americas

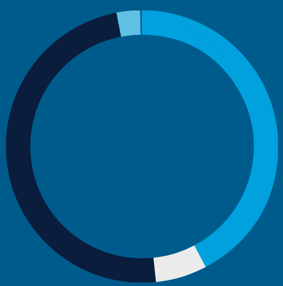
Revenue

€2.3 billion

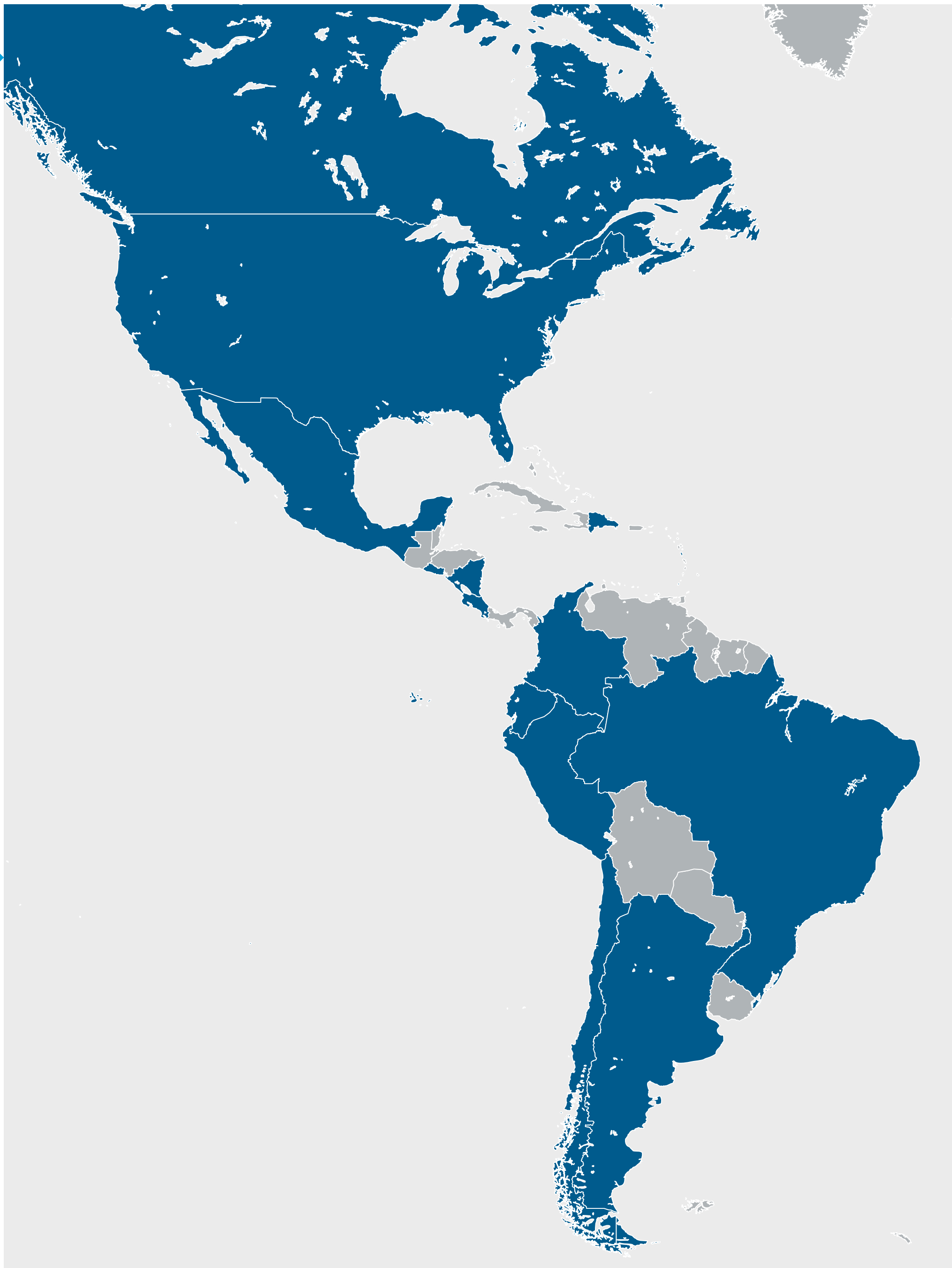
The Group's operations in the Americas comprise a system of mills and plants that primarily produce containerboard that is converted into corrugated containers. Our operations in the Americas also include forestry; other types of paper, such as boxboard, sack paper and graphic paper; and paper-based packaging, such as folding cartons, hexacomb and paper sacks.

Read more on **page 23**

2021 Gross Sales Volume (million tonnes)



- Containerboard – 1.4
- Other paper and board – 0.2
- Corrugated – 1.6
- Other paper-based packaging – 0.1



What Sets Us Apart

Our Scale and Geographic Diversity

Our large manufacturing footprint provides us with a clear point of differentiation because the corrugated packaging market is a localised market and therefore converting plants need to be close to customers (within 300kms). Our unique global footprint makes us well placed to reliably deliver on customer requirements.

Forestry Plantations (hectares)	Mills	Fibre Sourcing	Converting Plants	Other Production Facilities
68k	35	47	241	32

Our Purpose

At Smurfit Kappa we are proud to **create**, **protect** and **care**.

Our Strategic Objective

Our objective is to develop long-term customer relationships by providing customers with differentiated sustainable packaging solutions that enhance the customers' prospects of success in their end markets.

Read more about this on **page 28**

Our Vision

To be a globally admired business, dynamically and sustainably delivering secure and superior returns for all stakeholders.

Our Values

We have a strong and positive culture that is aligned with our strategy and based on our values of:

- **Safety**
- **Loyalty**
- **Integrity**
- **Respect**

These values foster the guiding principles by which we operate:

- **Teamwork**
- **Entrepreneurship**
- **Inclusion, Diversity and Equality**
- **Rewards and Recognition**
- **Performance Driven**
- **Accountability**

Strategic Priorities

Market Position

Partner of Choice

Operational Excellence

Investment in People

Capital Allocation

We create innovative and sustainable solutions for our customers

The demand for sustainable packaging continues to grow, with consumers now a driving force. Packaging provides a clear opportunity for brands and retailers to demonstrate their commitment to sustainability, and as a result, build trust and strengthen the brand – consumer relationship.

Consumer awareness of the environmental impact of their choices is growing and consumers increasingly want to be more sustainable. This has now translated into their purchasing decisions, and packaging plays a significant role in this decision to buy. A recent study conducted by Drapers states that 64% of consumers are more likely to buy from retailers with sustainable packaging, while 73% stated that the use of paper or cardboard packaging is important to them when considering a brand's level of sustainability.

With our innovative, sustainable packaging solutions designed for our customers, led by our Better Planet Packaging initiative, we provide sustainable, fit-for-purpose packaging that meets the expectations of consumers. Our culture of innovation is based on our experience, science, creativity and data, with state-of-the-art facilities that ensure we are ready for the challenges of tomorrow. We can help our entire value chain, our customers and their customers, to reduce their carbon footprint and avoid packaging waste.

We have outlined in this section a number of examples of our recent innovations from across the world.

73%
say paper or cardboard packaging is important when considering a brand's sustainability

64%
more likely to buy from a brand or retailer with sustainable packaging

Jardim Botânico

Premium e-commerce packaging

As a 100% handcrafted premium product, Jardim Botânico gin provides its customers with a differentiated tasting experience. Previously, the product was delivered to the consumer in a package that did not provide safety or value to the primary product. The packaging developed by us is compact, easy to assemble, and has an internal accessory that, while protecting the product, also leaves the bottle visible as if it were a jewel, leading to a special unboxing experience.

Waitrose

Waitrose flowers

Waitrose was looking for a long-term packaging partner for their online specialist shops that deliver flowers, wine and pet products. The key priorities for the tender were to improve print colour consistency across all lines, to promote sustainability and to meet deadlines. The main challenge was the tight time frame required to set up and on-board 23 new packing lines in just two months during our busiest time of year when e-commerce demand rocketed due to the pandemic. Remote working also meant Smurfit Kappa had to quickly adapt to a new way of working in order to supply all four of Waitrose's third party co-packers. As a premium brand, Waitrose customers have high expectations and the quality of their packaging needs to reflect their brand values. We delivered on this and were delighted to receive excellent feedback on our responsive service and our solution based attitude to solving problems. We met the tight deadlines to supply the busy seasons Valentine's Day and Mothers' Day.

mymuesli

When packaging design helps to keep up with demand

Three ambitious German entrepreneurs had an idea for a startup: mymuesli, an online shop for organic, individual muesli mixes. The demand rocketed and the company needed help with a packaging solution – as everything was packed by hand. Smurfit Kappa's expertise in packaging using a packaging machine that scans each parcel individually and creates packaging without void fillers, helps mymuesli to save up to 50% in packaging materials and 30% in transport. The beautifully designed and branded e-commerce solution is fully recyclable, and demonstrates mymuesli's commitment to sustainability.

Harry's

E-commerce box

Harry's is a rapidly growing shaving brand in the EU. They were looking for consumer-oriented packaging with minimal void fill and optimised sizes. The design had to be stand-out to maximise visibility as Harry's launched their brand into multi-national companies. They turned to Smurfit Kappa to supply the perfect solution. Using our unique eSmart process we worked closely with Harry's to develop a simple yet effective packaging solution with clean and clear print to maximise it's brand equity. The consumer-friendly design with clear branding stands out at the point of sale and delivers a memorable unboxing experience for the consumer.

Villeroy & Boch

Recyclable packaging solution for toilet seats

Villeroy & Boch approached Smurfit Kappa Mexico with a challenge to update their packaging solution to reflect their premium product vision and concept. We designed a single-universal packaging for all four types of toilets, that reflected the brand's premium feel and made distribution logistics more efficient through smart space use and quick and easy assembly. This packaging was new to their market and a breakthrough in terms of how this was managed before: replacing expanded polystyrene ('EPS') for corrugated to create a new integral design, resulting in a 100% recyclable and functional solution.

100%
of expanded polystyrene replaced with recyclable packaging

Flattler

A Bag-in-Box® solution that protects

UK cider maker Healeys Cyder wanted their new flat cider to be as accessible as possible, which included catering for a variety of pack formats and usage scenarios. In addition, the packaging would need to complement their unique branding with full colour print, no requirement for glue or tape to erect, could withstand vigorous supply chain conditions and would provide protection to the cider. The end solution was an 'envelope' style Bag-in-Box® made from double wall corrugated board, printed full colour litho and quick to erect saving time on the production line. By introducing Bag-in-Box® to their packaging options, Healeys Cyder can now offer Rattler Cyder in more settings and in a still format, complimenting their existing carbonated range. The solution is fully recyclable, and the unique vacuum functionality of the Bag-in-Box® means that there is a long shelf life even after opening, so there is no product waste.

adidas

adidas want to lead from the front in the race for sustainability

With their 'Own the Game' strategy, adidas have increased their focus on sustainability throughout their business. They have made huge strides in recent years, from new initiatives to using ocean plastics in their shoes. A key part of this strategy is their packaging. To improve the sustainability of their packaging, adidas needed a supplier who could address the lack of transparency and traceability for recycling, provide assurance that waste fibres were being fully recycled and help them deal with a huge increase in handling e-commerce returns. In order to address these challenges, adidas partnered with Smurfit Kappa. At Smurfit Kappa we have full chain of custody and the ability to provide end-to-end recycling. There's no wastage of materials or time and we have the capability to deliver boxes within 48 hours of an order being placed. Plus, Smurfit Kappa provide full transparency by using unique tools and delivering information on tonnage delivered and collected. Now, adidas don't just provide their customers with a cutting edge product, they also give them the ability to return packaging easily. Packaging is returned to Smurfit Kappa, recycled and reborn as new. All of which allows adidas to close the loop when it comes to their packaging. The race for sustainability is a marathon, not a sprint. But together, we can win.

Hoogstraten

Innovates with paper-based punnets

Coöperatie Hoogstraten set the goal to find a more sustainable packaging solution. Smurfit Kappa developed a complete packaging solution consisting of solidboard punnets, trays and customised punnet and tray erector lines. The new packaging solution increases brand awareness of Hoogstraten and reduces logistic and labour costs. The new punnet is also fully recyclable and has very high recycling rates compared to the previous plastic solution. Furthermore, the sustainable solution reduces the carbon footprint of Hoogstraten, and has eliminated 500,000kg of plastic packaging per year.

500,000
kilograms of plastic packaging eliminated per year

Long-term ambition, delivering today

Globally, citizens are asking tougher questions and becoming a strong force in the drive for climate and societal change in recent years. The focus on how we treat our planet, how we create a more inclusive world for everyone and support equality across all communities has never been so high on people's agendas.

Category	Targets
Climate Change	**Net zero** Our ambition is to have at least net zero emissions by 2050 with a 55% reduction in fossil fuel emissions intensity by 2030
Forest	**>95%** packaging solutions sold as Chain of Custody certified to customers by 2025
Water	**60%** reduction in Chemical Oxygen Demand intensity by 2025
Water	**1%** reduction of our water usage intensity annually
Waste	**30%** reduction in waste to landfill intensity by 2025
Health and Safety	**at least 5%** reduction in Total Recordable Injury Rate annually
People	**25%** of management positions held by women by 2024
Communities	**€24 million** will be donated between 2020-2025 to support social, environmental and community initiatives

Key for Sustainability Strategic Priorities

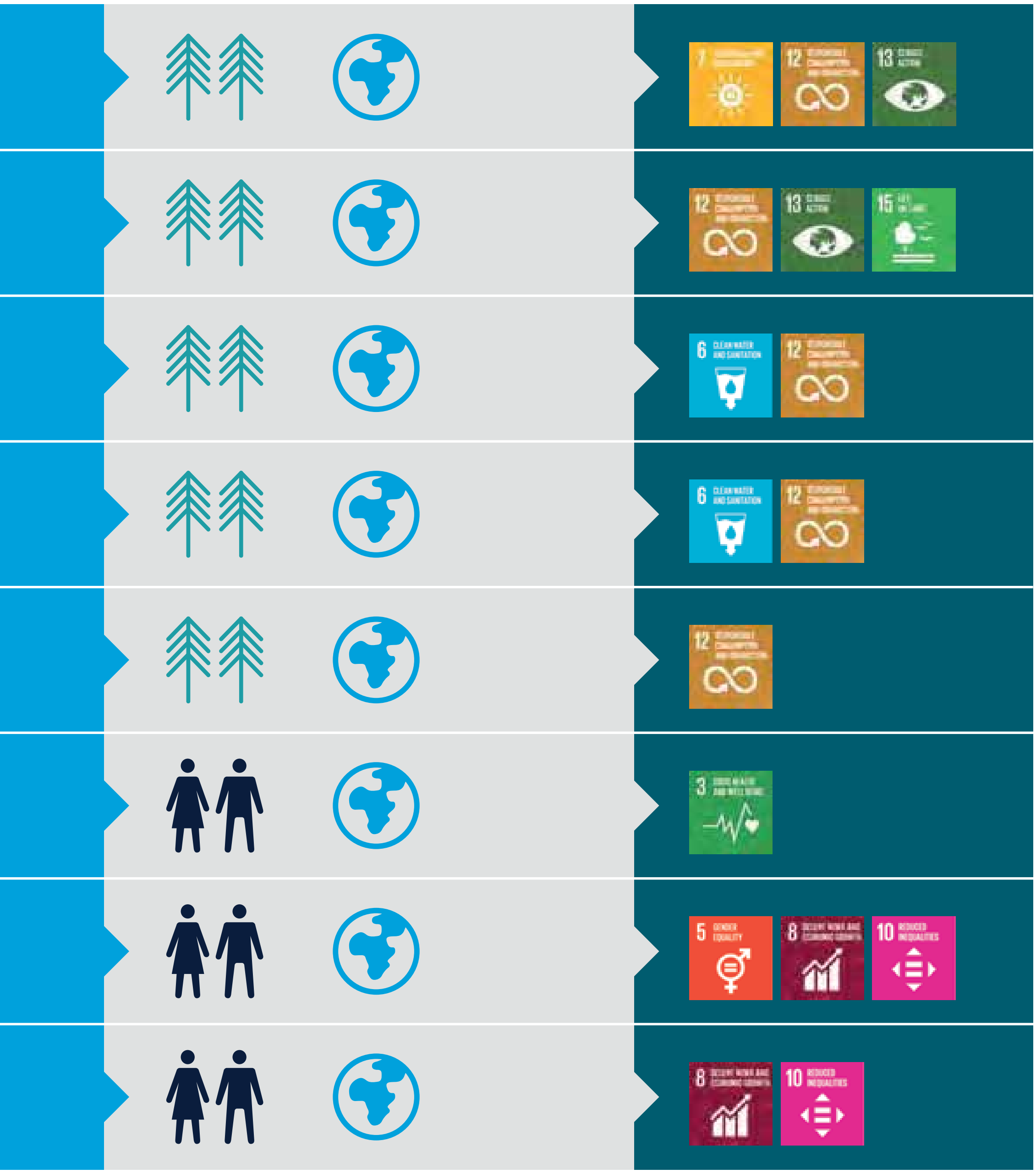
Planet

People

Impactful Business

Link to Sustainability Strategy

Link to Sustainable Development Goals ('SDGs')



Better Planet 2050 quantifies our commitment to protect what we care about – our planet, our people, our business – through a set of ambitious goals and sustainability targets that will deliver for a greener bluer planet, empower our people and communities and support an impactful business. Through handling 7.4 million tonnes of recovered fibre each year SKG is firmly positioned in the move towards a more circular economy.

In reducing our own emissions and providing optimised paper-based packaging solutions, we can help our entire value chain and beyond to cut their carbon emissions and avoid waste. We will continue to innovate across all aspects of our business: reducing waste and CO_2 emissions, increasing the value and benefits of what we do, and further securing precious natural resources sustainably for future generations. By being renewable and recyclable, using less resources, less energy and creating less waste, we can make a positive contribution to the world.

In having a workplace culture that embeds the core values of Safety, Loyalty, Integrity, and Respect, and strives for a diverse and inclusive workforce, we are empowering our people to reach their full potential. We strive to enable people in the communities in which we operate to improve their lives. Where the cycle of poverty, hardship and dependence is an issue we aim to help end this to support a fairer and more equal world.

We will be publishing our 15th Sustainable Development Report in April 2022 with detailed information on our targets and performance for 2021. In addition, please see pages 48 to 63 and page 58 of this Report.

Read more on our sustainability strategy and SDGs on **pages 48 to 63**

We are proud to create, protect and care

Smurfit Kappa is a business with an essential and enduring purpose – to create solutions that protect what we all care about. This is a role that is lived in the culture and behaviours at all levels and across all areas of our business. It is a purpose that informs our strategic business decisions and actions, now and into the future.

Discovering Our Purpose

Our Purpose statement was articulated following an inclusive discovery process that involved participants across the breadth of Smurfit Kappa. Led by our Group CEO and involving diverse groups of people, the process uncovered stories of purpose in action across different areas of the business. By discovering, sharing and discussing what was essential to different people, we identified the collective motivation that gives all of our work meaning and drives us to sustain and enhance our essential role in the world.

Engaging with Our Purpose

We commenced a communications campaign in June 2021 that used video in multiple language formats across our internal communications platform to engage the entire business with our Purpose. In this initial phase of the campaign, our Group CEO and other members of the senior management team shared what purpose means to them and identified how our experience of purpose contributes to our unique culture and the positive motivations experienced by employees, partners and customers alike.

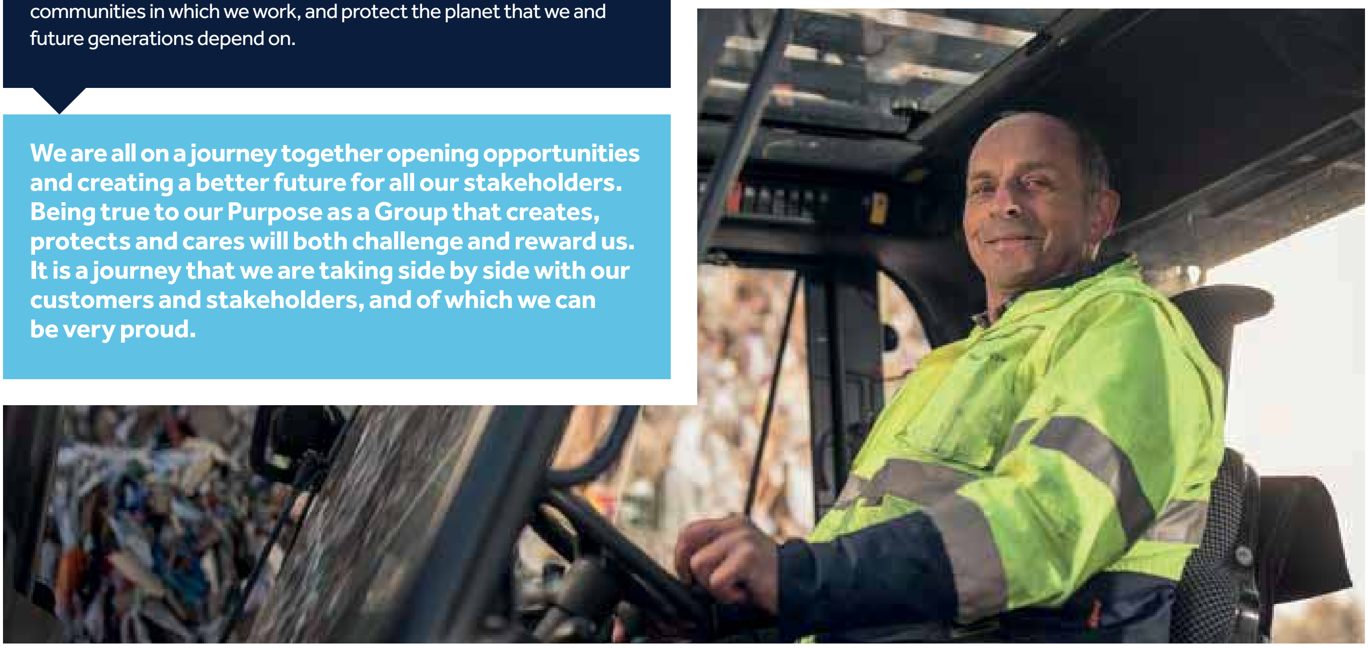
The campaign encourages employees across the business to reflect on the essential role they play in delivering our shared Purpose. Employees were asked to share the stories of creating, protecting and caring that they experience within our teams and through interactions with our customers, communities and other stakeholders.

The campaign has prompted many employees to share the stories that make them feel proud to be part of Smurfit Kappa. These diverse stories all illustrate how Smurfit Kappa's purpose is grounded in what we do day-to-day and highlights the importance of sustaining an authentic sense of purpose in our working lives.

Nurturing and Supporting Our Purpose

We recognise that nurturing our essential Purpose is an ongoing process. For our Purpose to endure we must ensure that the new generation of talent within Smurfit Kappa connect with and understand our essential and enduring role. We have engaged a selection of our workforce to build on our Purpose and explore what it means for them. We have asked them to consider what our Purpose will require from each of us in the future as we continue to provide innovative, sustainable products for our customers, support the communities in which we work, and protect the planet that we and future generations depend on.

We are all on a journey together opening opportunities and creating a better future for all our stakeholders. Being true to our Purpose as a Group that creates, protects and cares will both challenge and reward us. It is a journey that we are taking side by side with our customers and stakeholders, and of which we can be very proud.



> *Employees were asked to share the stories of creating, protecting and caring that they experience within our teams and through interactions with our clients, communities and other stakeholders.*

Investing in North Wales

Transformational Investment Plans

We are investing €40 million in our Mold plant in North Wales, which will further expand its capacity to make it the largest corrugated facility in the UK and allow us to meet the growing demand for sustainable packaging.

The investment in state-of-the-art equipment will reduce CO_2 per tonne emissions by 15% at the plant.

"This investment in North Wales will increase our capability, flexibility and speed of response to deliver unrivalled, innovative packaging solutions to customers across the UK and Ireland. We are determined to meet the future needs of our customers in a sustainable way. It is vital that our investment has benefits for the local community and the environment," said Smurfit Kappa UK and Ireland CEO, Eddie Fellows.

The design of the factory extension fits seamlessly into the local landscape. A three-acre nature trail has been constructed. It incorporates a local stream and a new footpath which can be used by both site staff and the local community. Working in partnership with Park in the Past, a local heritage and conservation project, an extra 10,000 trees, shrubs and bushes will be planted. Excess soil which has been removed as part of the factory extension will be used by the nearby heritage project.

The on-site Experience Centre offers customers the chance to come into the facility to see the science, creativity and data used to innovate, customise and implement sustainable packaging solutions.

The plant, which employs 194 staff and has been in operation since 1994 is a major regional employer.

Investment

€40 million

CO_2 emissions reduction

15%

Strategic Report

Strategic Report 16-75

Delivering an excellent performance for 2021

Irial Finan
Chair

The Group's performance demonstrates the strength of the integrated model, the quality of our business, our operational efficiency, and increasing geographic and product diversity. In delivering this performance, it was our people that again proved to be our most valuable asset through their agility, adaptability and resilience.

2021 Performance

Smurfit Kappa has delivered an excellent performance for 2021 which was particularly pleasing in a year characterised by unprecedented cost inflation. The EBITDA outcome of €1,702 million was ahead of the Group's guidance for the year. In delivering this performance, it was our people that again proved to be our most valuable asset through their agility, adaptability and resilience. On behalf of the Board and management team, I would like to record our sincere appreciation to each and every one of our 48,000 employees.

Capital Strength

Sustainability has always been at the core of the Group's operations and is now embedded within the capital structure. Building on our objective to dynamically and sustainably deliver in 2021, we launched our Green Finance Framework with an ISS ESG Second Party Opinion. Under this, we issued our dual tranche inaugural green bonds, comprising €500 million 8 year bonds with a coupon of 0.5% and €500 million 12 year bonds with a coupon of 1%. Setting up this framework and issuing green finance instruments was a further step in embedding sustainability into our capital structure alongside our sustainability linked revolving credit facility and our sustainability linked securitisation facilities. This further enhances the Group's financial flexibility to capitalise on the significant opportunities that we continue to see across our geographic footprint.

Sustainability

We continued to make strong progress across our sustainability agenda in 2021. The progress made during the year built upon the achievements of earlier years and highlights the Group's long-standing objective to drive change and nurture a greener and bluer planet through the three key pillars of Planet, People and Impactful Business.

In early 2021, we announced ambitious new sustainability targets as part of 'Better Planet 2050', focusing on a further reduction of our environmental footprint, increasing support for the communities in which we operate, further enhancing the lives of our employees and those communities.

We were the first in our industry to announce targeting at least net zero emissions by 2050 and we are well on our way to reaching our intermediate 2030 target of a 55% reduction, in line with the EU Green Deal objectives. The Group has also received approval from Science Based Target initiative ('SBTi') for its emissions targets. These targets are not only in line with the Paris Agreement but are also industry leading and a further sign of Smurfit Kappa's leadership in sustainability. There was continued action on CO_2 reduction during the year with many significant investments which reduce the Group's CO_2 emissions.

The Group's 2020 Annual Report was the first to report in line with recommendations of the Taskforce for Climate-related Financial Disclosures ('TCFD') and this year's report continues to build on that standard with a detailed and comprehensive disclosure outlined on page 54 to 61. In addition, we are also reporting for the first time on the EU taxonomy on page 50, a disclosure which is expected to evolve in future years as the EU taxonomy develops. For a number of years Smurfit Kappa has continued to include climate change as an emerging risk for the Group and during 2021 we elevated this to a long-term principal risk of the Group. Details are included within the risk report on page 38.

In addition to the progress in relation to CO_2 emissions, over the course of 2021, the Group also continued progress on all of our other key sustainability targets; water discharge, waste to landfill, chain of custody certification, safety performance and social projects. Details of this progress is outlined on pages 56 to 57.

Smurfit Kappa has also been contributing towards making the UN 2030 Sustainable Development Goals ('SDGs') a reality since 2015. This contribution was recognised by the Support the Goals movement in March 2021 when the Group became the first FTSE 100 company to receive a five-star rating. The Group was also recently recognised as a top ESG performer by Sustainalytics which builds on our well established sustainability credentials and is another positive development for the Group and all our stakeholders.

It is our ambition to continue to deliver sustainable growth for the benefit of all our stakeholders, customers, investors, employees, suppliers and the communities in which we operate while being, and being recognised as, a global leader in sustainability.

We continue to provide innovative, circular and fit-for-purpose packaging solutions for our customers and led by our Better Planet Packaging initiative. Our culture of innovation is based on our experience, science, creativity and data, with state-of-the-art facilities that allows us to help our entire value chain, our customers and their consumers, to reduce their carbon footprint and avoid packaging waste. Some examples of our recent innovative solutions are outlined on pages 8 to 11.

Purpose

At Smurfit Kappa we are proud to create, protect and care.

Smurfit Kappa is a business with an enduring and essential purpose – to create solutions that protect what we all care about – our planet, our people and our business. In the 2020 Annual Report, our Purpose was introduced following a comprehensive project to develop it which involved a diverse group of employees across the organisation. It is a purpose that informs our strategic business decisions and actions, now and into the future.

During 2021, the process to embed the Purpose throughout the Group commenced. An internal communications campaign took place using video in multiple language formats to engage the entire business with our Purpose. Further details on this campaign and our Purpose are included on pages 6 to 7.

Board Structure

We recognise the importance of continued Board refreshment and renewal and the benefit of bringing fresh perspectives to complement our longer-tenured Directors. We also recognise the importance of inclusion, diversity and equality throughout the organisation and up to Board level – diversity which includes varying perspectives and experience as well as diversity of age, gender, ethnicity and education.

There have been a number of appointments to the Board in recent years including those of Lourdes Melgar and Kaisa Hietala in 2020. In 2021, there were no further appointments or retirements from the Board, which remains comprised of 12 Directors.

This includes four female Directors which is in line with our commitment to ensure greater Board diversity. We are also pleased to have a Board which includes Directors from eight different countries including Directors from Europe, North America and Latin America – a diversity of geographic backgrounds which matches our diverse business.

As part of the ongoing development of the Board, and the integration of recent appointees, a comprehensive training programme was delivered during 2021 which covered topics including business operations, industry, sustainability and governance.

Governance and Oversight

The 2018 UK Corporate Governance Code ('the Code') places an emphasis on a company's relationship with its shareholders and other stakeholders and highlights the importance of establishing a corporate culture aligned with business strategy; and one which promotes integrity and diversity.

As we reflect on 2021, through our engagement with our people and our continued commitment to the environment and the communities we serve, we truly believe that Smurfit Kappa has a culture and an approach to business which aligns with the spirit of the Code and promotes an inclusive and positive working environment which recognises the perspectives of all

10%
increase in final dividend for 2021

> *"Building on our objective to dynamically and sustainably deliver in 2021 we launched our Green Finance Framework with an ISS ESG Second Party Opinion."*

Final Dividend (recommended) 2021
96.1
cent per share

our stakeholders. Details of this are included throughout this Annual Report, including the stakeholder and employee engagement overviews below, and in the Corporate Governance Statement.

Employee Engagement and Development

Employee engagement is a key consideration of the executives and Board, and one which has continuously developed over time. The Sustainability Committee continues to hold responsibility for workforce engagement on behalf of the Board. The Committee assists the Board in understanding the views of the wider workforce, to ensure that the voice of the workforce is heard in the boardroom and the views and interests of employees are taken into account when making decisions. A detailed update on our employee engagement during the year including commentary from the Chair of the Sustainability Committee, Jørgen Buhl Rasmussen, is included on pages 113 to 114.

The restrictions on travel as a result of the pandemic limited the number of visits that myself and the Board could make to our operations across Europe and the Americas during the year. I did have the opportunity to visit our newly acquired recycled mill in Verzuolo, Italy, in October 2021. I also visited our Forney mill and Forth Worth operations in Texas, the United States during the year. In addition, a number of our Board members were delighted to have the opportunity to meet with the workforce in Europe and the Americas through virtual plant tours. I do hope that during this year my fellow Board members and I will be able to return to visiting more operations again.

In addition to plant visits, the Board and I engaged virtually with the workforce through various events. In early 2021, I had the opportunity as part of a virtual global event to hold a Q&A session with the management team across the Group which was very positive and open. In addition, members of the Sustainability Committee were involved in many engagement sessions, examples of which are – attendance at an International Women's Day celebration in Mexico, attendance at a module of our Advanced Management Development programme including collaboration with the cohort, and a meeting and discussion with a selection of the Group's high potential female employees across a wide range of levels and countries in which we operate.

Since 2014, the Group has conducted frequent MyVoice employee engagement surveys which give all of our 48,000 employees the opportunity to give their views on the Company, leadership, business, inclusion, employee development, vision and values. As a Board, we are looking for continuous improvement in our employee engagement scores, to ensure we understand employees perspectives and sentiment and take them into account when making decisions. During 2021, another global engagement survey of all employees was conducted. The survey attracted the highest participation rate of any of our surveys to date. The Board received a detailed report and presentation on the survey and are pleased to report that there was a global engagement rate increase of 13 percentage points which is a positive endorsement of the values and people centric culture in Smurfit Kappa.

In 2021, we have continued to focus on the development of our people as we recognise that supporting and developing the culture and practice of talent management in the organisation is core to our success. Our approach to talent has delivered many leaders for the organisation, who have built successful careers over many years, with an average tenure of 18 years among this cohort. Additionally, by focusing on talent through comprehensive and considered succession plans we can ensure that we continue to fill key operational and strategic positions across the Group.

The Smurfit Kappa Academy supports the development and succession planning for the Group and is important for our people. It was crucial that the programmes continue during the pandemic and we therefore pivoted these to online offerings. This ensured that we could continue to upskill and invest in our people across the Group. For further details on our development programmes see page 70.

The Board is very supportive of the EveryOne inclusion, diversity and equality initiative which was further evolved in 2021 with the introduction of the five EveryOne Communities to drive the Group's ambition in this area. The diverse communities focus on: Disability, Family & Age, Gender, LGBTQ+ & Allies, and Origin, Race & Ethnicity, details of which are included within the People section on page 68.

Stakeholder Engagement

The Group and the Board have a continued focus on stakeholder engagement which is an area where we continue to have strong foundations on which to build. In addition to the further enhanced engagement with the workforce as set out above, we continue to work collaboratively with our customers, suppliers, shareholders and the communities in which we operate.

Our engagement with those communities continues to be a core management priority during 2021, despite facing into a second year of the pandemic, our workforce across the world continued to donate their time, effort, and expertise to making a positive and lasting impact on their communities with almost 5,000 of our colleagues involved in 150 initiatives across 23 countries. In addition, the Group has committed through its Better Planet 2050 targets to donate €24 million between 2020 and 2025.

Our leadership team and investor relations team maintain active engagement and dialogue with the investment community and our shareholders, to discuss key issues including strategy, sustainability, capital allocation, remuneration and governance. During 2021, I was delighted to have the opportunity to meet virtually and engage with many of our shareholders and also with proxy body representatives, to understand their views and insights on the Company.

Further details on stakeholder engagement in 2021 is outlined on pages 44 to 47. In the period ahead, my continued focus as Chair will be on the further development of engagement with our key stakeholders.

Dividends

Dividends remain a central component of the Group's commitment to deliver value for our shareholders. Our progressive dividend policy recognises the importance of dividends to our shareholders. The Board is recommending a 10% increase in the final dividend to 96.1 cent per share, subject to the approval of shareholders at the Annual General Meeting ('AGM') in April 2022. This in combination with the interim dividend of 29.3 cent per share paid in October 2021 will deliver a total dividend of 125.4 cent per share. This further increase in the dividend reflects the confidence and the ever increasing strength of and prospects for the business.

Outlook

Notwithstanding the current global geopolitical uncertainties and disruption to supply chains, current trading for the Group is strong, and our integrated paper and packaging system remains effectively sold out. We continue to see significant opportunities across our geographic footprint and are investing to build a platform for durable growth to meet customer demand.

Irial Finan
Chair

Reduction in CO_2 emissions

5,500 tonnes

per annum

"This investment underlines Smurfit Kappa's continued commitment to developments in leading edge technology and our operations in Germany."

CASE STUDY

Investing a Further €35 Million in Germany

We are making a significant investment in our Hoya paper mill and board manufacturing plant in north-west Germany. It is the latest phase of an investment programme, which commenced in 2011, and this last phase will see production output increase by 70kt to 450kt per annum.

The investment will replace the complete press section of the PM2 paper machine with new state-of-the-art technology, increasing the overall efficiency of the manufacturing process. The PM2 is a 7.5 meters wide paper machine, producing both testliner and fluting packaging paper. Production speed will increase to 1,250 metres per minute and upon completion, this world class machine will further strengthen the industrial efficiency of our containerboard system. It is expected to be operational from the first quarter of 2023.

Saverio Mayer, CEO, Smurfit Kappa Europe said: "This investment will be the final and significant phase of a programme of sustained investment at our Hoya mill which commenced over a decade ago. This investment underlines Smurfit Kappa's continued commitment to developments in leading edge technology and our operations in Germany."

The investment means that CO_2 emissions will be reduced by 5,500 tonnes per annum.

The Hoya site in Germany has been in operation for over 50 years and is a major regional employer, with over 300 people working at the facility.

Investment

€35 million

A key differentiating factor for SKG has always been our people

Tony Smurfit
Group Chief Executive Officer

In a world of significant supply constraints, I am incredibly proud of how our 48,000 employees have responded to ensure our customers' needs were met and indeed, continue to be met as we begin 2022.

2021 Overview
I am happy to report that Smurfit Kappa has delivered another excellent performance in 2021 with an EBITDA of €1,702 million, representing an increase of 13% on 2020 (2020: €1,510 million) and an EBITDA margin of 16.8%, down from 17.7% in 2020.

This performance demonstrates the strength of our integrated model, the quality of our business, our operational efficiency and our increasing geographic and product diversity. The result also reflects the Group's ability to recover significant input cost pressure by way of progressive box price increases, strong box volumes, the resilience and security of supply we deliver for our customers alongside the benefits of our customer-focused innovation and capital spend programme and the dedication of our 48,000 employees.

Over the last number of years, the Group has made significant investments enabling us to meet our customers' need for resilience, ensuring they have security of supply and access to the most innovative, sustainable packaging solutions.

With corrugated demand growth of 8% during the year, this is a clear indication that paper-based packaging, which is renewable, recyclable and biodegradable, is the choice of our customers and the end consumer versus the less sustainable alternatives. Governments are also following suit by legislating against non-recyclable, non-renewable and less sustainable packaging. E-commerce is now a way of life and the protection that corrugated packaging provides as a transport medium is the preferred choice for a mobile and sustainable world.

2021 was characterised by significant and unprecedented cost inflation. These costs, particularly in energy, recovered fibre and other categories of raw materials, remain at elevated levels at the beginning of 2022; however, we expect to continue to recover these costs, with margin improvement, as we progress through the year.

Both our European and Americas businesses delivered excellent performances in the year. Our European business recorded an EBITDA of €1,302 million with an EBITDA margin of 16.6% while our Americas business recorded an EBITDA of €441 million with an EBITDA margin of 19.5%.

A key to the performance of Smurfit Kappa over recent years has been to invest both organically and through

Further information in relation to Alternative Performance Measures referenced in this Statement is included in the Supplementary Information section on pages 191 to 197.

acquisitions to meet growing customer demand for innovative and environmentally sustainable packaging solutions. During 2021, 82 new converting machines and seven new corrugators were approved across our operations in Europe and the Americas. Material investments in our paper system were also approved in order to increase efficiency and capacity and to meet our ambitious sustainability objectives.

During 2021, we completed the acquisition of a state-of-the-art recycled containerboard mill in Italy with a capacity of 600,000 tonnes. This acquisition provides additional security of supply to our customers. In the Americas region, we continued our geographic expansion through acquisitions in Mexico and Peru. Our continuing, customer-led investment in converting assets, the most significant within the industry, together with our Verzuolo mill in Italy, will sustain a clear competitive advantage for Smurfit Kappa.

2021 saw the launch of our Green Finance Framework, under which we issued our dual tranche inaugural green bonds, comprising €500 million 8 year bonds with a coupon of 0.5% and €500 million 12 year bonds with a coupon of 1%. Sustainability has always been at the core of our operations and is now embedded within our capital structure.

Europe

The Europe segment is the larger of the Group's two segments, accounting for 78% of its revenue and 76% of its EBITDA in 2021. Our Europe segment is highly integrated. It includes a system of mills and plants that primarily produce a full line of containerboard that is converted into corrugated containers. In addition, the Europe segment also produces other types of paper, such as solidboard, sack kraft paper and graphic paper; and other paper-based packaging, such as hexacomb and solidboard packaging, folding cartons; and bag-in-box packaging.

The Group currently has facilities in 23 countries in Europe. These comprise 23 mills (of which 18 produce containerboard), 186 converting plants (the majority of which produce corrugated packaging products) and 27 other production facilities carrying out related activities. The mills are supported by 20 recovered fibre collection facilities and two wood procurement operations.

The Group's European containerboard mill system consists of three kraftliner mills; in Sweden, France and Austria, which between them produced approximately 1.7 million tonnes of brown and white kraftliner in 2021 and 15 recycled containerboard mills including the newly acquired mill in Verzuolo, Italy. In 2021, our 15 recycled containerboard mills produced over 3.7 million tonnes of paper.

We also have two virgin fibre-based mills in Spain, which in 2021 produced approximately 164,000 tonnes of sack kraft paper and approximately 89,000 tonnes of machine glazed ('MG') paper. In 2021, our three recycled mills in Germany together produced approximately 346,000 tonnes of solidboard and boxboard and approximately 81,000 tonnes of graphicboard. In addition, the Parenco containerboard mill in the Netherlands produced 182,000 tonnes of graphic paper in the year.

On the conversion side, the operations comprise 43 sheet plants and 109 corrugated plants which produced approximately 5.1 million tonnes in 2021. In addition, we have 34 plants which produce high-end differentiated packaging products such as litho-laminated corrugated products, display units and solidboard-based packaging, all of which extend the range of packaging solutions in our portfolio. Our converting operations are supported by a number of other small plants producing pre-print packaging, fulfilment activities and other packaging related products. Our European-managed bag-in-box operations comprise eight plants located in Europe, Argentina, Canada, Mexico and the United States.

Our European business delivered a strong performance with a 10% increase in EBITDA to €1,302 million for the year. The EBITDA margin was 16.6%, down from 17.8% in 2020. Box demand was up approximately 8% for the year with strong performances in all countries, illustrating the robust demand backdrop for our innovative and sustainable product offering. Corrugated pricing has continued to improve in line with our expectations.

Our European business continued to build on its strong operating platform through 2021 with significant corrugated and containerboard projects announced for France, Germany, the Czech Republic, Slovakia, Poland and the UK, as well as in our bag-in-box operation in Spain. These investments in the latest high-tech and energy efficient machinery, including new corrugators and converting machines alongside facility expansion projects, will allow us to increase production output and expand the range of high value products that we offer to our growing customer base, while also contributing towards the sustainability goals of the Group and our customers.

The Americas

Our Americas segment is also highly integrated. Like our Europe segment, it includes a system of mills and plants that primarily produce a full line of containerboard that is converted into corrugated containers. The Americas segment, which includes a number of Latin American countries and the United States, also comprises forestry; other types of paper such as boxboard, sack paper, and graphic paper; and paper-based packaging, such as folding cartons, hexacomb, paper sacks and bag-in-box packaging.

The Group's operations in the Americas consist of 12 paper mills in five countries (Argentina, Brazil, Colombia, Mexico and the United States) producing containerboard, boxboard, sack paper and printing and writing paper with a combined production of 1.6 million tonnes in 2021. The mills are supported by 25 recovered fibre facilities in seven countries and forestry operations in Colombia. We have 41 corrugated plants in ten countries, including the Cartones del Pacifico plant acquired in Peru during the year, with a 2021 production of approximately 1.6 million tonnes.

We also have 14 other converting plants in six countries, including the Cartonbox folding carton plant in Mexico acquired during the year, producing mainly paper sacks, folding cartons or hexacomb packaging.

EBITDA Europe
(million)
€1,302
2020: €1,180

> *"Investing to increase efficiency and capacity and to meet our ambitious sustainability targets."*

EBITDA Margin Europe
(%)
16.6
2020: 17.8

EBITDA the Americas
(million)

€441

2020: €372

EBITDA Margin the Americas
(%)

19.5

2020: 19.7

Other production facilities include a preprint facility, three foam packaging plants in Mexico and a packaging solutions facility in the United States. The Group's Americas business continues to be a region of geographic diversification, high growth, and significant opportunity.

EBITDA increased by 19% on 2020 to €441 million in the Americas. The EBITDA margin was slightly lower at 19.5% in 2021, compared to 19.7% in 2020. Colombia, Mexico and the United States accounted for over 77% of the region's earnings with strong performances in all three countries. Volumes for the full year in the Americas were up 9% year-on-year and as in Europe, the Group continued to build on its operating platform with significant capacity and sustainability related investment in the corrugated, containerboard and speciality businesses across the region.

During the year, we announced the expansion of our Latin America business with acquisitions in Peru and Mexico respectively, adding to our geographic diversity and enhancing our customer offering in these high growth regions.

Pricing for containerboard in both Europe and the Americas continued the upward trend through 2021. Initially this was driven by strong demand and rising recovered fibre prices and subsequently, in the latter part of the year in Europe, by rising energy prices. Increasing recovered fibre prices have cost the Group an additional €440 million in 2021 versus the prior year while rising energy prices have cost the Group approximately €235 million versus the prior year.

Capital Structure

Net debt was €2,885 million at the end of December, resulting in a net debt to EBITDA ratio of 1.7 times compared to 1.6 times at the end of December 2020. With net debt to EBITDA at 1.7 times the strength of the Group's balance sheet continues to secure long-term strategic flexibility. Given the strong business profile and ability to consistently deliver substantial free cash flow, the Group is comfortably operating within its target leverage range of 1.5 times to 2.0 times.

During the year, Smurfit Kappa announced the launch of its Green Finance Framework with an ISS ESG Second Party Opinion. The Group subsequently announced the launch and successful pricing of its inaugural green bond offering, comprising €500 million of senior notes due 2029 and €500 million of senior notes due 2033 with coupons of 0.5% and 1.0% respectively. The coupons achieved for these tenors were not only the lowest in the Group's history but also the lowest for a corporate issuer in our rating category.

At 31 December 2021, the Group's average interest rate was 2.63% compared to 3.13% at 31 December 2020. The reduction in our average interest rate was primarily due to the refinancing activity undertaken during the year which comprised the repayment of our €500 million 2.375% senior notes maturing in 2024 and the issuance of our €1 billion dual tranche inaugural green bonds mentioned above. The Group's diversified funding base and long-dated maturity profile of 5.8 years (31 December 2020: 4.9 years) provide a stable funding outlook. At 31 December 2021, we had a strong liquidity position of approximately €2.52 billion comprising cash balances of €869 million, undrawn available committed facilities of €1,343 million on our sustainability linked Revolving Credit Facility ('RCF') and €312 million on our sustainability linked securitisation facilities.

Sustainability

The Group's end-to-end approach to sustainability is evident in its innovative products and processes that support customers and positively impact the entire value chain. The progress we have made during 2021 was built upon the achievements outlined in our 14th annual Sustainable Development Report ('SDR') published in April 2021 which highlighted the Group's long-standing objective to drive change and nurture a greener and bluer planet through the three key pillars of Planet, People and Impactful Business.

In early 2021 we set new targets and revised existing targets through our Better Planet 2050 initiative, the aim of which is to combine long-term ambition with action today, details of which are outlined on page 58.

2021 also saw the world increase its focus on climate with the publication of the Inter-governmental Panel on Climate Change ('IPCC') report in August and the 26th Conference of the Parties, or COP26, in Glasgow. SKG, as a leader in sustainability, is playing its part in making the necessary changes to ensure we stay aligned with the goals of the Paris Agreement. In late 2021, we were delighted to have our 2030 emissions reductions targets approved by the SBTi as being in line with the Paris Agreement.

Recent years have seen an acceleration in changing consumer patterns, particularly around increased e-commerce penetration and heightened awareness of unsustainable packaging solutions. By producing a product that is renewable, recyclable and biodegradable, and, made in an increasingly sustainable manner, our innovative solutions have continued to deliver for our customers and their sustainability goals. Solutions such as TopClip and Click-to-Lock have demonstrable CO_2 reduction delivery for our customers. We deliver for our customers not just in terms of the sustainable nature of our packaging products, but also in our approach, and how by harnessing applications such as SupplySmart we can design further CO_2 reductions through optimising design by analysing the end-to-end use of the product.

Since we started reporting on our corporate sustainability journey almost fifteen years ago, we have been focusing our efforts on delivering a positive impact for our customers, our other stakeholders and playing our part in having a positive impact on the planet. Our stated ambitions and specific and measurable goals continue to underpin our leadership in sustainability.

During 2021 the Group appointed a new Chief Sustainability Officer, reporting into the Group CFO, who forms an important link between the executive, the Board and our broader stakeholder base.

Further details on the progress, developments and investments in sustainability in 2021 are outlined throughout this Annual Report and in particular in the Group Chief Financial Officer's review on page 42 and the Sustainability section on pages 48 to 63.

Commercial Offering and Innovation

The Group continued to deliver innovation for our customers in 2021. This was illustrated by our first virtual Better Planet Packaging event held in March which hosted over 2,700 attendees.

The Group launched the world's first pre-certified Frustration Free Packaging ('FFP') compliant solution for Amazon supply-chains during the year. This means customers can access one of the world's leading trading platforms quicker and confident of meeting Amazon's strict packaging requirements, a significant advantage as global e-commerce sales continue to grow.

Also during the year, the Group's Brazilian business won a prestigious Red Dot Award in the area of product design. The packaging challenge came from Wine & Bite Box to secure and protect bottles of wine and food for a growing trend of tasting boxes being delivered to customers for an at home gourmet experience. The award recognises this packaging as one of the most innovative design projects in the world.

CASE STUDY

Multi-million Mexican Investment

We are investing US$22 million to expand our corrugated plant in Culiacan, north-west Mexico. This demonstrates our continued commitment to the Mexican market with expanded capacity, capabilities and product offerings for local customers in the fresh produce segment.

The investment will modernise and expand the plant, with the installation of high-tech state-of-the-art machinery and the construction of a new 10,900m^2 building that will include a new corrugator and an automatic rotary die cutter.

The facility will produce corrugated boxes made with a moisture barrier that helps resist condensation. These new offerings will also result in more sustainable operations at the facility with reduced use of paper that is 100% recyclable and can be reused at Smurfit Kappa mills.

This investment will enable the Culiacan plant to match the fast-growing demand for sustainable packaging solutions from agriculture and fresh produce customers. The region is home to 40% of the total agricultural production for Mexico and has some of the largest producers of packaged food and beverage companies.

The Group also announced the development of its first paper-based child lock box for laundry pods. The Click-to-Lock Box is a 100% paper-based solution which provides a sustainable and safe alternative to the traditional plastic box for laundry pods. The new packaging solution reduces CO_2 emissions by 32% during production and is 100% recyclable and biodegradable.

Additionally, the Group launched a unique range of circular packaging solutions for the rapidly growing online health and beauty market. The customisable eHealth & Beauty portfolio includes sustainable, paper-based packaging solutions ideal for shipping vulnerable products, such as fragrances, cosmetics, and skin and hair care products, as well as tamper proof packaging designed for vitamins, supplements and sports nutrition.

The Group received 13 awards for its creative and innovative packaging solutions at this year's Flexographic Industry Association ('FIA') UK awards. Since 2013, Smurfit Kappa has received 113 FIA awards, illustrating its leadership in the packaging industry.

The Group was recognised for its work on inclusion and diversity and as well as for its packaging innovation, sustainability, design and print with 69 awards in 2021.

The Group continues to experience intense levels of pipeline development across our business as customers strive for more sustainable packaging solutions.

Our People

A key competitive advantage and point of differentiation for Smurfit Kappa Group has always been our people. They have proved again and again to be our most valuable asset in our response to COVID-19, and as a critical partner in supporting and delivering for all our stakeholders. I could not be prouder of their continued efforts, contribution and commitment.

During the year, we have welcomed just over 1,000 new colleagues to the Smurfit Kappa family through our acquisitions. We continued our support of all our employees during 2021 and into 2022 with a strong focus on health and wellbeing, employee engagement and communications, reward and recognition, and learning and development initiatives. I would like to acknowledge the tremendous effort and commitment of all our approximately 48,000 employees in the 36 countries in which we operate for their significant contribution to the results achieved in 2021. We look forward to the challenges and opportunities of 2022 and to continuing our efforts to make the Group the safest and most customer-focused company in which to work in our industry.

I would like to take this opportunity to acknowledge the tremendous support of the Board for the continuing development of the Company. Equally, I would also like to recognise our shareholders support over the last number of years.

Tony Smurfit
Group Chief Executive Officer

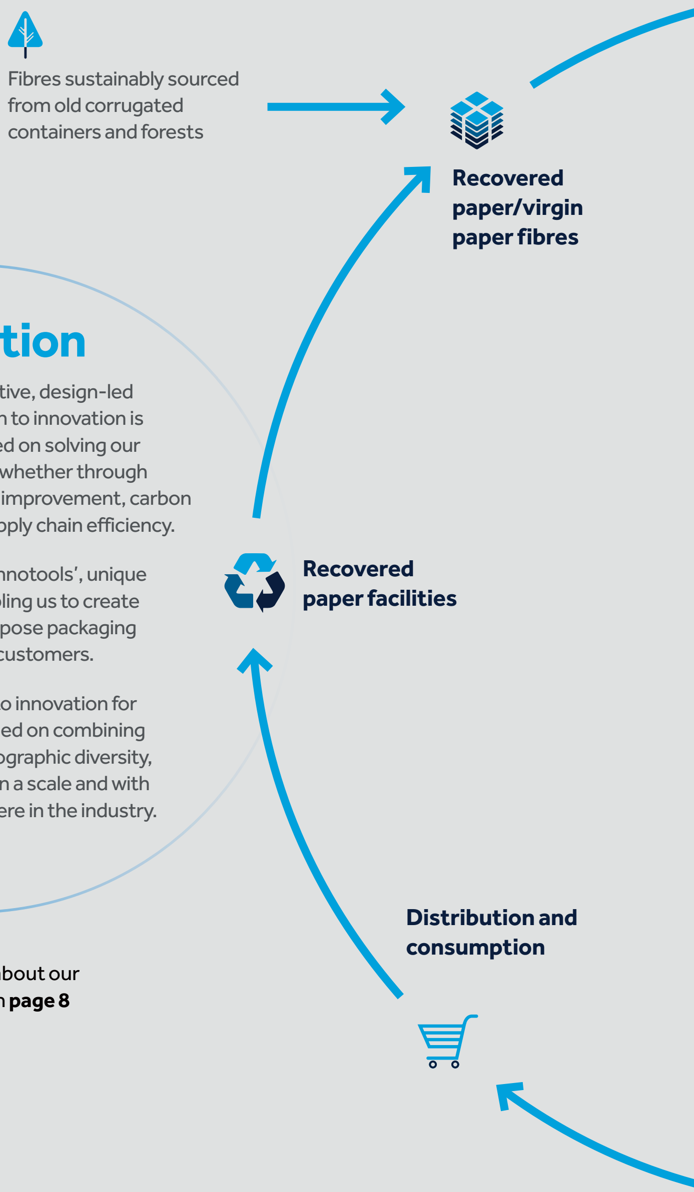
We are a packaging leader in a growth industry

Our Integrated Model

We have an integrated system of containerboard mills and corrugated box plants. Our recycling, wood procurement and forestry operations provide raw material to our containerboard mills, who produce a full line of containerboard which is converted into corrugated containers.

Our vertical integration is key to guaranteeing security of supply for our customers and enabling us to drive efficiencies across the whole supply chain with technological advances, paper machine optimisation and logistics management, which in turn means we can offer optimal paper design, quality and logistics. We have lower exposure to volatility in containerboard prices and our integrated structure ensures that we provide a stable outlet for our product through the uncertainty of market falls and rises.

Our Integrated Process:



Innovation

We are a highly innovative, design-led company. Our approach to innovation is data-driven and focused on solving our customers' challenges, whether through product promotion, process improvement, carbon reduction or optimising supply chain efficiency.

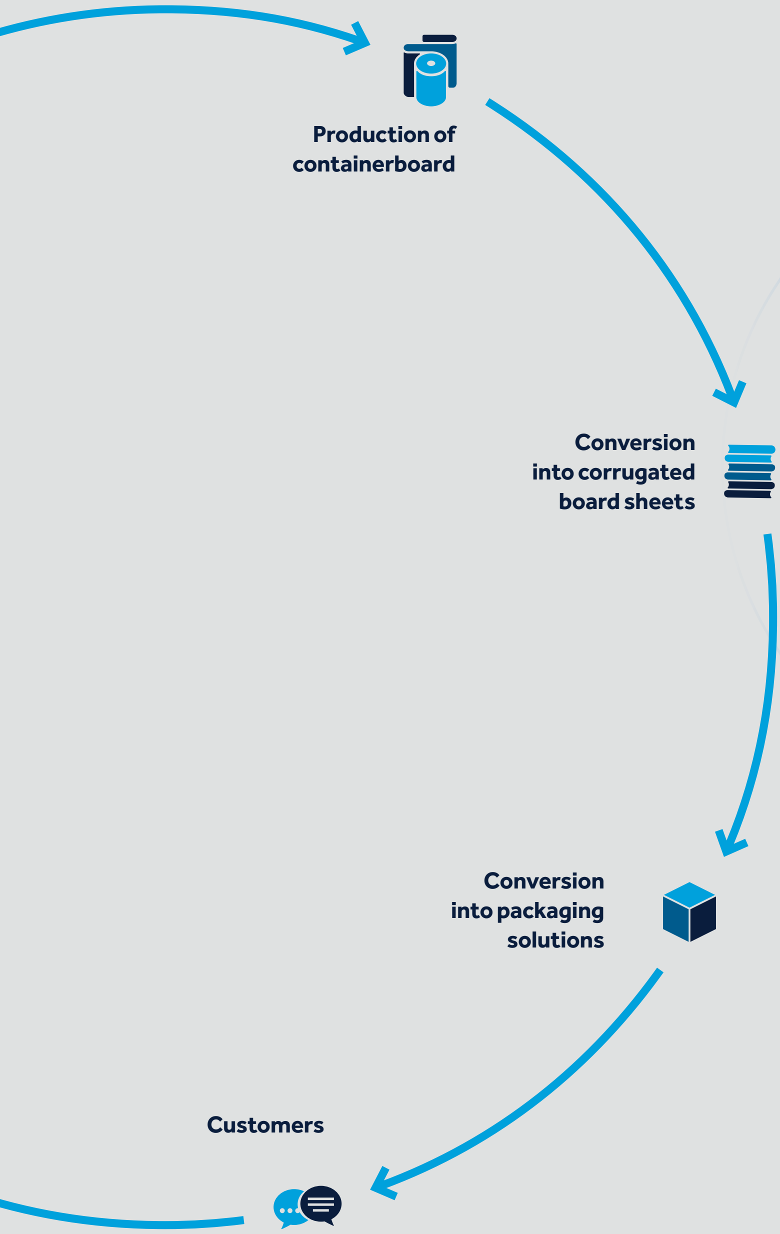
We employ a range of 'Innotools', unique to Smurfit Kappa, enabling us to create the optimal fit-for-purpose packaging solutions for our customers.

Our unique approach to innovation for business success is based on combining science, experience, geographic diversity, big data and creativity on a scale and with a depth not seen elsewhere in the industry.

Read more about our innovations on **page 8**

Underpinned by Our Values:

We design, manufacture and supply sustainable and innovative packaging solutions to promote and protect our customers' products.



End-to-end Sustainability

From procurement and working with our suppliers, to production and product delivery to our customers, our economic goals are aligned with our social, community and environmental responsibilities.

Working within a circular economy, our embedded Chain of Custody ensures that close to 100% of our raw material comes from sustainable and/or certified sources regardless of whether it is virgin or recycled.

As a leader in sustainable packaging, we have a responsibility to respond to the challenge the world faces with litter and inefficient use of materials. We are addressing this with our Better Planet Packaging initiative.

Read more in our Sustainability Section on **page 48**

Safety | **Loyalty** | **Integrity** | **Respect**

We deliver a strong return on capital

Our vision is to be a globally admired business, dynamically and sustainably delivering secure and superior returns for all stakeholders.

The Group's objective is to develop long-term customer relationships by providing customers with differentiated sustainable packaging solutions that enhance the customers' prospects of success in their end markets.

Strategic Priorities	Description
Market position	Expand our market positions in Europe and the Americas through selective focused growth.
Partner of choice	Become the supplier/ partner of choice.
Operational excellence	Enhance our operational excellence through the continuous upgrade of our customer offering.
Investment in people	Recruit, retain, develop and motivate the best people.
Capital allocation	Maintain a disciplined approach to capital allocation and maintain the focus on cash generation.

Objectives and Progress in the Year

- Organic growth from increased market share through developing innovative solutions in areas such as Better Planet Packaging and e-commerce; and
- Pursuit of accretive acquisitions in higher growth markets such as Eastern Europe and Latin America.

Read more in the Group Chief Executive Officer's Statement on **pages 22 to 25**

- Deepening our understanding of our customers' world and developing proactive initiatives to improve their offering;
- Constantly innovating our products, service, quality and delivery in order to develop and/or maintain preferred supplier status; and
- Pursuing superior performance measured against clearly defined metrics in all aspects of our business and at all levels in our organisation.

Read more in Our Innovative Solutions on **pages 8 to 11**

- Improving the output from our high quality asset base through judicious capital investment, continuous improvement programmes, transfer of best practice, industrial engineering and other progressive initiatives;
- Increasing the proportion of differentiated ideas, sustainability initiatives, products and services on offer to our customers through the use of the Group's development and technology centres, our sustainability credentials and our innovation tools; and
- Ensuring that the driving force behind all our operations is one of customer satisfaction and excellence in the marketplace.

Read more in the Group Chief Executive Officer's Statement on **pages 22 to 25**

- High quality graduate and other recruitment initiatives, progressive goal setting, and performance appraisal programmes;
- Focused job training and coaching;
- Cross-divisional in-house development programmes; and
- Selective executive development programmes.

Read more in the People section on **pages 64 to 75**

- Maintaining investment grade credit ratings following the recent upgrades;
- Capital spending to facilitate organic growth, optimise our asset base and enhance operating efficiency;
- Acquiring strategically attractive and accretive assets; and
- Progressive dividend supported by strong free cash flow.

Read more in the Finance Review on **pages 39 to 43**

Outlook

Driven by strong secular trends such as e-commerce and sustainability, the outlook for our industry is increasingly positive. SKG has positioned itself as the leading company within the industry, with great people, providing our customers with unique packaging solutions centred around innovation, efficiency and sustainability. The inherent strength of our business provides us with an unrivalled platform to accelerate our vision and the Group's next phase of growth and development. Going forward, we will continue to implement our strategy, creating a sustainable business that builds on our strengths and will generate value for all stakeholders over the long-term.

We will continue to lead in innovative, sustainable packaging solutions for our customers, led by our 'Better Planet Packaging' initiative which provides our customers with sustainable solutions today, ready for the challenges of tomorrow. We are investing to build a platform for durable growth to meet customer demand. The recent launch of our Green Finance Framework and the successful issuance of our inaugural Green Bond in September 2021 will finance or refinance a portfolio of eligible green projects and further integrates the sustainability ambitions at the core of our business model into our funding strategy.

We remain relentlessly focused on attracting, training and developing employees to ensure delivery of all our strategic ambitions and to help our people reach their full potential within the organisation. Our capital allocation strategy remains flexible and agile and we maintain a disciplined, returns focused approach to capital allocation.

Measuring our progress

The Group has a range of Key Performance Indicators ('KPIs') which we use to monitor our performance and measure progress.

Financial KPIs

EBITDA* (million)

€1,702

2020: €1,510

Description

EBITDA is the key performance measure of the Group's operating segments. It is an appropriate and useful measure used to compare recurring financial performance between periods.

Strategic Priorities

Performance

EBITDA for 2021 was €1,702 million, €192 million up on 2020. The result reflects the strength of the integrated model, the quality of our business, our operational efficiency and increasing geographic and product diversity.

EBITDA Margin* (%)

16.8

2020: 17.7

Description

EBITDA margin is a measure of profitability by taking our EBITDA divided by revenue.

Strategic Priorities

Performance

EBITDA margin was 16.8% in 2021 compared to 17.7% in 2020. In Europe, our overall margin decreased from 17.8% in 2020 to 16.6% in 2021. In the Americas, our margin decreased from 19.7% in 2020 to 19.5% in 2021.

Net Debt* (million)

€2,885

2020: €2,375

Description

Net debt comprises borrowings net of cash and cash equivalents and restricted cash. We believe that this measure highlights the overall movement resulting from our operating and financial performance.

Strategic Priorities

Performance

Net debt amounted to €2,885 million at December 2021 compared to €2,375 million at December 2020. The year-on-year increase of €510 million reflected free cash flow of €455 million for the year, more than offset by outflows in respect of dividend payments, the purchase of businesses and non-controlling interests, the payment of the Italian Competition Authority fine and negative currency translation adjustments.

* Information in relation to the definition and calculation of these Alternative Performance Measures is included in the Supplementary Information section on pages 191 to 197.

Key to Strategic Priorities

Market Position

Partner of Choice

Operational Excellence

Investment in People

Capital Allocation

Net Debt to EBITDA* (times)

1.7x

2020: 1.6x

Description

Leverage (ratio of net debt to EBITDA) is an important measure of our overall financial position.

Strategic Priorities

Performance

With net debt of €2,885 million and EBITDA of €1,702 million, our leverage ratio was 1.7 times at December 2021 compared to 1.6 times at December 2020. The Group is operating within its target leverage range of 1.5x to 2.0x.

Free Cash Flow* ('FCF') (million)

€455

2020: €675

Description

FCF is the result of the cash inflows and outflows from our operating activities, and is before those arising from acquisition and disposal activities. We use FCF to assess and understand the total operating performance of the business and to identify underlying trends.

Strategic Priorities

Performance

FCF of €455 million in 2021 was €220 million lower than the €675 million reported in 2020. An EBITDA growth of €192 million, combined with lower outflows for cash interest and the absence of an exceptional outflow in 2021 were more than offset by higher outflows for capital expenditure, higher tax payments, a higher outflow for the change in employee benefits and other provisions and a negative swing in working capital from an inflow in 2020 to an outflow in 2021.

Link to Remuneration

See Remuneration Report for Annual Bonus metrics, **pages 92 to 109**.

Return on Capital Employed* ('ROCE') (%)

16.0

2020: 14.6

Description

ROCE is an effective measure of ensuring that we are generating profit from the capital employed.

Strategic Priorities

Performance

ROCE at December 2021 was 16.0%. With a higher level of operating profit partially offset by a higher level of average capital employed, our ROCE increased from 14.6% at December 2020.

Link to Remuneration

See Remuneration Report for PSP metrics, **pages 92 to 109**.

Key to Strategic Priorities

Market Position | Partner of Choice | Operational Excellence | Investment in People | Capital Allocation

Financial KPIs continued

Earnings per Share ('EPS') (cent)

Pre-exceptional Basic EPS*

274.5

2020: 236.9

Basic EPS

263.9

2020: 227.9

Description

EPS serves as an effective indicator of a company's profitability and, in conjunction with other metrics such as ROCE, is a measure of a company's financial strength. The calculation of EPS is shown in Note 9 to the Consolidated Financial Statements.

Strategic Priorities

Performance

Our pre-exceptional basic EPS in 2021 increased by 16% from 236.9 cent in 2020 to 274.5 cent, reflecting a higher pre-exceptional profit attributable to owners of the parent of €706 million in 2021 compared to €567 million in 2020.

Basic EPS increased to 263.9 cent in 2021 compared to 227.9 cent in 2020. This was mainly due to a higher operating profit for 2021 resulting in a profit for the financial year attributable to owners of the parent of €679 million, compared to €545 million in 2020.

Link to Remuneration

See Remuneration Report for PSP metrics, **pages 92 to 109**.

Non-Financial KPIs

Health and Safety (TRIR)

0.59

2020: 0.60

Description

A safe and healthy workplace is a fundamental right for every person at Smurfit Kappa, and is a business imperative for the Group. We are committed to maintaining a productive and safe workplace in every part of our Company by minimising the risk of accidents, injury and exposure to health hazards for every employee and all sub-contractors.

Strategic Priorities

Performance

We have committed to a 5% reduction in our Total Recordable Injury Rate ('TRIR'). Our result for the year 2021 was 0.59, a reduction of 1.7% on 2020 (0.60). Whilst our year-on-year improvement did not meet our 5% target, we were pleased that we were able to improve on what was a significant step change in performance in 2020.

Link to Remuneration

See Remuneration Report for Annual Bonus metrics, **pages 92 to 109**.

* Information in relation to the definition and calculation of these Alternative Performance Measures is included in the Supplementary Information section on pages 191 to 197.

CO_2 Emissions Reduction (%)

41.3

2020: 37.3

Description

Although our industry is energy intensive, it is also one of the most energy efficient and is among the most significant users of renewable energy. Climate change impacts everyone, and in our case it stimulates product design improvements to lower customer carbon footprints, encourages production efficiency and informs how we invest for the long-term.

We are reducing the carbon intensity of our energy mix by reducing the use of fossil fuels and promoting renewable sources where economically viable. We are also saving energy by closing loops in our production process. We make a significant impact in the value chain through smart packaging solutions that can significantly lower customer emissions. We help them optimise their packaging to avoid product waste, minimise over-specified packaging and increase recycling.

Strategic Priorities

Performance

We have committed to a 55% reduction in scope 1 and 2 fossil fuel based CO_2 emissions in our mill system compared to 2005 levels by 2030 (goal updated in 2020) and we are targeting to reach at least net zero CO_2 emissions by 2050. In 2021, we reached a reduction of 41.3% compared to 37.3% in 2020.

Chain of Custody (%)

93.45

2020: 93.8

Description

Although recovered fibres are our primary raw material, we are also a significant user of wood fibre and we take responsibility to ensure its origin is sustainable. The recyclability of paper fibres is another important factor in the sustainability of our products, and we apply a balanced approach to the use of both virgin and recycled fibres.

We manage our forest holdings based on three sustainable development principles: to promote economic growth, responsibly use natural resources and foster social equity wherever our plantations and forests are located. We have certified all our plantations and forest holdings to FSC and/or PEFC where practical. Independent third-party certification is the most reliable means to promote sustainable forest management and combat deforestation.

To extend our approach to our customers, we have committed to selling our packaging solutions as Chain of Custody certified. This transparent approach makes SKG's and our customers' commitment visible to the end consumer.

Strategic Priorities

Performance

We have committed to selling over 95% of our products as Chain of Custody certified to our customers (goal updated in 2020). We reached an initial target level of 90% in 2016 and increased our ambition to 95% in 2020. Our result for the full year 2021 was 93.45%. This was down slightly on 2020 and was driven predominantly by low paper availability in what were extremely tight global markets.

Risk identification, assessment and management

The Board determines the nature and extent of the principal risks it is willing to accept to achieve its strategic objectives. Risks are identified and evaluated and appropriate risk management strategies are implemented at each level in the organisation.

Risk Management and Internal Control

The Board has overall responsibility for the Group's system of risk management and internal control and for monitoring and reviewing its effectiveness, in order to safeguard shareholders' investments and the Group's assets. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can therefore only provide reasonable and not absolute assurance against material misstatement or loss. The Board carries out a review of the effectiveness of the Group's risk management and internal control systems at least annually.

Group executive management is responsible for implementing strategy and for the continued development of the Group's operations within parameters set down by the Board. Day-to-day management of the Group's operations is devolved to operational management within clearly defined authority limits and subject to timely reporting of financial performance. Management at all levels is responsible for internal control over the respective operations that have been delegated to them. As such, the system of internal control throughout the Group's operations ensures that the organisation is capable of responding quickly to evolving operational and business risks and that significant internal control issues, should they arise, are reported promptly to appropriate levels of management.

The Board is responsible for determining the nature and extent of the principal risks it is willing to accept to achieve its strategic objectives. Risk assessment and evaluation is an integral part of the management process throughout the Group. Risks are identified and evaluated, and appropriate risk management strategies are implemented at each level. The key business risks are identified by the Executive Risk Committee.

The Audit Committee and the Board in conjunction with senior management review the key business risks faced by the Group and determine the appropriate course of action to manage these risks. The Audit Committee is responsible for reviewing the effectiveness of the Group's system of internal control including risk management on behalf of the Board and reports to the Board on all significant matters.

The review of the Group risk process completed by PwC in 2020 noted the comprehensive process in place and the strong awareness of risk across the Group. They noted some recommendations which were considered as part of the overall further evolution of the risk framework which continued during 2021. The work completed during the year included the updating of formal risk policy and strategy documents in line with best practice with the assistance of PwC. In addition, formalised risk appetite statements for each of the principal risks of the Group were developed and subsequently approved by the Board. These will be further embedded into the overall risk management framework during 2022.

Risk Register Process

The Group's risk register process is based upon a Group standardised approach to risk identification, assessment and review with a clear focus on mitigating factors and assignment of responsibility to risk owners.

The risk registers incorporate risk profiling against Group defined risk categories which include; strategic, operational, environmental, legal, economic/political/market, technological and financial risks. Each individual risk identified is assessed based upon potential impact and likelihood of occurrence criteria. New or emerging risks are added to the risk registers as they are identified and assessed accordingly.

Divisional management is responsible for reviewing the Country/Cluster risk registers and updating the Divisional risk registers accordingly, which are reviewed and approved by the Divisional risk committees.

The Group Risk Register is updated to reflect any significant changes in the Divisional registers or Group level risks following consultation with the Group's subject matter experts. The Executive Risk Committee reviews and assesses the Group Risk Register and identifies the principal risks. The Group Risk Register is then reviewed by the Audit Committee and the Board. Formal risk reporting timetables and structures are in place across the Group and are adhered to by Country/Cluster, Divisional and Group senior management.

COVID-19

As part of the Group's risk assessment processes throughout 2021, the Board considered the continuing impact of the COVID-19 pandemic on each of the principal risks and uncertainties of the Group. There was no significant disruption to the Group's business during 2021 as a result of the pandemic.

Viability Statement

The Directors have assessed the prospects of the Group over a three-year period. The Directors consider this period to be appropriate as the Group's strategic business plan is devised and assessed over a three-year period in line with the cyclical nature of the business in which the Group operates. A three-year consolidated financial model was built using a bottom-up approach reflecting the Group's current position and including annual budgeting, medium-term planning, and management's estimates of future profitability, taking into account a number of factors including the budget, external economic factors and assumptions as appropriate (including the OECD expectations on GDP growth and the Fastmarkets RISI paper packaging forecast, in addition to consideration of any impact arising from the COVID-19 pandemic). The model incorporates and considers the important indicators of performance of the operations of the Group; EBITDA, EBITDA margin, free cash flow, net debt, net debt to EBITDA, return on capital employed and earnings per share.

The Directors have undertaken a robust assessment of the principal risks facing the Group, as detailed in this section, which would threaten the Group's business model, future performance, solvency or liquidity and which included consideration of any potential deterioration of the current economic climate due to the ongoing COVID-19 pandemic. Using the principal risks identified, stress test scenario analysis has been applied to the Group's consolidated financial model to assess the effect on the Group's key indicators of underlying performance.

In the scenarios reviewed including reverse stress testing, the Group continues to have significant headroom in relation to its financial covenants.

Based on the results of this analysis, the Directors confirm they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period of their assessment.

Going Concern

After making enquiries the Directors have a reasonable expectation that the Company and the Group as a whole, have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Consolidated Financial Statements. See Note 2 *Summary of Significant Accounting Policies* on page 134 for further detail on Going Concern.

Emerging Risks

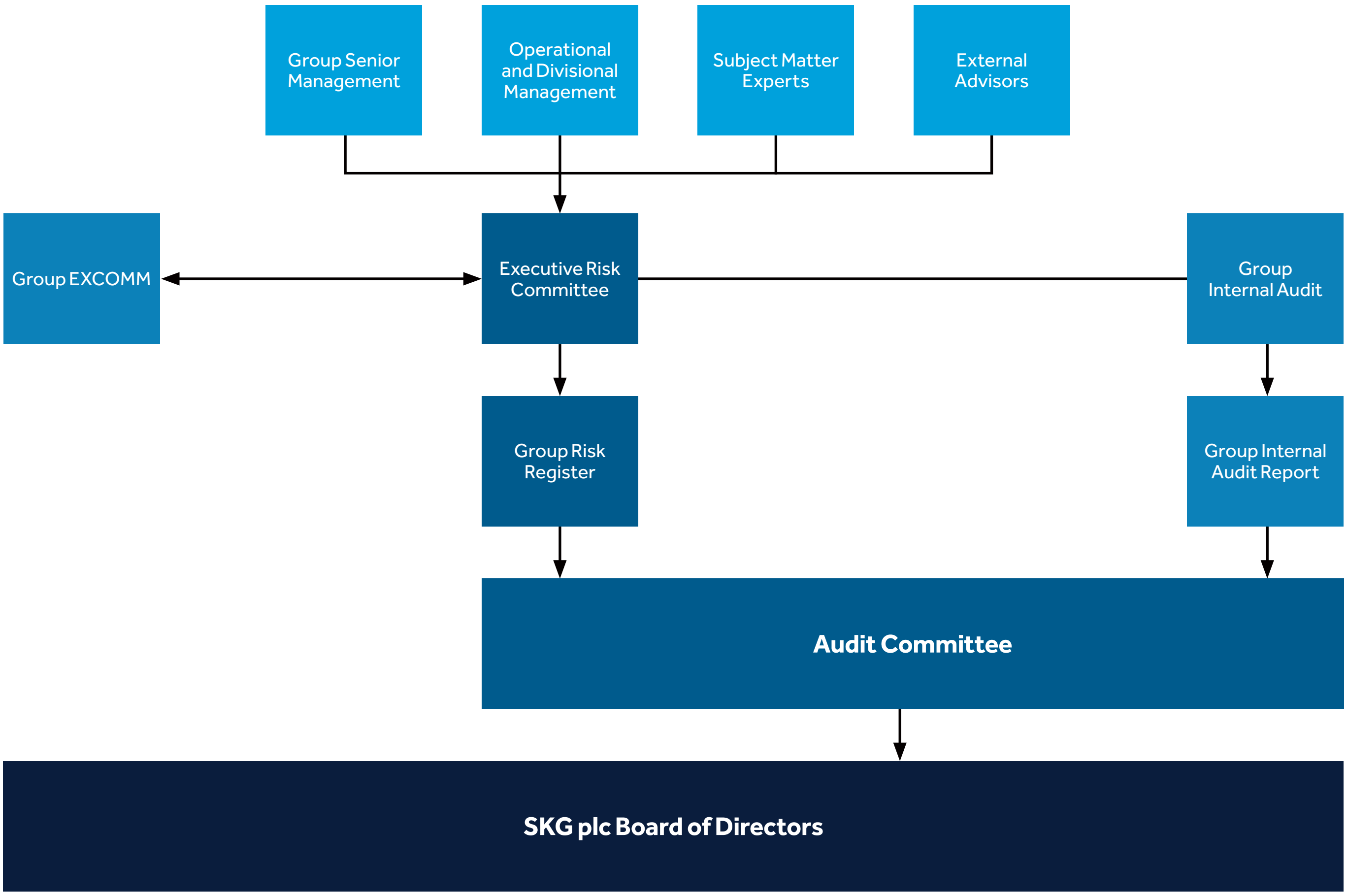
Emerging risks are considered as part of the Group risk process. Over the last number of years climate change has been disclosed as an emerging risk for the Group. It was considered an emerging risk due to changes in weather patterns resulting in more regular flooding, water shortages, or catastrophic events such as earthquakes which could have the potential to give rise to business interruption in our operations and our supply chains. In addition, climate change could also impact on the cost of raw materials where access to forests is hampered or forests are made more vulnerable to pests and disease due to unseasonable weather. In considering this risk during 2021, the Audit Committee and the Board in conjunction with senior management concluded that climate change should be elevated to a principal risk for the Group. Details of the risk and the associated mitigations are included on pages 36 to 38. In addition, more detailed disclosure in relation to specific physical and transition climate risks for the Group are outlined within the TCFD disclosure on pages 54 to 61.

Following consideration of emerging risks as part of the risk process for 2021, there were no other significant emerging risks identified that require disclosure.

Risk Management Framework

The Group's risk management framework is embedded within our organisational structure. Risk management is owned by management at each reporting level and is evaluated and reviewed on a continuous basis.

Our risk management framework comprises: operational management, who have responsibility for identifying, managing and mitigating risk within their local operations on a day-to-day basis; Country/Cluster and Divisional management who are responsible for oversight and monitoring; and the Executive Risk Committee who are responsible for oversight together with the identification, management and mitigation of Group level risks. Group Internal Audit acts as an independent assurance provider over certain principal risks.



Key to Strategic Priorities

Market Position · Partner of Choice · Operational Excellence · Investment in People · Capital Allocation

Key to Risk Trend

Increased · Reduced · No Change

Risk Description	Mitigation	Trend
Economic — Strategic Priorities		
If the current economic climate were to deteriorate, for example as a result of geopolitical events or uncertainty, trade tensions and/or the current COVID-19 pandemic, it could result in an economic slowdown which, if sustained over any significant length of time, could adversely affect the Group's financial position and results of operations.	• As a highly integrated player, we are better able to cope with the effects of an economic downturn than a pure paper or corrugated producer. • The Group supplies approximately 70% of its packaging to FMCG customers whose consumption volumes remain relatively stable through market downturns. • The Group's customer base is spread across Europe and the Americas spanning 36 countries across multiple industries. • The Group could significantly curtail capital expenditure and take additional cost cutting measures within a relatively short period as we have done in the past. • Stress testing for the viability statement indicates we will continue to have significant headroom on our covenants even in a sustained downturn. • The Group has been deemed an essential business during the COVID-19 pandemic as our packaging serves many vital supply chains including medical equipment, pharmaceutical, food and sanitation products.	Increased
Pricing — Strategic Priorities		
The cyclical nature of the packaging industry could result in overcapacity and consequently threaten the Group's pricing structure.	• As a highly integrated player, we are better able to cope with the effects of cyclicality and capacity additions than a pure paper or corrugated producer. • Our differentiation programmes ensure we are at the forefront of the industry in developing cost-efficient solutions for our customers through performance packaging, quality management, supply chain optimisation and strong sustainability credentials. This service offering distinguishes the Group from pure commodity suppliers, providing a support for more stable pricing. • Our continuous investment programmes in our operations ensure we remain competitive and have low cost mill systems. In an environment of overcapacity, our well invested, low cost mill system will enable the Group to continue economic production through a period of lower prices while higher cost mills will be forced to shut.	Reduced
Business Interruption — Strategic Priorities		
If operations at any of the Group's facilities (in particular its key mills) were interrupted for any significant length of time, it could adversely affect the Group's financial position and results of operations.	• The Group ensures that all facilities have adequate insurance to mitigate the impact of significant interruption. • Operational contingency plans are in place for all mills and plants in the event of a shutdown, including damages caused by climate change related to extreme weather patterns, which have been demonstrated to work during shorter interruptions in the past. • In Europe, the Group has a network of operations which can facilitate the transfer of significant volume to other mills in the event of a shutdown. Furthermore, our European Paper Sourcing operation centrally coordinates all external paper purchases for the European operations. This was strengthened by the recent acquisition of the Verzuolo mill in Italy. • There is continuous investment in a rigorous programme of preventative maintenance for all key mills and other plants. • The Group has introduced several measures during the COVID-19 pandemic to protect our employees and supported them with frequent communications to help them respond safely to the challenges posed by the pandemic.	No Change

Risk Description	Mitigation	Trend
Raw Materials and Other Input Costs	Strategic Priorities	
Price fluctuations in energy and raw materials costs could adversely affect the Group's manufacturing costs.	• The Group maintains a dedicated purchasing function which has responsibility for all input costs and ongoing cost reduction programmes. • The Group maintains a strong supply arrangement for approximately 75% of its recovered fibre requirements which provides it with security of supply for its primary raw material while maintaining an optimum level of flexibility with respect to pricing. • In line with the usual time lag, the Group would expect implemented containerboard price increases to support corrugated price recovery of increased input cost. • A proactive policy of forward pricing is in place which is designed to minimise, where possible, material short-term volatility in energy price risk within approved parameters. • The Group continually invests in a range of cost reduction projects, primarily in the areas of energy and raw material efficiency that can deliver demonstrable economic returns.	Up
Currency	Strategic Priorities	
The Group is exposed to currency exchange rate fluctuations.	• The Group ensures that short-term trading exposures are hedged and, where practical, local operations are financed as much as possible in local currency. • The Group continually monitors and manages its foreign currency exposures for all countries and constantly seeks opportunities to reduce these exposures. The Group Treasury Policy sets out rules and guidance for managing this area.	Unchanged
Talent Management and the Workplace	Strategic Priorities	
The Group may not be able to attract, develop and retain suitably qualified employees as required for its business.	• Continuous development by our HR department of a People Strategy to attract, engage, train, motivate and retain our people, including the transition to an agile hybrid workplace where possible, to meet emerging talent expectations and to ensure talent competitiveness. • Periodic MyVoice surveys are undertaken to measure employee engagement and set future priorities as well as programmes to increase engagement and recognition. • Processes are in place to identify and develop our high potential people, together with a continuous focus on leadership training and succession planning. • Development of our existing competitive remuneration and recognition packages and review processes. • Reinforcement of our talent recruitment strategy (universities, graduate programmes, etc.), to attract highly talented people with the potential to become the future leaders of the Group. • The Group has implemented a number of measures during the COVID-19 pandemic including; a robust and supportive communications strategy; and use of online tools for development.	Up
Health and Safety	Strategic Priorities	
Failure to maintain good health and safety and employee wellbeing practices may have an adverse effect on the Group's business.	• Health and safety is a core consideration in all management reviews. The protection of the health and safety of the workforce is a continual focus in an industry with a broad profile of hazards. • Increased focus is given to the strict adoption of good management, employee practices and a mind-set that complements existing risk mitigation measures. Divisional Health and Safety managers are in place with responsibility for enforcing good health and safety standards across their respective regions. • The Group has an established formal practice of investigating accidents and preparing safety bulletins which are shared across divisions. • Group-wide auditing process based on current high risk activities. • Annual safety improvement planning. • The Group has introduced several measures during the COVID-19 pandemic to protect our employees and supported these with frequent communications to help them respond safely to the challenges posed by the pandemic.	Unchanged

Key to Strategic Priorities

Market Position · Partner of Choice · Operational Excellence · Investment in People · Capital Allocation

Key to Risk Trend

Increased · Reduced · No Change

Risk Description	Mitigation	Trend
Legislation and Regulation – Environmental (Strategic Priorities: Market Position, Partner of Choice, Capital Allocation)		
The Group is subject to a growing number of environmental and climate change laws and regulations, and the cost of compliance or the failure to comply with current and future laws and regulations may negatively affect the Group's business.	• The Group's environmental and climate change policies ensure each site has a manager who is responsible for environmental issues including monitoring air, noise and water emissions and ensuring that the site is running within its permits. • The Group's environmental management is in contact with appropriate local authorities and environmental upgrades are made in consultation with them. • All our paper and board mills are operated under an EMS (Environmental Management System) (ISO 14001). • We continuously invest in our operations, to ensure compliance with environmental legislation. • The Group has an IT reporting system in over 300 sites ensuring environmental data is reported on a regular basis. • The Group has a centralised co-ordination of all environmental activity providing a key interface to the EU, supported by a committee of senior executives who meet regularly to review such issues, and report directly to the Group CEO. • For newly acquired entities robust environmental due diligence is performed.	No Change
Legislation and Regulation – Anti-trust (Strategic Priorities: Market Position, Partner of Choice, Investment in People)		
The Group is subject to anti-trust and similar legislation in the jurisdictions in which it operates.	• Comprehensive Group Competition Law Compliance Policy is in place and communicated to all employees. All managers and market-facing employees are required to formally confirm adherence to the policy for the preceding calendar year by signing a Competition Law Compliance Certificate on an annual basis. • Group General Counsel advises and supports employees and management in this area. • 21 competition law ambassadors appointed at cluster level to assist with competition law compliance initiatives including regular communication and promotion to staff and local management. • Continuous process to ensure understanding of issues and implications of regulatory practice and legislative amendments. • Contracts with competitors are recorded in an online register. • Reduced trade association participation.	No Change
Cyber and Information Security (Strategic Priorities: Market Position, Partner of Choice, Operational Excellence, Investment in People)		
The Group, similar to other large global companies, is susceptible to cyber-attacks with the threat to the confidentiality, integrity and availability of data in its systems.	• Formally documented policies in relation to information security including cyber security are in place. • The Group maintains a framework to ensure awareness at each level of the organisation with regard to the implementation of cyber security. This framework is regularly audited. • Specific controls are in place to prevent and detect security issues relating to business critical systems. • External Penetration testing is completed on an annual basis by specialist third parties with any issues remediated in accordance with formal procedures. • Defined business continuity and IT disaster recovery plans are in place and are frequently tested. • The Group is committed to ongoing capital expenditure as appropriate to continually enhance the IT infrastructure. • The Group increased employee communications relating to cyber security since the start of the COVID-19 pandemic to ensure vigilance is maintained. • Mandatory cyber security training for all employees.	Increased
Climate Change (Strategic Priorities: Market Position, Partner of Choice, Operational Excellence, Investment in People, Capital Allocation)		
The global impact of climate change in the long-term could adversely affect the Group's business and results of operations.	• Continuous reduction of scope 1 and 2 emissions through specific investments in energy generation, energy reduction and non-fossil fuel based energy sources (including renewables). • Climate scenario analysis conducted currently indicates that the proportion of asset value at risk is low. • Continuous development of innovative packaging solutions for the Group's customers that can demonstrably reduce their carbon footprint. • Validation of the Group's emission reduction targets as being science-based and in line with the Paris Agreement.	Increased

FINANCE REVIEW

Investing for durable growth to meet customer demand

Ken Bowles
Group Chief Financial Officer

Delivering sustainable packaging solutions, made in an increasingly sustainable way, means we play an integral role in the delivery of both our customers' sustainability goals and those of the end consumer.

Results
Revenue for 2021 was €10,107 million, 18% up on 2020 on both a reported and an underlying basis. Revenue in Europe was up 18%, driven by volume growth and input cost recovery through progressive box price increases. On an underlying basis, revenue in Europe was up 17%. In the Americas, revenue was up 20% on the full year 2020, or 21% on an underlying basis.

European revenue rose by €1,202 million to €7,847 million in 2021, with an underlying increase of €1,140 million and positive currency movements and hyperinflationary adjustments of €30 million, along with a net contribution of €32 million from acquisitions and disposals. The increase in underlying revenue of 17% reflected corrugated volume growth of approximately 8% and continued input cost recovery in corrugated pricing.

Revenue in the Americas increased by €375 million in 2021 to €2,260 million, with underlying growth of €394 million, equating to 21%, and a net impact of €26 million from acquisitions and disposals, partly offset by net negative currency and hyperinflationary movements of €45 million.

The underlying increase was driven by a 9% increase in corrugated demand year-on-year along with higher box prices.

Gross revenue, comprising both intra-group and third party revenue, for the Group in 2021 was €18,721 million compared to €13,994 million in 2020, representing a 34% increase.

EBITDA for 2021 was €1,702 million, an increase of 13% on 2020. The result reflects the Group's ability to recover significant input cost pressure by way of progressive box price increases, strong box volumes, the resilience and security of supply delivered by the Group's integrated model, alongside the benefits of our customer-focused innovation and capital spend programme and the dedication of our 48,000 employees. On an underlying basis, Group EBITDA was up 13% on 2020, with Europe up 10% and the Americas up 20%.

At €1,302 million, EBITDA in Europe was €122 million higher than in 2020 on both a reported and an underlying basis. The increase was driven by higher paper prices and the subsequent effect on average box prices along with higher volumes

Further information in relation to Alternative Performance Measures referenced in this Statement is included in the Supplementary Information section on pages 191 to 197.

partly offset by higher recovered fibre and energy costs. There were strong performances in all countries, illustrating the robust demand backdrop for our innovative and sustainable product offering.

Our European business continued to build on its strong operating platform through 2021 with significant corrugated and containerboard projects announced for France, Germany, the Czech Republic, Slovakia, Poland and the UK, as well as in our bag-in-box operation in Spain. These investments in the latest high-tech and energy efficient machinery, including new corrugators and converting machines alongside facility expansion projects, will allow us to increase production output and expand the range of high value products that we offer to our growing customer base, while also contributing towards the sustainability goals of the Group and our customers.

The acquisition in October 2021 of a recycled containerboard mill in Italy brings 600,000 tonnes of containerboard into our integrated system ensuring we continue to meet our customers' needs and capture future growth.

At €441 million, reported EBITDA in the Americas was €69 million higher than in 2020. With net negative currency and hyperinflationary movements of €9 million partly offset by a net contribution of €2 million from acquisitions and disposals, the underlying year-on-year move in earnings was an increase of €76 million. The underlying increase was driven by an increase in corrugated demand and higher box prices along with cost containment in the region.

As in Europe, the Group continued to build on its operating platform with significant capacity and sustainability related investment in the corrugated, containerboard and speciality businesses across the region. In June and July, the Group announced the expansion of our Latin America business with acquisitions in Peru and Mexico respectively, adding to our geographic diversity and enhancing our customer offering in these high growth regions.

Allowing for a negative impact from disposals of €6 million and a negative hyperinflation adjustment of €1 million, the underlying year-on-year increase in EBITDA for the Group was €199 million, equating to 13%. Pricing for containerboard in both Europe and the Americas continued the upward trend through 2021, driven initially by strong demand and rising recovered fibre prices and subsequently, in the latter part of the year in Europe, by rising energy costs. Increasing recovered fibre prices have cost the Group an additional €440 million in 2021 versus the prior year while rising energy prices have cost the Group approximately €235 million versus the prior year.

The Group's operating profit before exceptional items increased by €151 million from €922 million in 2020 to €1,073 million in 2021 mainly due to corrugated growth of 8% and the progress on box price increases, partly offset by significant raw material headwinds, primarily recovered fibre and energy costs.

Pre-exceptional net finance costs at €131 million were €13 million lower in 2021 primarily as a result of a decrease in cash interest of €9 million predominantly due to a lower average level of borrowing, a reduction in bond interest payable following the issuance of our dual tranche inaugural green bond and the repayment of our higher coupon 2024 bond in September 2021. Non-cash costs were €4 million lower, which was mainly due to a €5 million decrease in interest cost on net pension liabilities and a €4 million decrease in the foreign currency translation net loss on debt, partly offset by a negative swing of €4 million from a hyperinflation related net monetary gain in 2020 to a loss in 2021.

With the €151 million increase in operating profit before exceptional items, combined with the €13 million decrease in net finance costs, the pre-exceptional profit before income tax was €944 million, €165 million higher than in 2020.

After exceptional items of €31 million, the profit before tax for the full year of 2021 was €913 million compared to €748 million in 2020. The income tax expense was €234 million compared to €201 million in 2020, resulting in a profit of €679 million for 2021 compared to €547 million in 2020.

Exceptional Items

There were no exceptional items within operating profit in 2021. Net exceptional items charged within operating profit in 2020 amounted to €31 million. €35 million related to reorganisation and restructuring costs in Europe and the Americas and €11 million related to the unique COVID-19 recognition reward given to all permanent employees. These were partly offset by a €15 million exceptional gain on the UK pension scheme.

Exceptional finance costs charged in 2021 amounted to €31 million represented a redemption premium of €28 million together with the related accelerated write-off of unamortised debt issue costs of €3 million due to the early redemption of bonds.

There were no exceptional finance items in 2020.

Profit Before Income Tax

After exceptional items, the Group's profit before income tax amounted to €913 million in 2021, comprising the pre-exceptional profit of €944 million and an exceptional charge of €31 million. In 2020, the profit before income tax was €748 million, comprising the pre-exceptional profit of €779 million and a net exceptional charge of €31 million.

Income Tax Expense

The income tax expense in 2021 was €234 million (comprising a current tax charge of €265 million and a deferred tax credit of €31 million) compared to €201 million (comprising a current tax charge of €176 million and a deferred tax charge of €25 million) in 2020.

There was a net €89 million increase in current tax. The net increase is mainly due to higher profitability and its geographical mix, increasing tax rates and the impact of non-recurring items.

The movement in deferred tax from an expense of €25 million in 2020 to a credit of €31 million in 2021 includes the effects of the reversal of timing differences on which deferred tax was previously recorded, the recognition of tax benefits on losses and other investment tax credits partly offset by the negative impact of increases in tax rates in a number of countries. There was a lower tax credit of €4 million on exceptional items in 2021 compared to a €9 million tax credit in 2020.

Earnings per Share

Basic EPS amounted to 263.9 cent in 2021 compared to 227.9 cent in 2020. On a diluted basis, our EPS in 2021 amounted to 261.1 cent compared to 225.7 cent in 2020.

The year-on-year increase in the Group's basic EPS reflected the higher pre-exceptional operating profit, lower net finance costs partly offset by the impact of the higher weighted average number of ordinary shares and a higher income tax expense net of exceptional items. On a pre-exceptional basis, our EPS in 2021 increased by 16% from 236.9 cent in 2020 to 274.5 cent.

The EPS figures are calculated on the basis of the weighted average number of shares in issue during the year, which was 257,086,000 in 2021 compared to 238,758,000 in 2020. The increase is primarily due to the issue of shares as part of the equity capital raise in November 2020.

Cash Flow

Free cash flow in 2021 was €455 million compared to €675 million in 2020, a decrease of €220 million. EBITDA growth of €192 million, combined with lower outflows for cash interest and the absence of an exceptional outflow of €18 million in 2021 were more than offset by higher outflows for capital expenditure, higher tax payments, a higher outflow for the change in employee benefits and other provisions and a negative swing from a working capital inflow in 2020 to an outflow in 2021.

Cash interest was €109 million in 2021 compared to €118 million in 2020. The year-on-year decrease mainly reflects the lower average level of borrowing and the reduction in bond interest payable following the issuance of our dual tranche inaugural green bond and the repayment of our higher coupon 2024 bond in September 2021.

The working capital outflow was €114 million compared to an inflow of €94 million in 2020. The outflow in 2021 was primarily driven by an increase in debtors and stock, partly offset by an increase in creditors. These increases reflect the combination of volume growth, higher box prices, higher paper prices and considerably higher recovered fibre and energy costs.

Working capital amounted to €646 million at December 2021, representing 5.7% of annualised quarterly revenue compared to 5.6% at December 2020.

Capital expenditure in 2021 amounted to €693 million (equating to 124% of depreciation) compared to €575 million (equating to 104%) in 2020.

Tax payments in 2021 of €239 million were €45 million higher than in 2020 with higher payments in both Europe and the Americas.

The change in employee benefits and other provisions was an outflow of €81 million in 2021 compared to €20 million in 2020. The increase is primarily due to a negative swing in current provisions from an inflow in 2020 to an outflow in 2021 and a higher outflow for retirement benefits.

The 'other' net inflow of €3 million in 2021 compared to €14 million in 2020. The inflow in 2021 primarily represented a hyperinflationary adjustment inflow and the sale of property, plant and equipment partly offset by lease modifications. The inflow in 2020 mainly represented a hyperinflationary adjustment inflow and capital grants received.

Driven mainly by the purchase of businesses, investments and non-controlling interests ('NCI') of €449 million, dividend payments of €302 million and the payment of the Italian Competition Authority fine of €124 million, investment and financing cash flows for the year amounted to an outflow of €879 million compared to an inflow of €356 million in 2020. Other outflows comprised €22 million for the purchase of shares under the Deferred Bonus Plan ('DBP') and €28 million of a redemption premium for the early repayment of bonds. Investment and financing inflows of €46 million related to the sale of businesses and investments of €37 million along with net derivative termination receipts of €9 million.

The outflow of €449 million in 2021 for the purchase of businesses, investments and NCI related mainly to the acquisitions in Italy, Mexico and Peru along with the payment of the deferred consideration on the exercise of the call option in relation to the Serbian acquisition.

The investment and financing cash inflows of €356 million in 2020 mainly comprised the net contribution of the equity capital raise of €648 million partly offset by €260 million for dividend payments, €25 million for the purchase of NCI and an associate in Colombia, along with shares purchased under the DBP.

With our free cash flow of €455 million in 2021 more than offset by the net investment and financing outflows of €879 million, the result was a net cash outflow of €424 million compared to an inflow of €1,031 million in 2020. After the amortisation of deferred debt issue costs of €10 million, net negative currency translation adjustments of €50 million, net debt acquired of €25 million and net cash disposed of €1 million, net debt increased by €510 million to €2,885 million at December 2021 from €2,375 million at December 2020.

The net negative currency translation adjustment of €50 million in 2021 mainly related to the US dollar and Sterling. The US dollar strengthened from US$1.23/euro at December 2020 to US$1.13 at December 2021, resulting in a negative currency translation adjustment of €42 million. Sterling strengthened from £0.90/euro at December 2020 to £0.84 at December 2021, resulting in a negative currency translation adjustment of €9 million.

The net positive currency translation adjustments of €85 million in 2020 mainly related to the US dollar, Sterling and the Swedish Krona. The US dollar weakened from US$1.12/euro at December 2019 to US$1.23 at December 2020, resulting in a positive currency translation adjustment of €51 million. Sterling weakened from £0.85/euro at December 2019 to £0.90 at December 2020, resulting in a positive currency translation adjustment of €11 million. The Swedish Krona strengthened from SEK10.45/euro at December 2019 to SEK10.03 at December 2020, resulting in a positive currency translation adjustment of €12 million.

With net debt of €2,885 million and EBITDA of €1,702 million, our leverage ratio was 1.7 times at December 2021 compared to 1.6 times at December 2020. The increase in our leverage was driven primarily by the increase in net debt partly offset by the increase in EBITDA.

Capital Resources and Liquidity

Committed facilities (excluding short-term sundry bank loans and overdrafts) amounted to €5,006 million (2020: €4,584 million) of which €3,351 million (2020: €2,922 million) was utilised at 31 December 2021. The weighted average period until maturity of undrawn committed facilities is 4.2 years (2020: 4.3 years).

In February 2021, Moody's and Standard & Poor's upgraded the Group's long-term issuer rating to Baa3 and BBB- respectively with stable outlook. As a result of these upgrades, along with the Fitch Ratings upgrade in 2020 to BBB-, the Group now has an investment-grade status with all three rating agencies, with stable outlook.

In line with the Group's ongoing credit strategy of further extending maturity profiles, diversifying funding sources and increasing liquidity, the Group undertook a number of actions in 2021.

In April 2021, the Group amended and extended its €200 million 2022 trade receivables securitisation programme, which utilises the Group's receivables in Austria, Belgium, Italy and the Netherlands. The programme was extended to January 2026 at a reduced facility size of €100 million and with a margin reduction from 1.375% to 1.1%.

In November 2021, the Group amended and extended its €230 million 2023 trade receivables securitisation programme, which utilises the Group's receivables in France, Germany and the UK. The programme was extended to November 2026, with the facility size remaining at €230 million and with a margin reduction from 1.2% to 1.1%.

As part of the amendment process for each of these programmes, the Group further aligned its sustainability ambitions and targets into its financing by embedding its

Inaugural Green Bonds
(million)
€500
8 year bonds

"The Group's enhanced financial flexibility has facilitated the completion of over €400 million in acquisitions during 2021 without any material impact on the Group's overall leverage position year-on-year."

Inaugural Green Bonds
(million)
€500
12 year bonds

sustainability targets via KPIs into the amended and extended trade receivables programme. These programmes now incorporate five KPIs spanning the Group's sustainability objectives regarding climate change, forests, water, waste and people, with the level of KPI achievement linked to the pricing on the programme.

In September 2021, the Group announced the launch of its Green Finance Framework with an ISS ESG Second Party Opinion. The Group subsequently announced the launch and successful pricing of its inaugural green bond offering, comprising €500 million of senior notes due 2029 and €500 million of senior notes due 2033 with coupons of 0.5% and 1% respectively. The coupons achieved for these tenors were not only the lowest in the Group's history but also the lowest for a corporate issuer in our rating category.

Additionally, in September 2021, the Group redeemed €500 million 2.375% senior notes due 2024.

The Group has a €1,350 million RCF with a maturity date of January 2026, which incorporates five KPIs spanning the Group's sustainability objectives regarding climate change, forests, water, waste and people, with the level of KPI achievement linked to the pricing on the facility. Borrowings under the RCF are available to fund the Group's working capital requirements, capital expenditure and other general corporate purposes. As a result of the rating upgrades in February 2021, the margin on the RCF reduced from 0.817% to 0.65%. At 31 December 2021, the Group's drawings on this facility were US$8 million, at an interest rate of 0.754%.

At 31 December 2021, the Group had outstanding €13 million variable funding notes ('VFN's) issued under the €230 million trade receivables securitisation programme maturing in November 2026 and €5 million VFN's issued under the €100 million trade receivables securitisation programme maturing in January 2026.

Net debt was €2,885 million at the end of December 2021, resulting in a net debt to EBITDA ratio of 1.7 times compared to 1.6 times at the end of December 2020. With net debt to EBITDA at 1.7 times, the strength of the Group's balance sheet continues to secure long-term financial and strategic flexibility. Given the strong business profile and ability to consistently deliver substantial free cash flow, the Group is comfortably operating within its target leverage range of 1.5x to 2.0x.

At 31 December 2021, the Group's average interest rate was 2.63% compared to 3.13% at 31 December 2020. The reduction in our average interest rate was primarily due to the refinancing activity undertaken during the year. At 31 December 2021, the Group's diversified funding base and long dated maturity profile of 5.8 years (2020: 4.9 years) provide a stable funding outlook. At 31 December 2021, the Group had a strong liquidity position of approximately €2.52 billion comprising cash balances of €869 million, undrawn available committed facilities of €1,343 million on our sustainability linked RCF and €312 million on our sustainability linked securitisation facilities.

The Group's primary sources of liquidity are cash flow from operations and borrowings under the RCF. The Group's primary uses of cash are for funding day-to-day operations, capital expenditure, debt service, dividends and other investment activity including acquisitions.

Market Risk and Risk Management Policies

The Board of Directors sets the Group's treasury policies and objectives, which include controls over the procedures used to manage financial market risks. These are set out in detail in Note 29 to the Consolidated Financial Statements.

The Group is exposed to the impact of interest rate changes and foreign currency fluctuations due to its investing and funding activities and its operations in different foreign currencies. Interest rate risk exposure is managed by achieving an appropriate balance of fixed and variable rate funding. As at 31 December 2021, the Group had fixed an average of 97% of its interest cost on borrowings over the following 12 months.

The Group's fixed rate debt comprised €250 million 2.75% senior notes due 2025, US$292.3 million 7.50% senior debentures due 2025, €1,000 million 2.875% senior notes due 2026, €750 million 1.5% senior notes due 2027, €500 million 0.5% senior green notes due 2029 and €500 million 1.0% senior green notes due 2033. €100 million in interest rate swaps converting variable rate borrowings to fixed rate matured in January 2021.

The Group's earnings are affected by changes in short-term interest rates on its floating rate borrowings and cash balances. If interest rates for these borrowings increased by one percent, the Group's interest expense would increase, and income before taxes would decrease, by approximately €2 million over the following 12 months. Interest income on the Group's cash balances would increase by approximately €9 million assuming a one percent increase in interest rates earned on such balances over the following 12 months.

The Group uses foreign currency borrowings, currency swaps and forward contracts in the management of its foreign currency exposures.

Sustainability

The Group has continued to make significant progress across its sustainability targets in 2021. Focusing on delivering sustainable packaging solutions made in an increasingly sustainable way means that we also play an integral role in the delivery of not only our customer's sustainability goals but also those of the end consumer.

The progress made during 2021 was built upon the achievements outlined in our 14th annual Sustainable Development Report ('SDR'). It highlights the Group's long-standing objective to drive change and nurture a greener and bluer planet through the three key pillars of Planet, People and Impactful Business. Furthermore, the Groups end-to-end approach to sustainability is evident in its innovative products and processes that support customers and positively impact the entire value chain.

In our 2020 SDR, Smurfit Kappa reported significant progress in reducing our fossil CO_2 emission intensity. The Group is the first in its industry to have announced targeting at least net zero emissions by 2050 and compared to its baseline year 2005, it reduced its emissions intensity by 37.3% by the end of 2020. The Group is well on its way to reach our intermediate 2030 target of a 55% reduction, in line with the EU Green Deal objectives.

An illustration of our continued action on CO_2 reduction was the announcement during the year of significant investments in the Group's Zulpich mill in Germany saving 55,000 tonnes of CO_2 annually and the Hoya paper mill and board manufacturing plant in Germany which will reduce CO_2 emissions by 5,500 tonnes per annum.

The Group also made continued progress on a number of its other key sustainability targets; water discharge, waste to landfill, chain of custody certification, safety performance and social projects.

While our entire SDR has been independently third-party assured in accordance with Global Reporting Initiative ('GRI') Standards since 2009, in 2020 the Group started to report consistent with recommendations of the TCFD and the Sustainable Accounting Standards Board ('SASB') criteria.

The Group has also been contributing towards making the UN 2030 Sustainable Development Goals ('SDGs') a reality since 2015. This contribution was recognised by the Support the Goals movement in March 2021 when the Group became the first FTSE 100 company to receive a five-star rating. By committing to these sustainability targets, the Group's Better Planet Packaging portfolio of sustainable products will continue to help our customers to deliver on their own short and long-term sustainability goals.

Our circular business model which drives positive change from the responsible sourcing of renewable raw materials to the sustainable production of recyclable, biodegradable and fit-for-purpose packaging solutions was the basis of our Green Finance Framework published during the year and supported by a positive ISS ESG Second Party Opinion.

Smurfit Kappa handles 7.4 million tonnes of predominantly post-consumer materials each year making it an essential component of the circular economy where legislation is continuing to be introduced to transition businesses to lower carbon and more circular business practices. The Group's sustainable land use has been validated by non-governmental organisations and third party assessments which, along with our industry leading chain of custody certification, is a key differentiator for our customers.

During the year, Smurfit Kappa announced a new project at its Nettingsdorf Paper Mill in Austria that will utilise waste heat generated at the mill to help power a sustainable district heating solution for the local community of Ansfelden. Up to 25 megawatts of heat generated in the production process will now be captured and converted through the new heat extraction plant. This heat will be supplied to the district heating network that connects to 10,000 households, providing a sustainable and secure energy source and demonstrates the positive environmental impact of the collaboration with the local community.

Also during the year, the Group's emissions reduction targets were approved by Science Based Target initiative ('SBTi') as consistent with levels required to meet the goals of the Paris Agreement and well below 2°C. This third party validation adds to our existing endorsements from rating providers such as MSCI, Sustainalytics and ISS ESG. The Group has been recognised as a top sustainability performer by Sustainalytics, and is included in the Sustainalytics' Top Rated ESG Companies for 2022. The Group was named a Regional Top Rated company and is ranked in the top 5 of the Paper Packaging category globally. The ESG Regional Top Rated badge received by the Group covers the EMEA region and categorises the Group's ESG risk rating as 'low-risk'.

Smurfit Kappa continues to be listed on various environmental, social and governance indices and disclosure programmes, such as FTSE4Good, the Green Economy Mark from the London Stock Exchange, Euronext Vigeo Europe 120, STOXX Global ESG Leaders, ISS Solactive and Ethibel's sustainable investment register. The Group also performs strongly across a number of third party certification bodies, including MSCI, ISS ESG and Sustainalytics.

Summary Cash Flow

	2021 €m	2020 €m
EBITDA	**1,702**	1,510
Exceptional items	**–**	(18)
Cash interest expense	**(109)**	(118)
Working capital change	**(114)**	94
Capital expenditure	**(693)**	(575)
Change in capital creditors	**(14)**	(18)
Tax paid	**(239)**	(194)
Change in employee benefits and other provisions	**(81)**	(20)
Other	**3**	14
Free cash flow	**455**	675
Italian Competition Authority fine	**(124)**	–
Share issues (net)	**–**	648
Purchase of own shares (net)	**(22)**	(16)
Sale of businesses and investments	**37**	–
Purchase of businesses, investments and NCI	**(449)**	(25)
Dividends	**(302)**	(260)
Derivative termination receipts	**9**	9
Premium on early repayment of bonds	**(28)**	–
Net cash (outflow)/inflow	**(424)**	1,031
Acquired net debt	**(25)**	(1)
Disposed net cash	**(1)**	–
Deferred debt issue costs amortised	**(10)**	(7)
Currency translation adjustments	**(50)**	85
(Increase)/decrease in net debt	**(510)**	1,108

A reconciliation of the Summary Cash Flow to the Consolidated Statement of Cash Flows, a reconciliation of Other Non-cash Movements to Note 21 to the Consolidated Financial Statements and a reconciliation of Free Cash Flow to Cash Generated from Operations are included in sections K and L in Alternative Performance Measures in the Supplementary Information section on pages 195 to 197.

Conclusion

The strong results delivered in 2021 illustrate the benefits of everything we do from both an investment and cultural perspective – a performance-led culture working on the foundations of a quality asset base and a focus on innovation and sustainability. It is important to note that these results have been delivered against a backdrop of a continued global pandemic, a significant operational challenge that the Group worked hard to overcome. The lessons learned and the practices implemented have been a demonstration of the best in our people, who adapted and delivered for one another and most importantly our customers.

We are very proud that the Group remained fully operational, albeit under difficult circumstances at times, to ensure our products got to where they were needed for our over 65,000 customers. 2021 was characterised by significant and unprecedented cost inflation, primarily in recovered fibre and energy. The growth in the demand for our sustainable products resulted in unprecedented tightness in the containerboard market.

Our unique integrated model, with the strength that brings in terms of security of supply has proven to be a distinct competitive advantage.

Capital allocation supports the Groups ambition around growth, returns and value creation. Our balance sheet remains strong and with a net debt to EBITDA at 1.7 times gives the Group a lot of financial flexibility. The Group accelerated its investment plans to meet customer's needs for innovative and sustainable packaging and our acquisitions in 2021 strengthen our geographic network and enhance our product portfolio.

Finally, the dividend is a key pillar of our capital allocation, it is an input rather than an output. The increase in the final dividend in 2021 is an illustration of our continued belief in the future prospects and cash generation ability of SKG.

Ken Bowles
Group Chief Financial Officer

Understanding our stakeholders

Customers

How we Engaged

Ongoing Customer Engagement

Our sales teams maintain active engagement with our customers across Europe and the Americas, to understand their challenges and meet their business needs. In 2021, global supply chain shortages caused a slowdown in the operations of many businesses. Over that period, Smurfit Kappa's vertical integration was key to guaranteeing security of supply for our customers and enabling business continuity. Returning businesses to operational strength continues to be the main priority in the near-term, balancing that, and their longer-term focus on sustainability. We actively engage with customers on using our integrated circular model and data to improve processes, products, supply chains and logistics.

Virtual Events

During 2021, when remote working was the primary operating mode, virtual platforms enabled us to open up new conversations and engage with a much wider audience. An example of that was the 'Better Planet Packaging Event 2021' a virtual event which took place on 25 May 2021. Over 2,700 people attended the event to discover our latest innovations and share knowledge.

Customer Surveys

In 2021, SKG conducted a comprehensive digital survey with our top 30 strategic customers. This survey forms part of our ongoing effort to better understand and meet customer needs in key areas such as supply chains, innovation and sustainability. We were pleased to have maintained a positive net promoter score, despite disruption as a result of the pandemic, and the results will feed into our 2022 plans.

E-commerce

With more people shopping online in greater numbers, many of our customers were forced to move part or all of their business online. Through the course of 2021, we supported hundreds of customers to integrate their packaging into the omni-channel supply chain. We also extended our 'off-the shelf' online packaging portfolios into new sectors to include eFashion, eBottle and eFlowers to meet growing sectoral online needs.

Number of customer webinars in 2021

150+

on new products and effective implementation

Investors

How we Engaged

Ongoing Investor Engagement

Our executive Directors together with the investor relations team maintain active engagement/dialogue with the investment community. During 2021, the team met with over 400 analysts and portfolio managers from over 200 different investment funds. Conversations took place at various virtual investor conferences and roadshows as well as multiple ad hoc video and telephone calls. The Chair met with investors as part of a virtual roadshow in April 2021 and also engaged with proxy advisory representatives during the year.

Early in 2021 both Moody's and Standard & Poor's upgraded the Group's long-term issuer rating to Baa3 and BBB- respectively, joining Fitch's BBB- rating at investment grade.

2021 saw a notable increase in engagement with ESG focused investors from both the equity and debt capital markets, given the strength of the Group's ESG credentials and the issuance of our inaugural green bonds in September 2021.

Annual General Meeting ('AGM')

The Company held its AGM on 30 April 2021. In line with COVID-19 restrictions, the AGM was a closed meeting with the minimum quorum in accordance with the Articles of Association of the Company.

Shareholders were encouraged to join the AGM via an online broadcast and to submit a Form of Proxy to ensure they could vote and be represented at the AGM. Shareholders could also email any questions relating to the items on the agenda in advance of the meeting. Alternatively shareholders who chose to attend via the online broadcast could submit questions during the meeting.

Annual Report

The Investors section on the Group's website, smurfitkappa.com, provides the full text of the Annual Report and copies of presentations to analysts and investors. Press releases are also made available in this section of the website immediately after release to the stock exchanges.

ESG Ratings by Rating Agencies

The Group continues to be listed on various sustainability indices, such as FTSE4Good, the Green Economy Mark from the London Stock Exchange, Euronext Vigeo Europe 120, STOXX Global ESG Leaders, ISS Solactive and Ethibel's sustainable investment register. SKG also performs strongly across a variety of third party certification bodies, including MSCI, Sustainalytics and ISS ESG. During 2021, the Group's emission reduction targets were approved by the Science Based Targets initiative ('SBTi') as being in line with the Paris Agreement.

We want to build a culture that fosters engagement and enables us to build and maintain successful relationships with our stakeholders.

Suppliers

How we Engaged

Compliance with Policies and Audits
We are committed to working with our suppliers in accordance with our sustainability principles and objectives, which highlight our requirements in the areas of compliance, performance risk management, social responsibility and governance. Maintaining transparent and long-term relationships with suppliers is essential for our business. This partnership approach ensures we can audit suppliers on their compliance with our sustainable supply chain standards, and where they fall short, work with them to improve sustainability in their business.

Training
We offer our suppliers a range of training, covering many topics including print technology and process improvement.

Standardisation
We continue to standardise our capital equipment purchases for our corrugated plants. This allows our suppliers the potential to achieve process and manufacturing economies of scale and to reduce their energy consumption and carbon footprint.

Supplier Collaboration
We work with our suppliers to promote better health and safety and continuous improvement in the work environment.

By agreeing with suppliers that shipments can be bundled, they can optimise volume to choose more sustainable transport options with lower emissions, better service levels and lower costs.

Communities

How we Engaged

Smurfit Kappa Foundation
The Smurfit Kappa Foundation supports projects in countries where we operate, focusing on disadvantaged children's health and nutrition, basic care, and early education. The Foundation approved such projects in 2021 in Argentina, Brazil, Colombia, the Czech Republic, El Salvador, France, Ireland, Italy, Poland, Spain, Slovakia, the Netherlands, the United Kingdom and the United States.

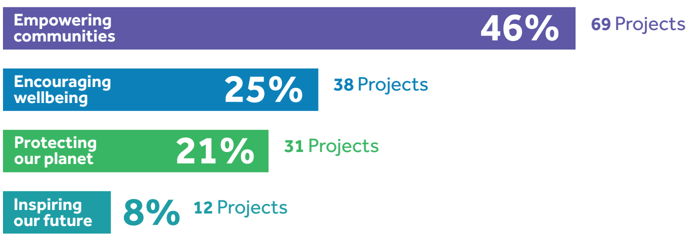
In 2021, recipients of donations from the Smurfit Kappa Foundation included, the provision of shelter for homeless children and their families, children's health and education, as well as projects to ensure inclusion of as many children as possible.

Our Open Community
As part of our mission to be a globally admired business, we believe it is important that we give back when and where we can. Despite facing into a second year of the COVID-19 pandemic, our teams across the world continued to donate their time, effort, and expertise to making a positive and lasting impact on their communities during the year.

All of these activities are gathered together under our ongoing Open Community initiative, which is a key demonstration of not only our organisational culture, but also our essential and enduring purpose: We create, protect and care.

Our Open Community initiatives cover all aspects of our involvement with our communities around the world, which are captured under four categories which are outlined in the chart below.

In 2021, almost 5,000 of our colleagues got involved in 150 initiatives across 23 countries, and we have committed to continuing this work with €24 million to be donated between 2020 and 2025.



A year of great employee engagement

During 2021, we continued to create opportunities to engage directly with our workforce despite the virtual nature of working in many cases due to the ongoing pandemic. It is important to our Board of Directors that they are actively engaged with our diverse workforce right across the Group. We all value a two-way dialogue, which is open, honest and covers a breadth of topics that matter to our employees. Open channels of communication and a good pulse on employee sentiment allows us to understand the engagement levels, motivation, trust, and values that our employees feel in Smurfit Kappa.

In line with the requirements of the UK Corporate Governance Code, the Sustainability Committee ('the Committee') is responsible for engagement with the workforce on behalf of the Board. The Committee also has responsibility for the overall strategic guidance of the Group's Sustainability strategy which is based on the three key strategic sustainability and corporate responsibility pillars: Planet, People and Impactful Business.

The role of the Committee is to report to the Board on matters such as employee sentiment, views and overall areas of interest for employees across the year. The Committee operates under formalised terms of reference which are reviewed each year. In 2021 the Committee further evolved its engagement to include direct engagement with employees. This focused on ensuring positive support and engagement with the workforce on a number of topics which included health & wellbeing, safety, MyVoice, female engagement, management of COVID-19, workplace satisfaction and career development.

In May 2021, our entire workforce of approximately 48,000 colleagues were invited to participate in a Global online confidential employee engagement survey. Our 'MyVoice' initiative, which was deployed in 21 languages across 35 countries provided us with real time feedback from employees across a number of core dimensions of; safety, leadership, business strategy, inclusion & diversity, learning & development, innovation, workplace, rewards, and employee engagement. In addition, employees had the opportunity to openly share feedback on strengths and focus areas for the years ahead. The Board appreciated the very high levels of participation with this 100% digital survey, which attracted the highest participation rate of any of our surveys to date. A report and presentation of the feedback received was reviewed by the Board, the Group CEO and the Group Vice President of HR during the year, and we are pleased to report a global engagement rate increase of 13 percentage points which demonstrates a positive endorsement of the people centric culture in Smurfit Kappa, our lived values, and our overall people focus.

Update from the Chair of the Sustainability Committee, Jørgen Buhl Rasmussen, on the second year of activities and insights on the Committee's role in Workforce Engagement.

"As a Board, we have always understood the importance of maintaining a strong people centric culture, and recognise the value of engaging and listening to the diverse views of colleagues across the global organisation. This is my third year in the role as Chair of the Committee, and I am very pleased to report a high level of employee interaction across the year, with opportunities to meet with colleagues virtually in a meaningful and open way.

My role as Chair is essentially to ensure the Committee acts as a communications champion for all colleagues across the business, to understand the employee voice and to ensure that voice is heard in the boardroom, and represented in a manner that is inclusive and fair. With the support and partnership of the Group Vice President of Human Resources, I have been able to keep the Board informed and take into consideration the interests of the workforce on a very broad range of topics that matter to our people.

In 2021, we regularly reviewed employee sentiment indirectly via people data on employee engagement surveys such as MyVoice, ethics, health and safety, employee turnover and diversity progress. In terms of direct engagement, as a Committee, we also met with employees (virtually in light of the ongoing pandemic restrictions and safety protocols) on many occasions during the year. I have included some examples of our positive direct engagement during the year with the workforce. In February, our Board Chair held an open questions and answers session with 500 managers at a global virtual management conference. In March, one of the Committee members attended an International Women's Day celebration in Mexico and had the opportunity to discuss gender representation and diversity. In June, the Committee members attended a module and collaborated with our 2021 AMD (Advanced Management Development programme in our Smurfit Kappa Academy) cohort. In July, we joined our colleagues on virtual plant tours in Colombia and the Netherlands which provided us with the opportunity to reach deep into our organisation to discuss employee matters. Most recently in November, the Committee met with a selection of the Group's high potential females across all levels and countries, in a workshop to discuss culture at Smurfit Kappa, Diversity & Inclusion, Female Careers and Development, and employee engagement of females via a MyVoice focus group.

The Group Vice President of Human Resources presented on four occasions to the Committee during the year, reviewing trends and evolving our workforce engagement methods between colleagues and the Committee. Overall it's been a year of strong workforce engagement, and I am looking forward to a calendar of activities in the year ahead with further opportunities to meet our colleagues and ensure the employee voice is heard and valued."

2021 Key Themes:
The key themes emerging from the workforce engagement initiatives during 2021 were:

- The positive role of management in ensuring employees safety/support during the COVID-19 pandemic;
- The importance of Inclusion, Diversity & Equality in our organisation;
- The positive consequence of investment in our people – employee assistance programmes, mental health, wellbeing and learning and development;
- The significance of talent development and career planning for succession management;
- The value of rewards and recognition programmes;
- The appreciation of employee vaccination programmes and support;
- The standing of our Code of Conduct's compliance with the law and ethical behaviour ensuring an open and safe place to work;
- The employee alignment with our Purpose – to create, protect and care;
- The enhanced focus on our communities during these unprecedented times;
- The enhanced focus on employee communications, and overall engagement; and
- Recognition of the unique culture at Smurfit Kappa, and our lived values of Safety, Loyalty, Integrity and Respect.

2021
MyVoice

Delivering a better tomorrow

Sustainability is a key part of SKG's strategy. As a customer-oriented, market-led company, the satisfaction of customers, personal development of employees and respect for local communities and the environment are all inseparable from our goal of creating value for all our stakeholders, guaranteeing them end-to-end sustainability.

In their daily lives, people need food, clothing and household goods. Robust, paper-based packaging will protect these from damage and waste, while delivering them in an efficient and sustainable way. In response to longer term rising global economic and social development, e-commerce will change and worldwide demand for packaging goods and services will continue to grow. Sustainability is important to all our stakeholders as well as their stakeholders.

Climate change, limited natural resources, littering, deforestation, a growing population and increased social inequality, are pressing global challenges that require forward thinking and a constructive response from the business community. At SKG, we respond to these challenges through our end-to-end approach to sustainability: from sustainable sourcing of our renewable and recyclable raw materials, to responsible production of sustainable and circular packaging products that help our customers and eventually consumers to lower their environmental footprint. At every important step in our value chain – including our governance, our people, our communities and the environment – we are always considering where we have a positive impact and we are constantly aligning our economic goals with our social, community and environmental responsibilities.

This dedication to sustainability in every fibre positions SKG to play its part in making the UN Sustainable Development Goals ('SDGs') a reality. In our materiality assessment we compared the SDGs against our business strategy and policies, as well as against stakeholder expectations. This allows us to strategically build on opportunities and minimise risks within the sustainability context and transparently report our progress towards these goals. SKG's approach to positively impacting the SDGs is covered both in this Annual Report and in our Sustainable Development Report ('SDR').

Our Code of Conduct is the fundamental guideline for everybody at Smurfit Kappa from the Board of Directors, officers and employees, as well as all individuals, entities, agents or anyone acting on the Group's behalf - and we also require the same from our suppliers. In environmental matters our starting point is that all our sites operate at least within their permits.

We guarantee compliance by employing modern, low environmental impact equipment and smart use of environmental data, including information on permits, incidents and fines. We continuously invest in our sites to keep them state-of-the-art, and proactively follow environmental legislative developments to ensure compliance. For details on the Non-Financial Key Performance Indicators reporting statement, SKG publishes its sustainability progress in the annual SDR, available at our website: smurfitkappa.com. All previous SDR's are also available, and our 2021 Report will be published in April 2022.

SKG is committed to the principles of the UN Global Compact and reports in line with the Global Reporting Initiative ('GRI') Standards Comprehensive criteria, and our sustainability data and reporting have been independently assured since 2009. This third-party assurance guarantees our transparency and credibility to stakeholders, especially customers, investors, and the communities in which we operate.

We are proud of the transparency we offer our stakeholders, and the credibility that third-party assured data delivers. This approach is integral to our Group's strategy and during 2021 the Group appointed a new Group Chief Sustainability Officer ('Group CSO'), a role which will focus on delivering the sustainability strategy for the Group, maintaining our strong governance framework, but also to embrace new strategic opportunities from a capital markets perspective, and, across all stakeholders.

Strategic Sustainability Priorities

As a responsible company, operating globally, Smurfit Kappa has a product that is naturally sustainable and a process that is increasingly sustainable, driven by a culture with strong values of safety, loyalty, integrity and respect. SKG understands the challenges facing both our business and the planet and is committed to doing its part in resolving these critical issues. Therefore our ambition is to deliver sustainable growth to the benefit of all our stakeholders based on three pillars: Planet, People and Impactful Business. Within these pillars our People and our Communities, Climate Change, Forest, Water and Waste are the main strategic environmental and corporate social responsibility priorities.

Our approach to the three pillars are explained in the following sections and the diagram on the next page.

Full Chain of Custody

93%

of our packaging sold as CoC certified

CO_2 emission reductions

41.3%

since 2005

Planet

A Greener, Bluer Planet

We are committed to sustainability throughout our value chain. Our strategic environmental priorities are climate change, forest, water and waste. The circular economy is at the core of our business. We use renewable, recyclable, recycled and biodegradable materials to create sustainable packaging solutions and play a part in ensuring that at their end of life, our products are recycled.

Forests where our virgin fibres come from are a closed loop, from which we can positively benefit when they are managed and used sustainably. Within our industry, SKG has pioneered full Chain of Custody, enabling us to sell over 93% of our packaging products as FSC, PEFC or SFI certified, driving a sustainable loop for our raw

As a leading company in sustainability, we base our ambition of sustainable growth on three pillars: Planet, People and Impactful Business.

materials. In 2020, we increased our target to sell 95% of our packaging solutions as Chain of Custody certified by 2025.

Having integrated paper recycling operations into our business we can efficiently manage the sustainable sourcing of our raw materials, ensuring good quality in each region. We take our producer responsibility seriously, having 100% renewable and recyclable fibre, and of our final packaging products, over 90% are recovered and brought back into the recycling loop. Sustainably sourcing our fibres benefits us and our stakeholders: with Chain of Custody certified raw material sourcing and production, we have traceability systems that comply with regulations, and with customer and investor requirements.

Sustainable forests and fibrous raw material are primary considerations of our stakeholders. We enhance our customers' brand value by guaranteeing risk management through Forest Certification, and related Chain of Custody Certification. This leads to operational continuity and business growth for SKG.

We seek circular synergies where we can both utilise our side streams and seek collaboration with partners. As part of our commitment, we have rigorously collected sustainability data on our operations for almost 15 years. We use this information to continually improve the efficiency of our processes and use of resources, which helps us meet our sustainability targets, such as reducing CO_2 emissions.

In early 2021 we set new targets and revised existing targets through our Better Planet 2050 initiative, the aim of which is to combine long-term ambition with action today, evidence of which you will see in this report and throughout our 2021 SDR which will be published in April 2022.

2021 also saw the world increase its focus on climate with the publication of the Intergovernmental Panel on Climate Change ('IPCC') report in August 2021 and the 26th Conference of the Parties, or COP26, in Glasgow in November 2021. We saw deforestation and the need to create a circular economy also becoming key issues as part of COP26 and the EU's work on defining a path forward to deliver the Green Deal. SKG, as a leader in sustainability, is playing its part in making the necessary changes to ensure we stay aligned with the goals of the Paris Agreement. In late 2021 our 2030 emission reduction targets were approved by the Science Based Target initiative ('SBTi') as being in line with the Paris Agreement.

We are pleased to be the first FTSE 100 company to receive a five star rating from Support the Goals, the global initiative that was established to rate and recognise those businesses that support the UN 2030 SDGs to work towards a more sustainable future. The SDGs are a universal call for action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity by 2030. These goals, agreed in 2015 by world leaders, can only be achieved with the support of businesses. A five star rating is only awarded to companies who are actively involving their suppliers in their efforts towards reaching these goals. For most businesses, a significant amount of their environmental and social impact comes from the supply chain, therefore it is vitally important to help suppliers understand and support the SDGs.

We have set targets that focus on our strategic areas and that are designed to align the Group with the UN 2030 SDGs. More on our commitments can be read on pages 12 to 13 of this report. Our products are also designed to prevent wastage of our customers' product in their supply chains, we are committed to continually reducing waste and finding circular uses for our side-streams.

In our paper mills we are resource efficient, using raw materials and their by-products to their fullest. For example, our Nettingsdorf mill in Austria, our Piteå mill in Sweden, our Parenco mill in the Netherlands and our three Brazilian paper mills Bento, Pirapetinga and Uberaba run almost entirely on biofuels derived from the wood-pulping process. In many mills, biogases from waste water treatment are fuel for heat and power production, and our Roermond mill in the Netherlands has been internationally recognised for finding circular economy synergies by collaborating with local partners.

Product development and innovation at SKG is data driven, with a proven scientific approach informing good business decisions. Data collected from our operations is combined with ongoing research and analysis of customer challenges and specific markets. We employ a range of tools, 'InnoTools', uniquely exclusive to SKG, enabling us to create the optimal fit-for-purpose paper-based packaging solutions for our customers, thereby adding value to their businesses. Furthermore, 'InnoTools' feeds information to our customer value-added services: SupplySmart; ShelfSmart; and eSmart in the areas of supply chain optimisation, brand growth and e-commerce.

EU Taxonomy

The European Commission presented a growth strategy based on environmental and sustainable development, the Green Deal, in 2019. To direct investments towards sustainable projects and activities, the EU introduced the Taxonomy Regulation ((EU) 2020/852) in 2020.

The first set of sustainable activity classification criteria, The Delegated Act on Sustainable Activities for Climate Change Adaptation and Mitigation, was published and adopted in 2021, with an ambition to achieve carbon neutrality by 2050. The European Commission presented the Complementary Delegated Act on Climate in February 2022 and is currently working on the Second Delegated Act.

At present the EU Taxonomy does not cover all sustainable activities and as a result, sustainable classification criteria are not yet available for the majority of our business activities. Consequently, a low proportion of our activities are considered taxonomy eligible under the current taxonomy classification criteria for climate change mitigation and adaptation. As the legislation develops further into areas relevant and applicable to SKG we will evolve our taxonomy reporting accordingly.

In producing paper-based packaging solutions and having 75% of its raw material from recycled sources, SKG has a strong position in the circular economy. We expect to be well positioned as the scope of the taxonomy is widened and the technical screening criteria for activities contributing to the transition to a circular economy are finalised. Under existing publications by the commission such as the 'EC categorisation system for the circular economy' SKG contributes across the models described by the European Commission.

Handling
7.4 million
tonnes of recovered fibre per annum

Our emissions targets have been approved by
SBTi

Taxonomy Eligible Activities

The regulation states that non-financial undertakings shall report on their EU Taxonomy eligible and non-eligible activities for their reporting period 2021. SKG has assessed its Taxonomy eligible activities to the first Delegated Act on Climate Change Adaptation and Mitigation. The eligible activities are:

1.3 Forest Management.
4.2 Electricity generation using concentrated solar power (CSP) technology.
4.13 Manufacture of biogas and biofuels for use in transport and of bioliquids.
4.15 District heating/cooling distribution.
4.20 Cogeneration of heat/cool and power from bioenergy.
5.3 Construction extension and operation of wastewater collection and treatment.
5.5 Collection and transport of non-hazardous waste in source segregated fractions.
7.3 Installation, maintenance and repair of energy efficiency equipment.
7.4 Installation, maintenance and repair of charging stations for electric vehicles.

Proportion of Taxonomy Eligible Activities

	Proportion of taxonomy eligible activities (%)	Proportion of taxonomy non-eligible activities (%)
Turnover	2.0%	98.0%
CAPEX	3.0%	97.0%
OPEX	2.0%	98.0%

Taxonomy Eligible Turnover, Capital Expenditure and Operating Expenditure

Based on an analysis of economic activities, the Group has to report the proportion of Taxonomy-eligible economic activities across turnover, capital expenditure (Capex) and operating expenditure (Opex) key performance indicators ('KPIs').

As a paper-based packaging company, only a small amount of our current activity is covered by the current EU Taxonomy.

As mentioned above, the Group expects to be well positioned in the transition to a circular economy.

The information disclosed is based on the information available in relation to the Taxonomy to date. The information is subject to refinement as the Taxonomy develops further, as practice emerges, as it is embedded within the Group and as we work through the other environmental objectives and the alignment process throughout 2022.

Turnover

Turnover includes the external sales of Taxonomy eligible activities. The denominator is SKG revenue. Taxonomy eligible turnover (the numerator) includes the sale of roundwood from forests owned by Smurfit Kappa Colombia to third-parties and the sale of recovered fibre to third parties.

Capital Expenditure

Capital expenditure includes the capital expenditure of Taxonomy eligible activities having assessed all the additions to fixed assets in 2021. The denominator is SKG's total additions to fixed assets in 2021 including, additions to tangible and intangible assets before depreciation, amortisation and any re-measurements, including those resulting from revaluations and impairments and excluding fair value changes. The denominator also covers additions to tangible and intangible assets resulting from business combinations. Taxonomy eligible capital expenditure (numerator) includes investments in solar panels and the upgrade of waste water treatment plants, forestry equipment and bio-mass boilers. For the allocation of capital expenditure, we have identified the relevant purchases and identified the primary related economic activity in the Climate Delegated Act. In this way, we ensure no capital expenditure is considered more than once.

Operating Expenditure

Eligible operating expenditure includes the operating expenditure of Taxonomy eligible activities. Taxonomy eligible operating expenditure consists of direct non-capitalised costs that relate to the repair, maintenance and upkeep relating to the day-to-day servicing of assets, property, plant and equipment. This does not include the expenditure relating to the day-to-day operation of property, plant and equipment such as: raw materials, cost of employees operating the machine and the cost of energy.

People

Empowering People and Communities

SKG aims to keep attracting and retaining the best employees. We have found that within our global organisation, people of different backgrounds and experiences will have different skills, perspectives and solutions, which in turn increases our sustainability and efficiency options. SKG is committed to managing its business in accordance with its declared values which recognise that good social citizenship, reflected in the manner in which it interacts with its employees, business partners and local communities, is an essential ingredient in creating and maintaining a sustainable future. SKG invests in employee empowerment ensuring human rights and dignity at work, through freedom of association, fair compensation and promotion of diversity in age, gender, sexual orientation, ethnic origin, disability or nationality. We take care that capable people from all these groups are attracted and retained, and we recruit and promote on merit. SKG values open, constructive, regular and timely dialogue with its employees and their representatives, particularly in all matters affecting the business including safety, working conditions, profitability, business outlook, investment decisions or the terms and conditions of employment. The European Works Council ('EWC'), which was created to assist in the development of an open two way communication process for all employees and unions on all such matters, had one meeting during the year, with additional meetings with the Select Committee of the EWC. Matters typically discussed at the EWC include employment opportunities, financial status, projected developments, business conditions, relocation, curtailment or business closures and health and safety.

Implementing SKG's Social Citizenship Policy is the responsibility of line management who are supported by the Human Resource Managers at country, segment and Group level. In 2021 we introduced targets in the areas of Gender Balance, Inclusion, Diversity and Equality, People Engagement and People Development next to existing targets in Health and Safety and Communities. More on our People can be read on pages 64 to 75.

Health and Safety

SKG has made the health and safety of its workforce an overriding value. We adopt a structured and systematic approach to the management of health and safety considerations in the workplace. We promote a health and safety culture founded on understanding, responsibility and accountability. We operate with health and safety as a core value, not just a priority.

We aim to continually improve our performance by adopting a structured systematic approach to the management of health and safety aspects supported by continual improvement of our systems. The commitments within the Group's health and safety policies are consistent with those of the internationally recognised OHSAS 18001 occupational health and safety system specification. Every facility in SKG adopts a suite of good health and safety management systems designed to protect employees, visitors to its sites, contractors and the public at large from injury and ill-health.

All performance reviews at plant, country, division and regional level include a review of recent health and

safety performance. On a quarterly basis, the Board receives a progress report outlining key health and safety developments. The progress in health and safety performance has been positive and the trend remained so in 2021 with a further reduction in TRIR compared to previous years due to a number of health and safety measures and initiatives implemented across the Group. For details of this KPI, see page 32.

SKG is committed to making continual advances in our health and safety management processes. We regularly perform comprehensive health and safety verification and audit processes tailored specifically to our global operations. Based on our internal health and safety standards, this audit process verifies the presence of the appropriate protective measures.

Communities

Beyond our employees, our responsibilities extend to helping the local communities where we are located by behaving as a good corporate citizen. Alongside operating in accordance with the UN Declaration of Human Rights and the Fundamental Principles and Rights at Work, by supporting local education, income generation, collaboration and participation, we can strengthen communities. This is especially true in remote areas with limited opportunities for work.

SKG is focused on breaking the cycle of poverty in the communities in which we are located, beginning with the younger generations. Aligned to our Smurfit Kappa Foundation, we want to break down the barriers, which lead to young people and children in these areas being disadvantaged and remaining in poverty. We work to improve their situation through the lens of health and nutrition, basic care and education.

We believe, by working with key organisations in these areas, we can break the cycle of disadvantage, because what happens to us in childhood shapes our future success and the adults we become.

Our goal is to help end the poverty and dependence where it exists in these communities, by supporting projects that provide a better start for their young people.

Impactful Business
Delivering to all Stakeholders

SKG has specific policies on key areas of sustainability which are integral in improving future performance. These cover Environment, Sustainable Forestry, Sustainable and Responsible Sourcing, Social Citizenship, and Health and Safety. These policies complement other policies in place, covering: Code of Conduct incorporating the Speak Up Policy, Code of Ethics for Senior Financial Officers, Group Financial Reporting Guide, Group Treasury Policy, Financial Monitoring Policy, Treasury Compliance Programme, and Competition Compliance Programme.

A report on Corporate Governance is detailed on pages 82 to 87 of this Annual Report.

Anti-Bribery and Anti-Corruption

SKG 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.

Human Rights

SKG is subject to the provisions of the UK Modern Slavery Act. In keeping with the United Nations Guiding Principles on Business and Human Rights and the Fundamental Principles and Rights at Work developed by the International Labour Organisation, we are committed to the principles of respect, diversity, working fairly, fair pay, compensation and benefits which are also applied to our acquisition practices. They are maintained in every country in which we have a presence and are set out in our Code of Conduct, our Social Citizenship Policy Statement and our SDR.

SKG has thousands of suppliers globally and we consider that our suppliers are an integral part of the value chain of our business. We are committed to working with our suppliers in accordance with our sustainability principles and objectives whereby we distinguish the areas of compliance, performance risk, management, social responsibility and governance. Maintaining transparent and long-term relationships with suppliers is essential for our business. This partnership approach ensures we can audit suppliers on their compliance and our sustainable supply chain standards and, where they fall short, work with them to improve sustainability in their business.

In recognition of the nature and concern about modern slavery we expect our suppliers to ensure compliance with the Modern Slavery regulations.

14
years of SDR publications independently assured for over 10 years

1st
FTSE 100 company to be awarded a five star rating from Support The Goals

Task Force on Climate Related Financial Disclosures ('TCFD')

Climate change is one of the greatest challenges facing society. We understand the challenges and the changes that need to be made and we are strongly committed to making a positive contribution, building on our well-established climate related actions and disclosures.

SKG announced its support of the recommendations of the Task Force for Climate-related Financial Disclosures ('TCFD') in May 2020 and we included our first disclosure in the 2020 Annual Report. In 2021 we have significantly developed our disclosure as outlined below which is consistent with the TCFD recommendations. In completing this disclosure we have provided the recommended disclosures in terms of:

- Governance
- Strategy
- Risk Management
- Metrics and Targets

Our disclosures below should be read in conjunction with the SDR 2020 and our Carbon Disclosure Project ('CDP') Climate Change Response made by the Group in 2021. Further information can be found on our website at smurfitkappa.com/sustainability/. In addition, the SDR for 2021 will be published in April 2022.

Our progress and evolution of reporting in line with the TCFD recommendations included but was not limited to: a comprehensive top-down identification and process review of climate related risks and opportunities; scenario analysis in conjunction with an expert third party; and an evaluation of the potential impact on assets from physical and transition risks under different climate scenarios. We expect that certain aspects of our disclosure will further develop and evolve over time.

Governance

Board Oversight on Climate Change

Board Level

The Board is primarily responsible for the long-term success of the Group, for setting the Group's strategic aims, for the leadership and control of the Group and for reviewing the Group's system of internal control and risk management. The consideration of sustainability, including climate change, is continuously developing as the focus on climate change increases. Given the nature of our business and our strong sustainability credentials, this has been a consideration of the Board for many years. More recently this has evolved further with specific consideration given to climate change. In recognition of the importance of sustainability in general and climate change in particular, the Board formed a dedicated Sustainability Committee, the responsibilities of which are outlined in the adjacent table.

Sustainability Committee

Established in 2019 following a Board review of the Group's sustainability and corporate social responsibility objectives, the Committee has responsibility for the direction and oversight of the sustainability strategy for the Group which is based on three key strategic sustainability and corporate responsibility pillars; Planet; People and Impactful Business. The Board Sustainability Committee is responsible for climate change at the Board level and updates the Board at each meeting on the matters considered on their agenda, including climate change. In 2021, the Committee met six times and covered a broad range of ESG topics at those meetings. The key topics included: a comprehensive review of climate change risk and opportunities; the ambitious sustainability targets communicated in February 2021; further reduction of our environmental footprint; increased support for the communities in which we operate and further enhancement to the lives of our employees. The Sustainability Committee receives regular updates from management on various matters relating to sustainability and climate change. The recently appointed Group CSO is also tasked with ensuring relevant sustainability related matters are communicated and discussed at the Board committee level as appropriate.

Audit Committee

The Audit Committee and the Board in conjunction with senior management review the key business risks faced by the Group. In reviewing and considering the principal risks of the Group, emerging risk is also considered. For a number of years climate change has been considered an emerging risk of the Group as a result of changes in weather patterns which could result in catastrophic events which could give rise to business interruption and increases in the cost of raw materials. As outlined in the Risk Report on pages 34 to 38, climate change in the long-term has now been elevated to a principal risk for the Group. In addition, the growing number of environmental and climate change laws and regulations is an existing principal risk of the Group which is also disclosed in the Risk Report. These risks are subject to the Group's formal risk management process.

Remuneration Committee

The Remuneration Committee has responsibility for continually reviewing the ongoing appropriateness and relevance of the Remuneration Policy. A remuneration policy review was conducted by the Committee in 2020. As part of this review, sustainability was considered for inclusion in the short-term and long-term incentives. The long-term incentive plan, the Performance Share Plan, now has a number of climate related performance measures with ESG metrics now cumulatively constituting 15% of the targets for this award. As outlined in the Remuneration Report on page 94 these measures include CO_2 reduction, water reduction and waste reduction targets.

Nomination Committee

The Nomination Committee is responsible for the succession planning of the Board, experience and knowledge of sustainability is a consideration in new appointments. This has been clearly evident in the recent appointments of Kaisa Hietala and Lourdes Melgar to the Board.

TCFD Index

Area	Recommended Disclosures	Source	Page (s)
Governance			
Disclose the organisation's governance around climate-related risks and opportunities.	a) Describe the board's oversight of climate-related risks and opportunities.	AR 2021 SDR 2020 CDP Climate Change response 2021	AR: 34-35, 54, 56 SDR 2020: 68-69 CDP: Section C.1 Governance
	b) Describe management's role in assessing and managing climate-related risks and opportunities.	AR 2021 SDR 2020 CDP Climate Change response 2021	AR: 34-35, 56-57 SDR 2020: 68-69 CDP: Section C.1 Governance
Strategy			
Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.	a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long-term.	AR 2021 CDP Climate Change response 2021	AR: 57-58, 60-61 CDP: Section C.2 Risk and Opportunities
	b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	AR 2021 SDR 2020 CDP Climate Change response 2021	AR: 57-58, 60-61 SDR 2020: 28-33 CDP: Section C.2 Risk and Opportunities and C.3 Business Strategy
	c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	AR 2021 CDP Climate Change response 2021	AR: 58-59 CDP: Section C.3 Business Strategy
Risk Management			
Disclose how the organisation identifies, assesses, and manages climate-related risks.	a) Describe the organisation's processes for identifying and assessing climate-related risks	AR 2021 CDP Climate Change response 2021	AR: 34-35, 59 CDP: Section C.2 Risk and Opportunities
	b) Describe the organisation's processes for managing climate-related risks.	AR 2021 SDR 2020 CDP Climate Change response 2021	AR: 34-35, 59 SDR 2020: 28-33 CDP: Section C.2 Risk and Opportunities
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	AR 2021	AR: 59
Metrics and Targets			
Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	AR 2021 SDR 2020 CDP Climate Change response 2021	AR: 33, 58-59, 62-63 SDR 2020: 25-27, 30-33, 74-82 CDP: Section C.4 Targets and Performance and Sections C.6 Emissions Data
	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas ('GHG') emissions, and the related risks.	AR 2021 SDR 2020 CDP Climate Change response 2021	AR: 33, 58-59, 62-63 SDR 2020: 30-33, 74-82 CDP: Section C.4 Targets and Performance and Sections C.6 Emissions Data
	c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	AR 2021 SDR 2020 CDP Climate Change response 2021	AR: 33, 58-59, 62-63 SDR 2020: 26-27, 30-33 CDP: Section C.4 Targets and Performance

AR – Annual Report   SDR – Sustainable Development Report   CDP – Carbon Disclosure Project

Board Level Knowledge and Training

During 2021, the Sustainability Committee conducted a detailed review of the World Economic Forum's "How to Set Up Effective Climate Governance on Corporate Boards" which resulted in the identification of key focus areas and an accompanying action plan. It is the intention to continue to update the skills of the Board in the area of climate change on a continuous basis. The Sustainability Committee also has regular updates and presentations from the Group CSO on various matters including climate change and associated regulation.

As noted above, in 2020 the Group welcomed two new Non-executive Directors to the Board with strong sustainability and climate-related expertise. Lourdes Melgar, is recognised for her expertise in the areas of energy, sustainability and public policy. In her career she has held a number of roles in government, in academia and in the private sector. Kaisa Hietala, brings a wealth of strategic and operational experience to the Board. In particular, Kaisa has a strong commitment to, and experience in, sustainability, helping companies to transform the challenges of environmental megatrends into business opportunities and growth. Lourdes's and Kaisa's specific expertise in the area of sustainability bring additional strength to and compliments the knowledge and international experience of Jørgen Buhl Rasmussen and Anne Anderson.

Management Oversight on Climate Change

Executive Level

The Executive Sustainability Committee consists of relevant members of the Executive Committee who have responsibilities directly connected to sustainability matters. This Committee ensures the delivery of the sustainability strategy of the Group throughout the business. The Executive Sustainability Committee is led by the Group CSO. Certain climate change related issues are governed by some of the members of this Committee as part of their direct operational responsibilities. Commencing in 2022, the Committee will also report on a regular basis to the Group Executive Committee.

The Executive Risk Committee reviews and assesses the Group Risk Register and identifies the principal risks and emerging risks. The Group Risk Register is then reviewed by the Audit Committee and the Board. As mentioned climate change has been elevated to a principal risk of the Group from an emerging risk. In addition, the growing number of environmental and climate change laws and regulations continues to be a principal risk of the Group. Details of these risks are included in the Risk Report on pages 34 to 38. and are subject to the Group's formal risk management process.

The Group CSO is a member of the Group Executive Committee and is focused on delivering the sustainability strategy for the Group, maintaining our strong governance framework, and embracing new strategic opportunities from both a capital markets perspective and across all stakeholders. Climate change is a key element of all aspects of his role. The Group CSO is a member of the 'Corporate Responsibility & Sustainability Council' which is part of the non-profit 'Conference Board' and includes heads of sustainability from across industries and regions and where best practice is shared in the broader sustainability area. The Executive Directors also engage with the Sustainability Committee. Since the formation of the Committee, the Chair of the Board, the Group CEO and the Group CFO have been regular attendees at meetings of the Committee. In addition, the Group VP of Human Resources has also been a regular attendee at meetings of the Committee. The Group CEO through his overall responsibility for the day-to-day oversight of the Group's business and the implementation of the Group strategy and policies is directly responsible for actions governing climate change. The Group CFO is a member of Accounting for Sustainability ('A4S'), whose 'aim is to transform finance to make sustainable business, business as usual'.

Management Level

The Sustainability Working Group consists of relevant representatives from operations and the Group's head office, with different areas of expertise and stakeholder interaction relating to sustainability and climate change. This group monitors the progress and

Key Milestones

2005
Baseline of our CO_2 emissions target.

2007
First sustainability report.
New biomass boiler in Sweden.

2008
Investments in CHP facilities and bio-fuel investments.

New Black liquor recovery boiler installed in Cali Colombia.

2009
External assurance of our annual SDR commenced.

2010
Set 2020 target of 20% reduction in relative CO_2 emissions target (2005 baseline).

Commissioned biomass boiler in France.

Globally our mill system cut relative CO_2 emissions by 5.4% year-on-year.

2011
Globally our mill system cut relative CO_2 emissions by more than 12% since 2005. This delivered against a backdrop of the EU publishing its roadmap towards a low-carbon economy by 2050.

2012
Globally our mill system cut relative CO_2 emissions by 3.1% year-on-year.

Supported by investments such as a new shoe press in Cerro Gordo (Mexico) and a rebuild of the biomass boiler in Sangüesa (Spain).

2013
2020 target of 20% reduction achieved with a 21% reduction by the end of 2013.

2014
New relative emissions reduction target of 25% reduction set for 2020.

28% reduction of COD discharge (water) compared to 2005.

achievements of targets across all key areas, supports the Group operations in assessing and managing sustainability/climate change strategies and collects and analyses data. This working group which is led by the Group CSO promotes our sustainability targets among our customers and suppliers. In addition, this working group coordinate the sustainability roles with responsibility for local implementation of the sustainability strategy within our business operations.

Our stakeholders expect us to approach climate change responsibly and provide detailed progress reports. Our management and workforce are aware of the areas that are important through our continual multi-level engagement with our customers, investors, employees, communities and other relevant stakeholders.

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 across external benchmarking bodies, such as 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.

Our Investor Relations team are in continuous dialogue with our investors in relation to climate change and we are aware of investors' priorities in this area. In late 2020 investor relations contacted top shareholders to understand how they view SKG's ESG disclosure including climate change and whether there were any areas of focus or improvement required, the outcome of which was that there were no significant recommendations. On an ongoing basis discussions with investors provides guidance on areas requiring focus across the broader sustainability agenda. This has increasingly highlighted the need for emissions targets to be approved as science-based and has also highlighted the need for enhanced disclosure of our climate risks and opportunities. In addition, we also perform regular desktop research to evaluate investors' climate agenda (e.g. letters from investors and investment managers about their expectations from companies on climate-related issues).
Our customer facing teams regularly engage with our customers in relation to climate change. For many of our customers their carbon footprint is primarily scope 3 emissions. As a result, our customers are increasingly looking for supply-chain partners to engage with them on delivering sustainable products with lower carbon footprints.

Strategy – Climate Change
Overview and Background

SKG is committed to sustainability throughout our value chain. Our circular business model drives positive change from the responsible sourcing of renewable raw materials to the sustainable production of recyclable, biodegradable and fit-for-purpose packaging solutions. The strategic environmental priorities under our Planet pillar are climate change, forest, water and waste. Our strategy is focused on minimising energy use and moving from fossil fuels to renewable sources, including biomass. These core elements are aimed at reducing our fossil emissions in line with the Paris Agreement, reaching at least net zero by 2050.

Smurfit Kappa continues to build on its many years of achievements. Set out below are examples, dating back to the first SDR in 2007, of key milestones of the Group's long-standing objective to drive change and nurture a greener and bluer planet.

2015
New CHP plant in Hoya (Germany) running for its first full year.

Finalised certification of our production sites according to FSC/ PEFC or SFI chain of custody standards.

2016
New CHP investments in Ania (Italy) and Barbosa (Colombia).

Globally our mill system cut relative CO_2 emissions by 22.9% against a 2005 baseline.

2017
2020 target of 25% reduction achieved with a 26.1% reduction by the end of 2017.

2018
More ambitious relative emissions reduction target of 40% by 2030 set, reflecting the need for industry to act on the Paris Agreement.

2019
Approval of €134 million new recovery boiler in Nettingsdorf (Austria).

Globally our mill system cut relative CO_2 emissions by 32.9% against a 2005 baseline.

2020
Long-term target of at least net-zero emissions by 2050 and increased the 2030 emissions reduction target to 55%.

On deforestation and biodiversity, we announced a new alliance with the World Wildlife Fund Colombia to work together to promote sustainable practices within the forestry industry.

We started reporting on the recommendations of the TCFD and the relevant SASB criteria.

2021
Globally our mill system cut relative CO_2 emissions by 41.3% against a 2005 baseline.

SBTi approval received for our emissions targets as being in line with the Paris Agreement and a well below 2°C trajectory.

Launched Better Planet 2050 programme which enhanced existing targets or introduced new ones across water use, diversity and inclusion and communities.

Successful launch of our Green Finance Framework and subsequent €1 billion of Green Bonds issuance.

Climate Risks and Opportunities

We have developed an enhanced risk identification methodology to assess climate risk and opportunities, the output of which is the Group's first Climate Risk and Opportunity register.

The tables on pages 58 to 61 outline some of the key transition and physical risks as well as opportunities which have been identified and assessed and which enable SKG to prioritise appropriately. A high level impact assessment has been used to measure inherent and residual risks based on identified mitigation, their timeframes, and their potential financial impact on our business. These timeframes used in the categorisation of risks are defined as:

- Short-term (0-3 years): Typical capital expenditure pay-back time and short-term time frame for climate change risks and opportunities.
- Medium-term (3-10 years): Pay-back time for a strategic capital expenditure investment in Smurfit Kappa, and medium-term for climate change risks and opportunities.
- Long-term (10-30 years): This is linked to long-term time horizon, for example investment in paper manufacturing machinery is expected to be valid for some 30 years; it is the long-term time frame for climate change risks and opportunities.

The risk identification process is designed to consider the risks and opportunities through the specific lens of climate change. This means that the climate risk register is considering risks across a longer time frame than the traditional risk assessment of principal risks.

Understanding Climate Risks and Opportunities for Smurfit Kappa

Climate change risk is expected to present itself either through physical risks or transition risks. Physical risks are those arising from the increasing severity and frequency of climate and weather-related events such as flooding. Transition risks are those which could result from the process of adjustment towards a lower carbon economy such as the development of policy and regulation and shifting societal preferences. Transition and physical risks along with opportunities have been identified and assessed by the Group in conjunction with external advisors and climate scenario modelling partners.

SKG has identified many opportunities arising out of climate change to leverage its full cycle value chain and global operating model. In line with the identified key risks, the opportunities represent areas of strategic, operational and financial focus for SKG in the medium to long-term. In several areas, the identification of the opportunity is linked to capital investment programmes and medium to long-term strategic planning.

Some of the key climate risks and opportunities for Smurfit Kappa are outlined on pages 60 to 61, these are expected to evolve over time with the benefit of deeper insights and the ongoing changes and developments in this area.

Disclosure of Impacts on and by the Business

There are certain climate related risks that could have an impact on our business including:

- Extreme weather patterns may affect our operations and supply chain, potentially impacting forests, water, carbon regulation and taxation, and energy availability and affordability.
- Drought, flooding and local restrictions on water usage may limit our access to water and therefore water risk assessments are conducted on a periodic basis at our paper mills.

Forests play an important role in environmental resilience. We therefore need to promote healthy forests and manage these resources sustainably. We source virgin fibres from certifiably well- managed forests, or at least of non-controversial origin, or certified recycled fibres. All materials must be delivered through a third-party verified Chain of Custody certified supply chain.

Smurfit Kappa 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 is 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 which for 2021 was €1,702 million. Reputational impact is also considered.

Business Resilience to Climate-related Risks and Opportunities

As a leading paper-based packaging business, the Group understands the need to lead in the area of climate. Smurfit Kappa was the first in the broader paper and packaging sector to announce a target of at least net zero emissions by 2050 and was pleased to see its emissions reduction target approved as Science-based by SBTi in 2021.

In addition to assessing our own emission reduction targets and having them independently approved we have also carried out an extensive climate risk and opportunity assessment as outlined above. The project was supported by an expert third party, reviewing climate risk and opportunity for Smurfit Kappa and utilising a climate scenario modelling tool.

The analysis was conducted on a data set of key assets identified for consideration by the Group. The scenario analysis and modelling was

Smurfit Kappa's Better Planet 2050 Targets

Key Area	Commitment	Achievement in 2021	2020	2019
Climate Change	A 55% relative reduction in Scope 1 and 2 fossil fuel based CO_2 emissions in our mill system compared with 2005 levels by 2030. Reach at least net zero by 2050	**41.3%** reduction in fossil fuel emissions intensity since 2005	37.30%	32.90%
Forest	At least 95% of our packaging is certified as Chain of Custody certified under FSC, PEFC or SFI	**93.45%** packaging solutions sold as Chain of Custody certified in 2021	93.80%	92.10%
Health and Safety	Reduce Total Recordable Injury Rate by at least 5% annually	**1.7%** reduction in Total Recordable Injury Rate in 2021	29%	17%

completed under different Representative Concentration Pathways ('RCP') scenarios 2.6 (0.9-2.3°C), 4.5 (1.7-3.2°C), 6.2 (2.0-3.7°C) and 8.5 (3.2-5.4°C). These model the potential impact on assets from physical and transitional risks in 10-year increments through to 2100. The analysis focused on the critical assets impacted across the RCP scenarios within the period 2030-2040 and 2040-2050, this period is most critical for decision making in the near to medium-term.

The output of this assessment was positive, with the results indicating that the proportion of asset value at risk was low. The main physical risks highlighted within the portfolio are temperature extremes and wildfires. This is consistent with the location and type of assets analysed.

Risk Management

The output of the risk management carried out in 2021 as outlined previously was a comprehensive climate risk and opportunity register which reflected a combination of existing risk controls and approaches and resulted in a register including the physical and transitional climate risks in addition to the opportunities. The process to develop the register involved input from Smurfit Kappa participants from across the business, with geographic and professional diversity. Interactive risk workshops and interviews were used to facilitate the identification of climate risks and opportunities, producing a climate risk register for the Group. In addition, sophisticated scenario analysis, modelling the Group's global assets across a variety of RCP scenarios and identifying key assets or impacts and high-level mitigations when appropriate was also completed. The physical and transition risk modelling considered; extreme temperature, drought, wildfire, flooding, tropical cyclone, water stress, reputational damage, new technology, markets and carbon pricing.

A summary of some of the key outputs from this process is included in the climate risk and opportunities table in the section on the next page.

The Group has a formal and well established framework to determine the nature and extent of the principal risks it is willing to accept to achieve its strategic objectives. The Board carries out a review of the effectiveness of the Group's risk management and internal control systems at least annually. The process involves the consideration of the existing risks to the Group and also emerging risks. In recent years climate change has been considered an emerging risk of the Group as a result of changes in weather patterns which could result in catastrophic events which could give risk to business interruption and increases in the cost of raw materials. As outlined in the Risk Report on pages 34 to 38, climate change has now been elevated to a principal risk for the Group. In addition, the growing environmental climate change laws and regulations has been a principal risk of the Group for some time.

As part of a review process undertaken in 2019, climate change was identified as a material priority and it was disclosed within the SDR 2020.

Metrics and Targets

Smurfit Kappa has ambitious sustainability targets which focus on a further reduction of our environmental footprint, increased support for the communities in which we operate and further enhancement to the lives of its employees. These targets, which were announced in February 2021, build upon the company's well-established sustainability record, on which it has been reporting since 2007, and are contained in the Better Planet 2050 targets.

The Group also had its emissions reduction targets approved by the SBTi as consistent with levels required to meet the goals of the Paris Agreement in December 2021.

The targets covering greenhouse gas emissions from Smurfit Kappa's operations (scopes 1 and 2) are consistent with reductions required to keep global warming to well below 2°C. The aim of SBTi is to mobilise companies to set science-based targets in the transition to a low-carbon economy.

The Group's Better Planet 2050 targets quantify our commitment to protect what we care about – our planet, our people, our business – through a set of ambitious goals, new sustainability targets that will sustain thriving communities, support good business, and create a better planet. The Group's long-term commitment and action across climate and sustainability in general is evidenced on the table on page 58, and further details will be presented in the next SDR for 2021 to be published in April 2022.

The progress against our publicly stated targets and other key non-financial targets and metrics of the Group are disclosed in the SDR, including the standards reference, scope, boundary, and measurement methods applied. Certain key non-financial metrics are disclosed on pages 32 to 33 and page 58 of this Annual Report.

All our metrics and data are disclosed in our SDR including, scope 1 and 2 emissions, electricity usage, grid supply and cogeneration, fossil fuel and biofuels consumption, water, waste, raw material, and social data. For scope 3 emissions, we currently cover transport in Europe and Colombia only. We have started work to address all our scope 3 emissions in our SBTi validation project. Part of this work was an extensive assessment of all of our CO_2 emission sources. This work has given us more insights to our scope 3 emissions. We currently collect data and report on our emissions from transport where the complete European operations have been covered and we will gradually cover all countries in the Americas operations. Other scope 3 emissions will be included in the calculations in the near future and we will also set targets for them.

Further information can be found in the SDR 2020 on pages 24 to 85, as well as the SDR 2021 which will be published in April 2022.

Our entire SDR has been independently third-party assured in accordance with the GRI Standards. This covers all material metrics, data and other reporting. For more information see our Assurance Report of the Independent Auditor on page 104 in the SDR 2020.

As noted within the governance section, the Remuneration Committee reviewed the Remuneration Policy for the Group in 2020. As a result the long-term incentive plan for the Group, the Performance Share Plan now has a number of climate related performance measures with ESG metrics now cumulatively constituting 15% of the targets for this award. As outlined in the Remuneration Report on page 94 these measures include CO_2 reduction, water reduction and waste reduction targets.

We have included disclosures in the financial statements prepared under IFRS to indicate where we have considered the financial impacts of climate change.

Risk/ Opportunity Type and Description	Our Response
Physical Risks	
Chronic **Climate related chronic shortages in availability or supply of key materials for its production process** **Link to Strategic Priority:** **Horizon:** Long-term	SKG business operations rely on raw materials that are key for the production of corrugated paper packaging, such as wood and starch. Climate change and abnormal weather patterns may create chronic shortages in availability or supply of such materials that could cause loss of yield, interruptions to business and constraints on the supply of these critical materials. **Mitigation:** • A multi-source strategy is in place that balances the local and global provision of materials to ensure constant availability of raw materials and increases supply resilience. • SKG's integrated model insulates the Company from certain key raw material supply constraints as the raw material supply is under direct control of the Company. • Continuous process optimisation which in turn results in a lower material need. • Continuous research into alternative and/or new materials to use as substitutes for its key materials to ensure resilience of supply chain and business operations. • Investment in research and development to increase drought resistance of the Group's forestry assets.
Chronic **Changes in climate reduce the product lifecycle and durability of key products** **Link to Strategic Priority:** **Horizon:** Long-term	Changing climate patterns such as changes in mean temperature, precipitation, humidity or increased incidence of drought may affect product lifecycle and durability of the Company's key products. This could ultimately lead to loss of customer revenue, require changes to production, lead to increased transportation or storage costs, further product development and research and development costs. **Mitigation:** • SKG has an active research and development strategy that reviews the performance requirements of its packaging to meet the demands of its customers' supply-chains and how different environmental conditions could impact this performance. • Proprietary tools such as SupplySmart are used to ensure SKG's products meet or exceed the supply chain requirements of its customers. • Product characteristics are considered in SKG's design process, matching this to customer requirements and their respective supply chain challenges. • SKG employs a customer-led approach to understand the needs and requirements necessary to provide a sustainable, fit-for-purpose packaging solution. • Through continuous research and development in its products, the Group aims to continuously improve the durability and lifecycle of its products with innovation and research programmes.
Transition Risks	
Market **Reduced energy grid stability/power outages creating outages impacting product delivery** **Link to Strategic Priority:** **Horizon:** Medium to Long-term	Governmental regulatory decisions on alternative energy sources, prioritisation of energy security and/or lack of government investment in critical infrastructure could impact SKG operations. As a result, power-outages could cause issues with the effective running of its operations. These events could create business interruption or losses, supply continuity issues, risk of contract breaches, impact on plant maintenance costs and increased manufacturing costs. **Mitigation:** • SKG is focused on investing in new energy sources, energy reduction, and on the efficient generation of energy on site to avoid the potential impact of future interruption of the energy grid and resulting power outages. • SKG has increased its energy independence through on site generation and a broadening of its green energy sourcing. • Continuous investment in lower emissions technologies. • Review and trial of alternative low carbon energy sources. • Processes in place to evaluate individual plants' grid risks and identify back up options for locations at higher risks of energy interruptions.
Policy and Legal **External infrastructure and energy transition planning resulting in increased costs and requiring strategic capital investment** **Link to Strategic Priority:** **Horizon:** Long-term	The availability of low carbon and reliable energy sources for energy intensive assets such as paper mills, along with National Governments' policies and investment in clean energy, or lack thereof, could impact the continuity of production, increase costs of energy sources and require extensive investment to ensure key assets have reliable, clean energy sources. **Mitigation:** • SKG has strategic planning in place to assist the Group in ensuring that its energy needs are met without interruption to its services and at optimal cost. • The SKG operational excellence team focuses on innovations that reduce energy consumption and materials while also seeking solutions such as 'in plant' energy generation. • SKG regularly monitors the regulatory and policy trends in the countries where it operates to identify changes in the regulatory environment that could adversely affect SKG's energy requirements. • The Group applies hedging of energy as appropriate to avoid energy price fluctuations. • SKG continually reviews, investigates and trials alternative, lower carbon energy sources.

Key to Strategic Priorities

Market Position | Partner of Choice | Operational Excellence | Investment in People | Capital Allocation

Risk/ Opportunity Type and Description | **Our Response**

Opportunities

Resilience/ Resource Efficiency

Using the Group's strong sustainability credentials to promote SKG as an innovative, sustainable, future focused organisation to attract new talent and retain existing talent

Link to Strategic Priority:

The role of SKG as a sector leader in the packaging industry and in sustainability practices could be further promoted to attract new and retain existing talent.

Action to Maximise:

- Further promotion of SKG's positive action in moving towards a low carbon, circular economy.
- Further development of the communication strategy of the Group's sustainability credentials and story.
- Increased collaboration with research institutions such as universities and think tanks can further increase the visibility of SKG as a leader in innovation and high-tech practices and in turn, an attractive place to work to attract the best talent.

Markets

Identify and target new global markets based on sustainability focus and scale

Link to Strategic Priority:

SKG has the potential to use its position as a global leader in sustainable packaging solutions to identify new markets that are transitioning to more demanding sustainable packaging requirements driven by the consumer and/or regulation. This is grounded in SKG's strategic objective of expanding its market presence in Europe and the Americas through selective and focused growth and could provide both revenue and margin opportunities.

Action to Maximise:

- Continue disciplined approach to consideration of possible acquisitions, investments and other opportunities.
- SKG has the potential to use its global scale and ability to leverage best practice across its value chain.
- Through its selective and focused growth the Group has the opportunity to develop and enhance its profile in new markets which can further attract new talent to SKG.

Resource Efficiency

Use SKG's integrated model to generate further control and efficiencies in the sourcing and consumption of energy, raw materials, operating costs

Link to Strategic Priority:

SKG's integrated model could be used to further increase efficiencies in energy consumption, use of raw materials, logistics and overall operating costs.

Action to Maximise:

- Through further integration of existing technologies and SKG intellectual property, the Group could develop new techniques and practices that would further enhance its operational performance.
- SKG could further reduce its costs while increasing its position as an industry leader and innovator by increasing resource efficiency throughout its operations.
- Maintain investment in research and development, process optimisation and product innovation.

Energy Source

Making decisions on future acquisitions or capital investments dependent upon reliable sustainable energy supply

Link to Strategic Priority:

Climate change transition towards cleaner and renewable energy presents SKG with the opportunity to focus the development and acquisition of Paper Mills and other energy intensive assets on the availability of reliable, sustainable energy. By accessing alternative low-cost sources of sustainable energy, SKG could increase its energy and asset resilience while ensuring continuity and reducing costs for its main assets. This would de-risk climate transition risks linked to energy but would also contribute to the Group's sustainability goals.

Action to Maximise:

- Continue to consider local government policy on renewable energy and low carbon technology when considering acquisitions and internal investment.
- Explore retro-fitting opportunities on existing assets.
- Continued focus on clean and reliable energy supply to support the wider sustainability strategy of SKG.

Our Sustainability Priorities

	Forest	Climate Change	Water
PRIORITIES	Promoting sustainable forest management involves managing supplies of sustainable, renewable fibre, while protecting ecosystems and creating employment in rural areas. Virgin wood fibres will always be needed for paper production to maintain quality. Fibre can be recycled around eight times when producing our paper-based packaging products. It is why using renewable wood fibre, paper recovery and fibre recycling is at the core of our circular economy approach. Furthermore, as our stakeholders, customers and investors expect, we communicate our impact in a transparent way.	Climate change is the most pressing issue of our time. To counter rising global temperatures, carbon neutrality by mid-century is vital. Paper making with current available technology is still energy intensive. We are achieving CO_2 emission reductions by improving our energy efficiency, as well as by changing from fossil fuels to bio-based energy wherever economically viable.	Clean fresh water is an increasingly scarce commodity, and often cited by our stakeholders as an important sustainability issue. We need large volumes of fresh water to produce our products, and even though we are not a large consumer of water – we release over 90% of the water we take in back to the environment – availability of fresh water is still essential to us.
RISKS AND OPPORTUNITIES	As growing consumption increases pressure on resources, society places increased value on sustainable consumption and production, integrity of origin, recycling and avoiding litter and packaging waste. Fit-for-purpose packaging has never been more important. We are implementing forest certification and Chain of Custody certification to guarantee origin traceability. Using both recycled and virgin fibres in production, we intend to use this opportunity to deliver fit-for-purpose packaging with the best overall environmental footprint for each product.	Climate change poses different risks and opportunities within the value chain. Risks vary from extreme weather affecting our sites, to increasing costs for the emission of CO_2 and pressure on availability of raw materials. The circular economy is also an opportunity for our business as we seek to use resources efficiently. We are also investing in technology to reduce our energy demands. Finally, we are improving resource and energy efficiency when producing paper products and optimising the use of raw material residual streams, such as black liquor, in bioenergy production.	Our global assessment shows that only 12% of our paper production takes place in areas of fresh water scarcity, representing 3% of our water intake. The discharge of our water before or after treatment can be a valuable input for some of our neighbours' processes. To help ensure that our water use is correctly understood, we became a signatory to the CEO Water Mandate, and strive to understand local water related risks and needs so we can address them as and if they arise.
OUR COMMITMENT	At Smurfit Kappa we have committed to promoting sustainable forest management at our sites and throughout our value chain. This means producing and sourcing our fibres, virgin or recycled, as Chain of Custody Certified. We have committed to delivering over 95% of our packaging solutions sold as Chain of Custody certified to customers by 2025. In 2021, we reached a level of 93.45%.	Our approach to the challenges of climate change and energy efficiency sets out to achieve more energy efficient production at our sites, lower energy use in manufacturing and a switch from fossil fuels to biofuels wherever feasible. Our success is measured by our reduction in CO_2 emissions – we have targeted to reach net zero carbon emissions by 2050 and we have committed to a 55% reduction in scope 1 and 2 fossil fuels based on CO_2 emissions in our mill system compared to 2005 levels by 2030. In 2021, we reached a 41.3% reduction in the specific CO_2 emissions per tonne of paper produced compared to 2005.	Our focus is on the long-term improvement of the quality of water we discharge, and understanding the risks associated with water availability and its use in the areas where we operate. To increase our global and local impact, we will continue to invest in water treatment facilities and require the same standards from all our paper mills, regardless of their location. In 2020, next to our existing target to reduce our COD discharge intensity by 60% by 2025 compared to 2005, we also introduced an annual water intake reduction target of 1% annually.

Waste	People: Employee Strategy	People: Health and Safety	People: Communities
Increasing scarcity of resources demands responsible production and consumption. Avoidance of waste is a key issue for our stakeholders and customers. Our products are specifically designed to prevent loss and damage to the goods they protect. Our process itself is circular by nature. The fibres our products are made from are renewable, recyclable, recycled and biodegradable. 75% of our raw material is derived from recycled fibre and the remainder is from sustainable sources. Our production process itself generates almost no waste.	Smurfit Kappa unites some 48,000 people around the globe, our people are at the heart of all our operations. This includes those for whom we directly and indirectly create jobs, as well as those whose lives we impact. We can only achieve sustainable long-term success by relying on our people's talent, expertise and innovation.	Our stakeholders expect us to provide a safe and healthy working environment and promote a healthy and safe lifestyle. We are committed to maintaining a safe and productive workplace in every part of our Company by minimising the risk of accidents, injury and exposure to health hazards for everyone on our sites.	Our impact is not only on the people we work with. Our responsibilities extend beyond, to supporting local economies and livelihoods, especially in areas with limited opportunities for work and where we are significant employers.
Avoiding packaging waste by simply focusing on packaging weight might be seen as a quick way to decrease landfill. This, however, can lead to more waste resulting from greater damage to goods or poor material choices. We see an opportunity to create fit-for-purpose, sustainable packaging with mono-material solutions designed for optimal performance and recyclability. We are also working with the recycling and paper producing industries to keep our raw materials in the recycling loop.	A key challenge is attracting the right talent to ensure succession planning and leadership continuity, particularly for sites in rural locations, where the education needed may not be provided. Obstacles include low awareness of our business-to-business brand. This makes it even more important to gain recognition for our efforts in all aspects of sustainability: environmental responsibility, human rights, equal opportunities and fair pay – all important elements in the opportunity of being seen as a responsible, attractive employer for the best talent.	As an industrial business operating in 36 countries, we are responsible for the health and safety of a large number of people. Our size creates a challenge to maintain the same standards for all. At Smurfit Kappa we believe that health and safety extends from work to home, creating an opportunity to be acknowledged as a responsible employer. We engage our employees with policies and procedures to deliver, innovate and produce in a safe environment.	We see ourselves as a 'corporate citizen' in the communities in which we're privileged to operate. All around the world we actively support positive and lasting changes. If we were not concerned about our locations, we would risk damaging our license to operate. By supporting local education, income generation, collaboration and participation, we can strengthen communities and keep them attractive to our future workforce. The opportunity is to participate in communities, making it attractive for the best talent to join us.
We have a strong focus on innovation. Our Better Planet Packaging initiative drives new efficiency solutions for our raw materials while keeping them in the recycling loop. We also work towards the increased recovery of any waste delivered to us when recycling recycled fibre, ultimately to avoid landfill with a target to have 30% less waste to landfill by 2025, compared to the reference year 2013.	We want to empower all employees to reach our business objectives. We therefore: • Offer employees at all levels the chance to broaden their skillsets and knowledge, fulfil their potential and improve their career prospects; • Stimulate and encourage employee engagement through regular, company-wide surveys and follow-up; • Compensate fairly, review performance regularly and offer gender neutral career opportunities and pay; and • Maintain a good faith 'Whistleblower Code' for reporting any unethical or illegal conduct.	We are committed to maintaining a productive and safe workplace by minimising the risk of accidents, injury and exposure to health hazards for every employee and all sub-contractors. To measure our success, we committed to reducing our TRIR by 5% annually. In 2021 we reached a level of 0.59, a 1.7% improvement compared to 2020. Whilst our year-on-year improvement did not meet our 5% target, we were pleased that we were able to improve on what was a significant step change in performance in 2020.	Across Smurfit Kappa we are committed to the communities in which we operate, and our Foundation empowers people to improve their lives. Where the cycle of poverty and dependence is an issue, we aim to help end this, strengthening communities around the world. Between 2020 and 2025 we will donate over €24 million to support social environmental and community initiatives. As a responsible business, we support global human rights and labour standards, and check that our suppliers do too. We are committed to ethical business standards; we work against corruption in all its forms, including extortion and bribery (see Code of Conduct on the Group's website, smurfitkappa.com).

A year of growth, and incredible stories

If 2020 was about adapting to the extraordinary, 2021 was about managing, mitigating and normalising the disruption that COVID-19 has caused our people and our business.

As we continued to navigate a second year of this pandemic together, it was the agility, adaptability and resilience of our people that stood out. They have proved again and again to be our most valuable asset in our response to COVID-19, and as a critical partner in supporting and delivering for all our stakeholders. Our leaders across the business could not be prouder of their continued efforts, contribution and commitment.

Across the year, through our acquisitions we have on-boarded just over 1,000 new colleagues, that we welcome to the Smurfit Kappa family. We continued our support of all our employees during 2021 and into 2022 with a strong focus on health and wellbeing, employee engagement and communications, reward and recognition, and learning and development initiatives.

Our Employee Assistance Programme was rolled-out globally, supported by mental health and wellness programmes, and we also focused on engaging and motivating our people, by actively listening and seeking out their opinions. We know that by taking care of our people, our people will take care of our business.

In May, we conducted our MyVoice group-wide employee engagement survey. It was 100% digital for the first time, and attracted the highest participation rate of any of our surveys to date. I am also very pleased to report a global engagement rate increase of 13 percentage points, providing a positive endorsement of the people centric culture in Smurfit Kappa and our overall people focus.

Going above and beyond – our communities and our customers relied on us as a critical partner to ensure food, beverages, medical devices and key raw material supply chains were maintained, making it essential for us to keep all of our factories and centres operating. We are grateful to the 48,000 people within the company who made this happen, and who did so with purpose, resilience and a safety-always mindset.

To help support our business growth during 2021, we continued to focus our HR strategy and initiatives under our four key pillars: Employee Experience for Performance; Inclusion, Diversity and Equality; People Development and Talent Management; and Rewards and Recognition. These pillars are underpinned by our HR Foundations, all coming together to ensure our people feel safe, fully supported and connected to each other and to the business. This allowed us to protect and embed our unique Smurfit Kappa culture and our values of Safety, Loyalty, Integrity and Respect.

During 2021, we also set a number of new sustainability targets under our Better Planet 2050 commitments. As part of our commitment to driving Inclusion, Diversity and Equality within Smurfit Kappa we are striving to create a diverse workplace and ensure that female gender representation across the Group is above 30%. We are also committed to 25% of our female workforce holding management positions by 2024.

Across the world many organisations are beginning to imagine the future of work through a different lens. Being more agile in our approach is just one example of how we are working in new and better ways to become more flexible and relevant for the future.

Our Smurfit Kappa Academy has embraced this approach and is now providing global online learning programmes, not only to enable our people to upskill for the future, but also helping them prepare for the changing landscape of work.

The COVID-19 pandemic has changed the world and its effects will last. The most painful aspect to reflect on, is that the pandemic has resulted in the loss of a number of Smurfit Kappa colleagues across the world. Our thoughts go out to their families, colleagues and friends, and indeed to all those whose lives have been impacted so tragically by this terrible disease.

Throughout the sadness and the many challenges, our teams have achieved so much this year, and the stories and case studies in the people section of this 2021 Annual Report will demonstrate the growth and achievement of all.

Sharon Whitehead
Group Vice President
Human Resources
Smurfit Kappa Group

> *"It was the agility, adaptability and resilience of our people that stood out. They have proved again and again to be our most valuable asset."*

Our People Strategy 2020-2023

Employee Experience for Performance

Our Ambition: To create a continuous two-way dialogue, to ensure our people understand our strategy and the role they play in its delivery and to inspire them to perform at their best every day.

See **page 66** for more details

Inclusion, Diversity and Equality

Our Ambition: To create an inclusive workplace where each one of us feels included, supported and respected in our daily work.

See **page 68** for more details

People Development and Talent Management

Our Ambition: To help our people grow their careers and deliver on their potential, so we can realise our ambition for them and the organisation, as we move forward.

See **page 70** for more details

Rewards and Recognition

Our Ambition: We aim to attract, retain and recognise our employees, through competitive work practices. Making sure that people are not just appropriately rewarded from a monetary perspective, but also see their achievements recognised and valued in the workplace.

See **page 72** for more details

Five Foundations of our HR Strategy

Safety and Wellbeing | Legal Framework | Employee Relations | HR Information Systems | Internal Communications

See **pages 74 to 75** for more details

Employee Experience for Performance

Our focus: Staying connected with our people to ensure they felt safe, supported and part of the strong global SKG community. We also ensured all our communications were delivered with a clear voice, while providing the opportunity for open two-way dialogue and employee feedback.

Tony Smurfit, Group Chief Executive Officer addresses his team at the Smurfit Kappa global virtual leadership conference in February 2021.

As the pandemic entered its second year, we continued our work around employee engagement and communications. Our emphasis was on ensuring our people continued to feel supported, recognised and valued for the role they played during 2021 in our organisation's overall performance and success.

Our COVID-19 communications continued, led from the top by our Group and Regional Executive Committees. Colleagues were encouraged to use the available tools and safety protocols to re-double their efforts to suppress and stop the spread of COVID-19, while being encouraged and supported to be vaccinated as soon as the opportunity arose.

We also instilled a sense of pride, and helped employees to get great satisfaction from the crucial role they were playing in keeping the world's supply chains moving. The work they were doing every day was ensuring that vital food, sanitation and medical supplies, so important in the fight against COVID-19, arrived safely and on time in the many communities where we operate.

To continue to measure employee sentiment and engage with our teams, we also hosted our third global engagement survey. MyVoice 2021 took place from the 6th-25th May and was our first 100% digital survey, attracting our biggest number of participants ever. It provided a direct feedback opportunity for all employees, with almost 42,000 comments captured and reviewed. (See case study on page 67 for further details).

February 2021 also saw us host our first global virtual leadership conference. It brought together over 500 of our leadership team members from across the organisation, providing us with the opportunity to build deep connections and issue a compelling call around our key theme of Creating Our Future, Together.

Our hybrid and agile ways of working also continued to evolve, with our SKG MyWork initiative. This has allowed us to take forward the efficient ways of working we discovered during COVID-19, while we continued throughout the year to invest in collaboration tools and technology to help our people be successful, connected and deliver.

Across the year we have also evolved our EveryOne, Inclusion, Diversity and Equality programme, and through the communications channels available to us, we have now launched it across the organisation. Further details on this evolution can be seen on the following pages.

During 2021, we worked hard to build on the engagement levels we reported during 2020. We have interacted with our people on an ongoing basis to gain insight into what is important to them and to ensure we are continuing on our journey together to be a globally admired employer of choice.

CASE STUDY

MyVoice Global Engagement Survey 2021

At Smurfit Kappa, we know it is our people who drive us forward and are the beating heart of our business. Their feedback and engagement is important to us, we value the voices of our employees.

In May 2021, over a three-week period, we hosted our third global employee engagement survey, which took a 100% digital approach. It was our most successful and engaging survey to date, with all key indicators showing upward momentum.

For example, we had our highest number of participants ever at 83%, and they provided us with over 42,000 pieces of direct feedback, demonstrating just how much our people want to contribute and to be heard.

However, the most welcome advance since our last full global survey in 2017, was the 13 percentage point growth in our overall engagement score, which is ahead of the external industrial sector average. This was further supported by very strong engagement levels among our top-level executives, leaders and managers, while there also was no substantial differences in engagement between gender and age groups. This supports our approach of focusing on all our diverse talent across the business.

2021
MyVoice

13
percentage point increase in our overall engagement score

83%
MyVoice employee participation in 2021

Inclusion, Diversity and Equality

Our focus: To further evolve our Inclusion, Diversity and Equality programme 'EveryOne' across Smurfit Kappa and to also deliver the gender commitments we pledged as part of our Better Planet 2050 sustainability targets.

Smurfit Kappa is a truly diverse organisation. Our SKG family includes 48,000 colleagues, across more than 350 sites in 36 countries, speaking over 21 different languages and within a range of six generations. It is our intention to focus on these differences through our Inclusion, Diversity and Equality programme and bring our activities together under our newly evolved EveryOne programme. This will ensure we not only celebrate but elevate the differences we all bring to Smurfit Kappa.

With our lived values of Safety, Loyalty, Integrity and Respect – we are striving to create an inclusive work environment where all individuals can simply be themselves and contribute, free from discrimination or harassment, and where all decisions are based on merit. It is our commitment not to discriminate against colleagues or candidates on the basis of age, disability, faith, gender, sexual orientation or gender identity, marital or civil partnership, parental responsibilities or race (colour, ethnic or national origin, nationality).

Embracing and celebrating these differences is a core component of our EveryOne Inclusion, Diversity & Equality programme. EveryOne asks that we offer equal respect, support and opportunities to each other, in a safe environment, where we can challenge our assumptions, celebrate our differences and keep our minds open every day.

Over the past year we have evolved our Group EveryOne programme. We have created five diverse communities to drive our ambitions: Disability, Family & Age, Gender, LGBTQ+ & Allies and Origin, Race & Ethnicity.

Our six inclusive behaviours (Be Open, Ask, Respect, Appreciate, Learn and Listen) to promote inclusion in our daily interactions with colleagues have remained the same, as they are as relevant today as when they were first developed back in 2018.

To support the delivery of this evolved programme, earlier this year, we created an EveryOne Council, which is led by Tony Smurfit, our Group CEO, who is our Group Executive Sponsor. The Council comprises a number of executive sponsors, at Group Executive Committee level and regional community champions, at senior management level. The Council will be further supported by the Group VP of HR as the Chair, and the Group EveryOne Lead.

INTERNATIONAL MENSDAY November 19

CASE STUDY

International Men's Day

In a first for Smurfit Kappa, during November 2021 we celebrated International Men's Day, as part of our EveryOne programme of events led by our 'Gender' community. We encouraged our sites across the world to mark the contribution made by our male colleagues to the organisation, their families, communities and friends. In addition to recognising the positive male role models in our lives.

We also asked them to highlight the key issues affecting men such as higher rates of suicide, lower life expectancy, higher work accident rates and higher rates of cancer and heart disease.

Activities included many events around the world. Centrally we issued a message from our CEO and Group VP of HR, while we also hosted a global event involving men from across the company. The virtual event was a conversation where our panel spoke about times and experiences which had left them feeling vulnerable or uncomfortable. Each participant outlined and discussed how he had dealt with his situation, in the hope that it would help someone else.

Together, we are determined to deliver on our EveryOne Inclusion, Diversity and Equality ambitions for each of our five communities, while continuing to create an inclusive, supportive and respectful work environment at Smurfit Kappa.

During the year, across Smurfit Kappa, we worked together to celebrate a series of Inclusion, Diversity and Equality events including International Women's Day (March), Pride (June), World Mental Health Day (October), International Men's Day (November) and International Day of Disabled Persons (December). Celebrating these events internally helps us raise awareness of our equality programmes, while educating and inspiring everyone to focus and participate in our wider Inclusion, Diversity and Equality agenda.

As part of our Pride activity and to leave a lasting legacy of our commitment to our LGBTQ+ & Allies community, we signed the 'Declaration of Amsterdam'. The declaration states; 'All human beings are born free and equal in dignity and rights'. And these values should apply equally to LGBTQ+ people in their private lives and in working environments.

We also continued to make progress in the area of gender diversity within our organisation. Earlier this year, as part of our 'Better Planet 2050' commitments, we stated our ambitions to ensure female gender representation is above 30% across the organisation over time, with female colleagues holding 25% of management positions across the Group by 2024.

Currently female employees represent 20% of our total workforce, while our manager population and Executive Committee female representation is increasing. At Board level, female representation is now at 33%, with our Group Executive Committee at 31%, demonstrating progress on our journey to a better gender balance and delivering on our commitments as part of the '30% Club'.

During the year, we continued our work with our strategic Inclusion, Diversity and Equality partners, such as The Valuable 500, a global CEO community revolutionising disability inclusion, through business leadership and opportunity; the Trinity Centre for People with Intellectual Disability: the Employers Network for Equality and Inclusion, which is a leading global employer network promoting equality and inclusion in the workplace; and the 30% Club, a global campaign led by company Chairs and CEOs who are committed to taking action to increase gender diversity at board and senior management levels.

CASE STUDY

International Women's Day

On International Women's Day ('IWD') and as part of our EveryOne programme of events, we asked our sites and colleagues to celebrate the contribution that our female colleagues made to our organisation, to our families, have made and continue to make, to the world as a whole.

IWD as it is defined above is a global day celebrating the social, economic, cultural and political achievements of women. This year's IWD official campaign theme was 'Choose To Challenge', highlighting that from challenge comes change. We can all choose to challenge and call out gender bias and inequality, and we can also choose to seek out and celebrate women's achievements to help create a more inclusive world.

Activities included many events around the world. Centrally we issued a message from our CEO and Group VP of HR, we developed a full suite of collateral for use at our events across the organisation and we undertook a social media campaign supporting IWD.

We also hosted a Zoom event for our 2,000 leaders across Smurfit Kappa, which included internationally renowned speaker Caroline Casey. The event highlighted our Better Planet 2050 gender balance ambitions and discussed how as an organisation we can 'Choose to Challenge' gender bias to ensure we can all look forward to more balance in the world.

CASE STUDY

Free to be Me – Pride Celebrations

During the month of June we hosted a number of activities for Pride month, under our LGBTQ+ theme of 'Free to be Me'. Activities included the development of a complete suite of collateral at local and global level to educate, support and encourage participation of all employees in our various Pride activities.

At global level we hosted a Virtual Coffee Talk, with LGBTQ+ employees from the Americas and Europe sharing their story to inspire others, while we also partnered with Accenture to host a global call to raise awareness about LGBTQ+ communities and the role we could all play as Allies.

In addition to these activities and in order to provide a lasting commitment to our LGBTQ+ community, we also signed the 'Declaration of Amsterdam'. The declaration states; 'All human beings are born free and equal in dignity and rights'. And these values should apply equally to LGBTQ+ people in their private lives and in working environments'.

People Development and Talent Management

Our focus: Invest in all our people across Smurfit Kappa, and embed our talent planning to help create our next generation of talent for the Group. Pivot our people development programmes to an online approach to continue to offer virtual and hybrid learning opportunities across the organisation.

Over the past year, we have continued to focus on our talent agenda, to ensure we have the right people, in the right places and at the right stages of development to fill key positions as they arise. During the year, we progressed our strategic talent management initiatives to focus on open career conversations, ensuring that we help employees to plan for and understand their career ambitions. This approach to talent management has delivered many leaders for the organisation, who have built and grown successful careers over many years, with an average tenure of 18 years among this cohort. They added to their experience through a mix of internal and external learning and development programmes, as well as real-life and on-the-job training.

The Smurfit Kappa Academy is an important source of development for our people and therefore, it was crucially important for us to pivot our people development programmes in 2021 to an online offering. This ensured that we could continue to upskill and invest in our people. Our suite of Global Academy programmes including our Senior Leadership Development offering, our flagship Open Leadership Development programme in partnership with INSEAD, our Global Manager Programme for new plant, mill and functional managers, our Advanced Management Development programme, which develops our leaders of the future and our Graduate Workshop, which brings together graduates from across the Group, all pivoted to an online experience in 2021. In Europe, we also launched a newly designed Graduate Development programme to build the capability of these high potential talents in the region, mirroring a similar programme in the Americas region.

In total 324 employees participated in one of six group programmes run in 2021, including 10% of our senior global management community. This added up to the delivery of 5,623 training hours or an average of 17.35 hours per person.

The work done at a Group level is just a snapshot of the activity that has been done to support the development of all of our people over the past year, as many other training and development programmes take place at regional, country and site level. These programmes delivered an average of 18.6 hours of career development for each of our permanent members of our workforce.

324
Participants in our 2021 training programmes

Development and Training
18.6hrs
average per permanent employee in 2021

CASE STUDY

General Managers Programme ('GMP') – An innovative Approach to Learning

GMP 2021 was our first SKG Academy programme to run 100% virtually, and created the template for all other programmes in 2021. Our innovative approach to designing this programme unlocked the opportunity to make it an unforgettable experience. We designed and rolled out a ground-breaking social learning journey around scheduled live events featuring MS Teams content releases and contributions from participants. Our social media-style interaction gave learners ways to participate every day and connected with the live sessions to form a single narrative thread.

While nothing can replace the connections built during in-person experiences, we learnt that with a little effort and ingenuity we could create an impactful learning experience online.

CASE STUDY

MyVoice Female Focus Group

Listening to the voice of our employees is crucial to ensure we continue to evolve our employee experience. In particular it's important to hear perspectives from different groups about their experience as an SK employee. In November 2021, we hosted a focus group with 25 women from across the group to hear about what it's like to work in Smurfit Kappa. They were joined by Non-executive Directors from our Board's Sustainability Committee, Group CEO, and Group Vice President of HR.

In an open and honest discussion we were pleased to hear that the participants have seen significant improvement in their employee experience over the years. They shared the difference that supportive and progressive managers have had on their ability to do their work, while fulfilling their life commitments and on how they impacted their personal belief in their ability to take on more senior roles. They also shared with us some recommendations to further improve the female experience in Smurfit Kappa, including a female mentoring programme and leveraging the learning from the pandemic to fully embrace hybrid working with choice and trust. A full report from the session, including the full list of recommendations, has been shared with the Group Executive Committee, the Gender Community Leadership Team and the Smurfit Kappa Board and will be used to influence further action to support our gender balance goals and the improvement of our employee experience for our entire workforce. We will also continue to create forums for all levels of female employees to give us feedback on their SKG experience.

Rewards and Recognition

Our focus: Further develop our Rewards and Recognition approach to ensure fair and competitive benefits for all, and to position SKG as an employer of choice that can attract and retain top talent.

Our key objectives for our Rewards Policy are to:

1. Create a framework to enable the Group to attract and retain talented employees;
2. Motivate employees at every level of the organisation to achieve the Group's strategic objectives; and
3. Provide competitive rewards and benefits that are clearly linked to performance.

In 2021 we continued to review our approach to Rewards and Recognition, with this work continuing into 2022. Our aim is to ensure we have a fair and competitive package of compensation benefits in place, which compares favourably with the market, and a rewards philosophy that attracts and retains key talent.

We recognise how critical it is for employees to be appreciated at work, because it confirms that both they and their work are valued. It is also critical that our Reward and Recognition programmes are clearly aligned with pay for performance, so our people can see a clear link to their compensation package when they perform above and beyond what is expected.

In setting our reward packages, Smurfit Kappa takes into consideration the employee's performance, external benchmark data for their role in companies of similar size and scope, while also ensuring internal equity within the Group.

As an organisation, we are committed to gender pay equality and we continue to proactively monitor the pay of male and female colleagues, in similar roles to ensure it is comparable. For example, under UK legislation employers with more than 250 employees are required to publish key metrics on their gender pay gap. Our UK business has published their figures which shows an improvement over the last few years.

In addition, the Gender Pay Gap Information Act was signed into law in Ireland in July 2021 and in advance of mandatory gender pay gap reporting in Ireland which is expected to be introduced in 2022 for companies with more than 250 employees. We are working with advisors to calculate and understand our Irish Pay Gap.

The Group is also very focused on ensuring that positive employee and trade/labour union relations are maintained to the highest of standards, so we can ensure fair and sustainable Collective Labour Agreements.

Diversity of the Executive Team

We take part in the FTSE Women Leaders Review (formerly the Hampton-Alexander Review) which sets out recommendations for FTSE 350 companies to improve the representation of women both on their executive committee and the direct reports to this committee. The Hampton-Alexander Review set a target of 33 percent female representation on FTSE 350 boards by 2020.

The 2021 report was published in February 2022 and represents women on Boards as of 10 January 2022, and senior management as at 31 October 2021. Our position at that date is outlined on the diagram to the right:

Gender Diversity

Our gender split is also outlined on the charts to the right:

33.3%
Women on SKG plc Board

31.6%
Female Executive Committee and direct reports

Board of Directors (Gender split out of 12)

Male 8
Female 4

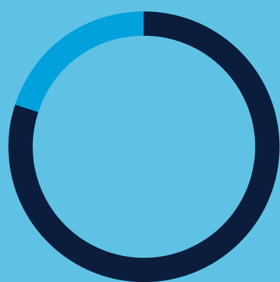
Executive Committee (Gender split out of 13)

Male 9
Female 4

Senior Management (Gender split)

Male 68%
Female 32%

Total Permanent Employees (Gender split)



Male 80%
Female 20%

The Foundations of our HR Strategy

Underpinning our four HR strategic pillars are the five fundamentals of our HR strategy:

Our Safety and Wellbeing Focus

Our vision: To operate with Health, Safety and Wellbeing as core values, while creating a secure and open work environment for our employees, so that everyone feels supported and goes home safe every day.

The Health, Safety and Wellbeing of our teams across the world is and will always be at the core of how Smurfit Kappa operates. It is part of our culture and cemented into our organisational values of; Safety, Loyalty, Integrity and Respect. We strive to ensure that every day, each of our Smurfit Kappa employees return home safely to their family.

Our health and safety culture is founded on authenticity, empowerment and accountability, with our attention focused around our six high-risk areas, as depicted in the above graphic.

At the heart of our health and safety approach is our 'Safety for Life' programme. This was extended in 2021 to include 'Wellbeing for Life', which aimed to bring a more holistic approach to our H&S focus and methods, which was and still is crucial in order to support our people through these difficult times. This programme is all about helping our colleagues to build resilience and ensure they look after their mental health, as well as their physical, social and financial wellbeing. Please see our case study to the right.

In addition to our 'Wellbeing for Life' programme, across all our sites and plants we continued to reinforce our robust COVID-19 control measures, ensuring all colleagues remained as safe as possible and that our operations were able to deliver essential supplies to our customers.

We continually strive to improve our approach to Health and Safety, and are firmly of the belief that 'what gets measured gets done'. Therefore, for the first time in May 2021, we took the opportunity to have our annual H&S survey included and integrated into MyVoice, our global employee engagement survey.

Overall feedback from our employees to our H&S questions, ranked between 70-90%, while we also received over 10,000 ideas and suggestions from across the organisation with further opportunities to focus on.

One of the most important achievements of our Health & Safety programme this year is the continued positive performance of our TRIR trends. At the end of 2021 we have improved by over 50% versus our base line in 2017.

However, sadly we had one subcontractor fatality in 2021, but we will not rest until we deliver zero incidents on an ongoing basis.

Equally, we recognise that it is not just about counting incidents, and increasingly our focus is on the actions we know will reduce the numbers of injuries; for example, having safety conversations, recognising strong safety performance and further controlling potential risks within our operations. We continued with our strong audit programme in 2021, and also continued to build on our good governance model.

CASE STUDY

Safety for Life Extends to 'Wellbeing for Life'

The Health, Safety and Wellbeing of our people is of the utmost importance to us and is one of our core values; Safety, Loyalty, Integrity and Respect. Over the past year with COVID-19 still constantly on our minds, our commitment to Health, Safety and Wellbeing has never been more in focus.

As part of World Day for Safety and Health at Work on 28 April, we launched Wellbeing for Life, a new initiative that sits within our Safety for Life programme. Wellbeing for Life specifically focuses on the mental, physical, social, and financial wellbeing of our people. It focuses on understanding, supporting and improving wellbeing while calling on employees to: be active; be connected; be supported; be fulfilled; and be together. Thereby touching all four of our pillars of wellbeing; social, mental, physical and financial wellbeing.

It was supported by a booklet, which was sent to all employees, to explain more about 'Wellbeing for Life', while offering some simple steps that could help improve physical, social, financial and mental wellbeing. It also served as a reminder to employees about our Employee Assistance Programme, which offers free and confidential support to help them and their families cope with any concerns or challenges they might have.

In addition to our focus on Health and Safety, as part of our global HR strategy and priorities, we have been preparing to launch a new Group wide HR information system, which will bring many benefits to the organisation, as you can see in our case study below.

We have also continued to challenge and improve the effectiveness of our internal communications, ensuring we communicate directly with our colleagues at site level, particularly with business critical, H&S and COVID-19 initiatives.

Finally, we have also been continuing to educate colleagues about our Speak Up service. It was launched in December 2019 in order to guarantee a confidential employee process for issues or matters that align with the three underlying principles of Smurfit Kappa's Code of Conduct; Compliance with the law, ethical behaviour and a commitment to quality and service.

It allows all stakeholders to easily and confidentially report any issue or instance of wrongdoing, with the service available 24/7/365, guaranteeing user confidentiality and/or anonymity, as well as assurance of non-retaliation.

In the two years since its inception, we are pleased to see increasing awareness of our Speak Up system in the countries where we operate. Our people understand that it is 'ok' to speak up and that is what we encourage.

Our objective for the system is to ensure that in every site, each of our employees is aware of our Code of Conduct and Speak Up services in order to promote a transparent and trustworthy workplace.

Every case reported to Speak Up services is carefully processed and analysed, against a set of basic criteria that help us decide if corrective action is required to mitigate further risks.

Smurfit Kappa Speak UP

CASE STUDY

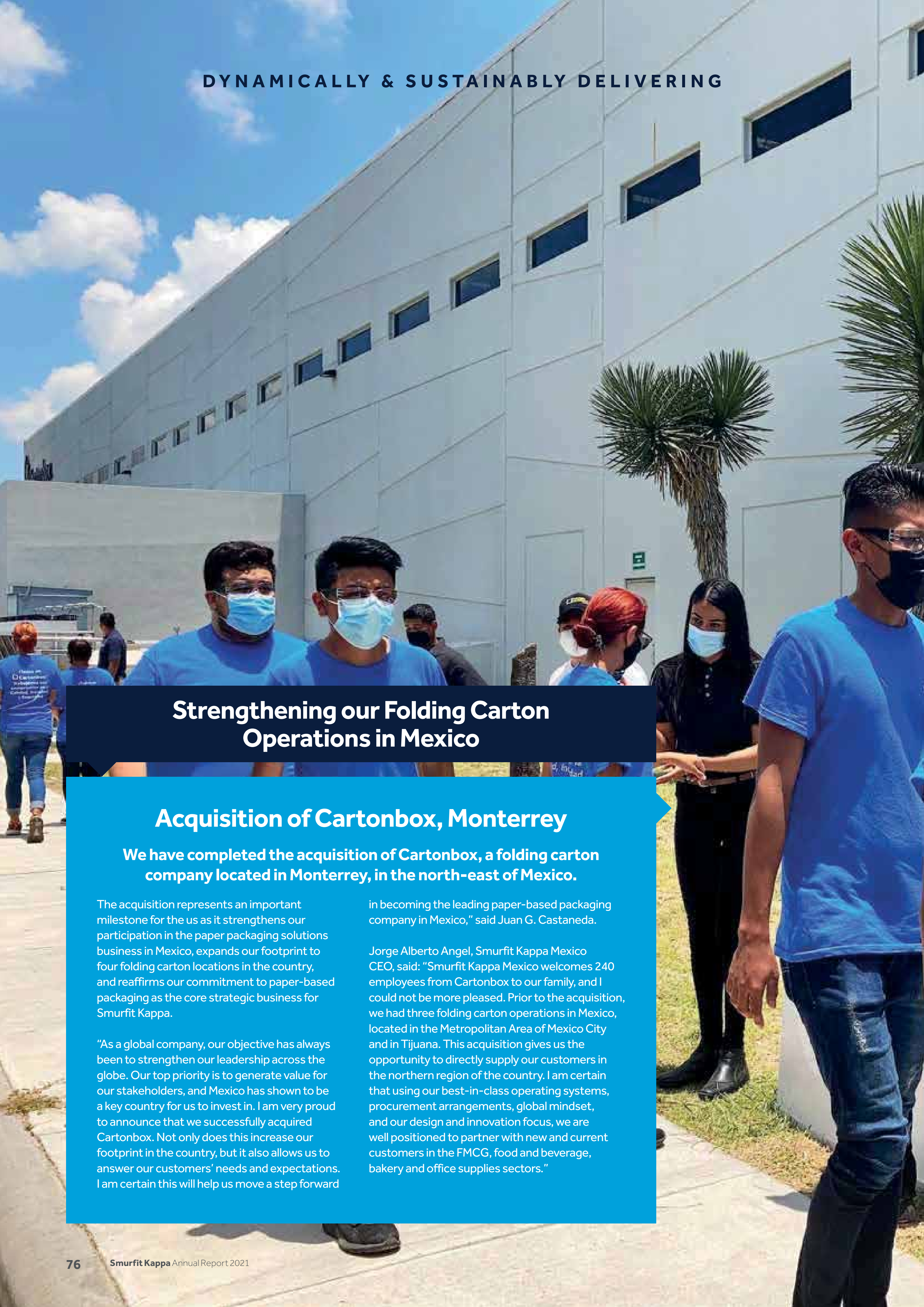
MyHub – Embracing a Digital HR Future

As part of our global HR strategy and priorities, during 2021 we have been preparing to design and launch a new Group wide HR information system for Smurfit Kappa.

We are designing a process to enhance our overall employee experience that will empower our managers to manage and plan for performance, talent, compensation, engagement and learning. It will also give our employees autonomy over their working experience, enabling them to shape their employment experience no matter where they are in their career journey.

Superior data reporting will now be available, while standardised dashboards and KPIs will enable us to make data driven decisions for the benefit of all our stakeholders.

Our ultimate goal is to deliver excellent HR services that drive the right behaviours in our business and deliver an excellent employee experience. This new platform will continue to allow the HR team to pursue its enablement of the business.



Strengthening our Folding Carton Operations in Mexico

Acquisition of Cartonbox, Monterrey

We have completed the acquisition of Cartonbox, a folding carton company located in Monterrey, in the north-east of Mexico.

The acquisition represents an important milestone for the us as it strengthens our participation in the paper packaging solutions business in Mexico, expands our footprint to four folding carton locations in the country, and reaffirms our commitment to paper-based packaging as the core strategic business for Smurfit Kappa.

"As a global company, our objective has always been to strengthen our leadership across the globe. Our top priority is to generate value for our stakeholders, and Mexico has shown to be a key country for us to invest in. I am very proud to announce that we successfully acquired Cartonbox. Not only does this increase our footprint in the country, but it also allows us to answer our customers' needs and expectations. I am certain this will help us move a step forward in becoming the leading paper-based packaging company in Mexico," said Juan G. Castaneda.

Jorge Alberto Angel, Smurfit Kappa Mexico CEO, said: "Smurfit Kappa Mexico welcomes 240 employees from Cartonbox to our family, and I could not be more pleased. Prior to the acquisition, we had three folding carton operations in Mexico, located in the Metropolitan Area of Mexico City and in Tijuana. This acquisition gives us the opportunity to directly supply our customers in the northern region of the country. I am certain that using our best-in-class operating systems, procurement arrangements, global mindset, and our design and innovation focus, we are well positioned to partner with new and current customers in the FMCG, food and beverage, bakery and office supplies sectors."

Governance

Governance 76-117

		
Irial Finan Non-executive Chair	**Anthony Smurfit** Group Chief Executive Officer	**Ken Bowles** Group Chief Financial Officer
Nationality: Irish	Nationality: Irish	Nationality: Irish
Term of office Irial Finan joined the Board in February 2012. He was appointed Chair in May 2019.	Anthony Smurfit has served as a Director of the Group since 1989* and was appointed Group Chief Executive Officer in September 2015.	Ken Bowles was appointed Group Chief Financial Officer in April 2016 and was appointed a Director in December 2016.
Independent Yes**	No	No
Committee membership		
Biography Irial Finan joined the Board in February 2012. He was appointed Chair in May 2019. He was Executive Vice President of The Coca-Cola Company and President of the Bottling Investments Group from 2004 until he stepped down from the role in December 2017 and retired in March 2018. Prior to this Irial served as Chief Executive Officer of Coca-Cola Hellenic Bottling Company SA. He joined the Coca-Cola System in 1981. He also serves on the Boards of Coca-Cola Bottlers Japan Holdings Inc. and Fortune Brands Home & Security, Inc.	Anthony Smurfit has worked in various parts of the Smurfit Kappa Group both in Europe and the United States since he joined the Group. He was appointed Group Chief Executive Officer in September 2015, prior to which he was the Group Chief Operations Officer from November 2002. He was also Chief Executive of Smurfit Europe from October 1999 to 2002 prior to which he was Deputy Chief Executive of Smurfit Europe and previously Chief Executive Officer of Smurfit France. He is a board member of CEPI (Confederation of European Paper Industries), and is also a member of the European Round Table of Industrialists.	Ken Bowles joined the Group in 1994 and has occupied a number of finance roles in various parts of the Group. He was appointed Group Chief Financial Officer in April 2016, prior to which he was the Group Financial Controller from 2010. He was the Group's Head of Tax from 2007 to 2010 prior to which he was appointed as the Group's first Head of Compliance in 2004. He is an associate member of the Institute of Chartered Management Accountants and holds a first class MBA from the UCD Graduate School of Business.

* For Smurfit Kappa Group plc or its predecessor companies, SKG returned to Euronext Dublin and LSE on its IPO in March 2007.
** On his appointment as Chair in May 2019 Irial Finan was independent.

Board Committees

Audit | Remuneration | Nomination | Sustainability | Chair Chair

Anne Anderson
Non-executive Director

Nationality: Irish

Term of office

Anne Anderson joined the Board in January 2019.

Independent

Yes

Committee membership

Biography

Anne Anderson is an experienced international diplomat who most recently served as the Ambassador of Ireland to the United States from 2013 to 2017. She joined the Department of Foreign Affairs in 1972 and was appointed Assistant Secretary General in 1991 serving in this post until 1995. She was then appointed Ireland's Permanent Representative to the United Nations in Geneva after which she became Permanent Representative of Ireland to the European Union in 2001. Following this she was appointed Ambassador of Ireland to France in 2005, where she served until 2009. In 2009 she became Permanent Representative of Ireland to the United Nations in New York. Anne chairs the Advisory Group for the Peacebuilding Fund at the United Nations. She is also a Board member of the Druid Theatre Galway.

Frits Beurskens
Non-executive Director

Nationality: Dutch

Term of office

Frits Beurskens has served as a Director of the Group since December 2005.*

Independent

No

Committee membership

Biography

Frits Beurskens joined the Kappa Group in 1990 and held various Managing Director positions until his appointment as its President and CEO in 1996 which he held until the merger with Smurfit. He is a former Chair of both the Confederation of European Paper Industries and the International Corrugated Cases Association and a former member of the Board of Sappi Limited. In December 2007 he was knighted and appointed by the Dutch Queen as Officer in the Order of Oranje Nassau.

Carol Fairweather
Non-executive Director

Nationality: British

Term of office

Carol Fairweather joined the Board in January 2018.

Independent

Yes

Committee membership

Chair

Biography

Carol Fairweather was Chief Financial Officer and an executive Director of Burberry Group plc from July 2013 to January 2017. She joined Burberry in June 2006 and prior to her appointment as CFO, she held the position of Senior Vice President, Group Finance. Prior to joining Burberry, she was Director of Finance at News International Limited from 1997 to 2005 and UK Regional Controller at Shandwick plc from 1991 to 1997. She currently serves as a Non-executive Director of Segro plc. Carol is a Fellow of the Institute of Chartered Accountants.

Kaisa Hietala
Non-executive Director

Nationality: Finnish

Term of office

Kaisa Hietala joined the Board in October 2020.

Independent

Yes

Committee membership

Biography

Kaisa Hietala spent over 20 years at Neste Corporation, where she was a key architect in the strategic transformation of the company to become the world's largest producer of renewable diesel and renewable jet fuel. She served as Executive Vice President, Renewable Products at Neste Corporation and as a member of the Neste Executive Board from 2014 to 2019. Prior to this she held a number of senior positions including VP, Renewable Fuels and Neste Oil Corporation. Kaisa was previously a Non-executive Director of Kemira Oyj and is currently a non-employee Director at Exxon Mobil Corporation.

James Lawrence
Non-executive Director

Nationality: American

James Lawrence joined the Board in October 2015.

Yes

James Lawrence is currently Chair of Lake Harriet Capital, LLC, an investment and advisory firm. He served as Chair of Rothschild North America from 2012 to 2015 and previously served as Chief Executive Officer of Rothschild North America from 2010 to 2012. Prior to this, he served as Chief Financial Officer and an executive Director of Unilever plc. He joined Unilever from General Mills where he was Vice-Chair and Chief Financial Officer. He previously also held senior positions with Northwest Airlines and Pepsico Inc. He is a Non-executive Director of Avnet, Inc. and Aercap Holdings N.V.

Lourdes Melgar
Non-executive Director

Nationality: Mexican

Lourdes Melgar joined the Board in January 2020.

Yes

Lourdes Melgar is a consultant and scholar recognised for her expertise in the areas of energy, sustainability and public policy. During her career, she held various positions in Mexico's foreign service and in the Ministry of Energy. During the design and implementation of Mexico's energy reform, she served as Vice-Minister for Electricity from 2012 to 2014 and was appointed Vice-Minister for Hydrocarbons, a position she held until 2016. She is currently a Research Affiliate at the Center for Collective Intelligence at MIT and a non-resident Fellow at the Center for Energy Studies at the Baker Institute. She currently serves on the Board of Grupo Financiero Santander Mexico.

Board Committees

Audit Remuneration Nomination Sustainability Chair Chair

John Moloney
Non-executive Director

Nationality: Irish

Term of office
John Moloney joined the Board in December 2013.

Independent
Yes

Committee membership
Chair

Biography
John Moloney is the former Group Managing Director of Glanbia plc, a global performance nutrition and ingredients company. He served as Group Managing Director of Glanbia plc from 2001 until he retired from this position in November 2013. He joined Glanbia plc in 1987 and held a number of senior management positions before he was appointed Deputy Group Managing Director in 2000. He currently serves on the board of Shorla Pharma.

Jørgen Buhl Rasmussen
Non-executive Director

Nationality: Danish

Term of office
Jørgen Buhl Rasmussen joined the Board in March 2017.

Independent
Yes

Committee membership
Chair

Biography
Jørgen Buhl Rasmussen is the former Chief Executive Officer of Carlsberg A/S. He served as the Chief Executive Officer of Carlsberg A/S from 2007 until he retired from this position in 2015 having joined the company in 2006. He previously held senior positions in several global FMCG companies, including Gillette Group, Duracell, Mars and Unilever over the previous 28 years. He is Chair of Novozymes A/S, Chair of Uhrenholt A/S and Chair of the Executive Advisory Board in Blazar Capital.

Gonzalo Restrepo
Senior Independent Non-executive Director

Nationality: Colombian

Term of office
Gonzalo Restrepo joined the Board in June 2015.

Independent
Yes

Committee membership
Chair

Biography
Gonzalo Restrepo is the former Chief Executive Officer of Almacenes Exito SA, a leading retail company in Latin America and a subsidiary of the French company, Casino Group. He served as the Chief Executive Officer of Almacenes Exito from 1990 until he retired from this position in 2013. He is a Non-executive Director of Cardif Colombia Seguros Generales SA. He is a member of the Entrepreneurs Council of Proantioquia in Colombia.

The Directors continue to be committed to maintaining the highest standards of corporate governance. This Corporate Governance Statement describes how throughout the financial year ended 31 December 2021 Smurfit Kappa Group plc applied the principles of the 2018 UK Corporate Governance Code ('the Code') published by the Financial Reporting Council ('FRC').

The Directors believe that the Group has complied with the provisions of the Code throughout the year under review apart from provision 19 for which an explanation has been provided in line with the Code. The Directors have continued to evolve the Group's governance framework. The value in developing corporate and Board culture is fully recognised in the knowledge that culture plays a fundamental role in the delivery of our strategy, stakeholder engagement and sustainability, which as this report highlights are critical for SKG if we are to continue to build a sustainable business, ensure compliance with the Code and meet best practice requirements. A copy of the Code can be obtained from the FRC's website: www.frc.org.uk.

Board of Directors

The Board is primarily responsible for the long-term success of the Group, for setting the Group's strategic aims, for the leadership and control of the Group and for reviewing the Group's system of internal control and risk management. There is a clear division of responsibilities within the Group between the Board and executive management.

Audit Committee

The Committee is responsible for:

- Providing oversight and assurance to the Board regarding;
- The integrity of the published financial statements and the significant financial reporting judgements;
- Internal financial controls and risk management and internal control systems;
- The Internal Audit function;
- The External Audit arrangements; and
- Whether the Annual Report taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Further details of the activities of the Audit Committee are set out in its report on **pages 88 to 91**

Remuneration Committee

The Committee is responsible for:

- Determining the remuneration framework or broad policy for the Company's Chair, Chief Executive Officer, Executive Directors and Group Secretary and other senior executives;
- Continually reviewing the ongoing appropriateness, competitiveness and relevance of the Remuneration Policy;
- Approving the design and determine targets for any performance related pay schemes;
- Determining the policy for and scope of pension arrangements for Executive Directors and other senior executives;
- Reviewing the workforce remuneration trends and related policies across the Group and the alignment of incentives and reward with the Company's culture;
- Overseeing any major changes in employee benefits throughout the Group; and
- Ensuring effective engagement with relevant stakeholders in relation to remuneration and related policies and practices.

Further details of the activities of the Remuneration Committee are set out in its report on **pages 92 to 109**

Nomination Committee

The Committee is responsible for:

- Leading the process for appointments to the Board and making recommendations to the Board;
- Evaluating the balance of skills, knowledge, experience and diversity, including geographical, gender, age and ethnic diversity, on the Board and its Committees to ensure they operate effectively;
- Preparing descriptions of the role and requirements for new appointees; and
- Giving full consideration to succession planning for Directors and senior management.

Further details of the activities of the Nomination Committee are set out in its report on **pages 110 to 112**

Sustainability Committee

The Committee is responsible for:

- Overall strategic guidance of the Smurfit Kappa Sustainability strategy;
- Reviewing and approving the annual Sustainable Development Report and the Sustainability section of the Annual Report;
- Reviewing of the TCFD (Task Force for Climate-related Financial Disclosures) compliance, reporting of climate related financial information and the climate risks and opportunities of the Group; and
- Engagement with the workforce on behalf of the Board as required by the Code.

Further details of the activities of the Sustainability Committee are set out in its report on **pages 113 to 114**

Group Chief Executive Officer

The responsibilities of the Group Chief Executive Officer are set out on **page 85**

Ensuring Long-Term Success

The Board is primarily responsible for the long-term success of the Group, for setting the Group's strategic aims, for the leadership and control of the Group and for reviewing the Group's system of internal control and risk management. There is a clear division of responsibilities within the Group between the Board and executive management. The Board retains control of strategic and other major decisions under a formal schedule of matters reserved to it which includes:

- Approval of the Group's strategy which is set out on pages 28 to 29;
- Board appointments including those of the Chair, Group Chief Executive Officer and other Executive Directors;
- Appointment and removal of the Group Secretary;
- Agreement of terms of appointment of the Chair, Group Chief Executive Officer and other Executive Directors;
- Agreement of any fundamental changes to the Group's management and control structure;
- Approval of the annual financial budgets;
- Approval of capital expenditure above fixed limits;
- Approval of material acquisitions and disposals of businesses;
- Approval of the Trading Statements, the Interim Report, the Preliminary Results Release and the Annual Report;
- Establishment and review of corporate governance policy and practices;
- Monitoring of the Group's risk management and internal control systems; and
- Confirming that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the position and performance of the Group, its business model and strategy.

As recommended by the Code, the roles of Chair and Group Chief Executive Officer are held by separate individuals and the division of responsibilities between them is clearly established and has been set out in writing and approved by the Board. The Board has delegated responsibility for the day-to-day management of the Group through the Group Chief Executive Officer to executive management. The Board has also delegated some of its responsibilities to Committees of the Board. The powers of Directors are determined by Irish legislation and the Articles of Association of the Company. The Directors have access to independent professional advice at the Group's expense, if and when required. No such advice was sought by any Director during the year. The Board Committees are provided with sufficient resources to undertake their duties.

The Board with the support of the Group Secretary is satisfied that it has the policies, processes, time and information to function effectively.

Membership, Board Size and Independence

There are 12 Directors on the Board, comprising: a Non-executive Chair, two Executive Directors and nine Non-executive Directors. The Board recognises the value of gender diversity to the Group and has 33% female representation and is therefore in line with the target of the FTSE Women Leaders Review. The Board is mindful of the recommendation of the Parker Review to have at least one Board member from an ethnic minority background by 2021 and the Board currently meets this recommendation. The Board of Directors and their biographical details are set out on pages 78 to 81. The Board considers that a Board comprising 12 Directors is not so large as to be unwieldy and that the Directors, having a broad spread of nationalities, backgrounds and expertise, bring the breadth and depth of skills, knowledge and experience that are required to effectively lead the Group.

The Group has in place an effective Board which provides the highest standards of governance to an internationally diverse business with interests spanning three continents and 36 individual countries and whose role is to promote the long-term sustainable success of the Company, generating value for shareholders and contributing to wider society. Each of the Group's Non-executive Directors has broad-based international business expertise and many have gained significant and relevant industry specific expertise over a number of years. The composition of the Board reflects the need, as outlined by the Code, for an effective Board to maintain a balance of 'skills, knowledge and experience'. The experience of each Director is also set out in their biographies which are detailed on pages 78 to 81. The Board continues to include an appropriate balance of longer serving and more recently appointed Directors.

In particular, a central aspect of maintaining Board effectiveness is an ongoing programme of Board refreshment to ensure robust debate, where challenge, support and teamwork are essential features and where the sharing of diverse perspectives in the boardroom and the generation of new strategies and business ideas is fostered.

The Board, through the Nomination Committee, reviews the composition of the Board on an annual basis. This includes a review and refreshment of Board policies, Board diversity, including gender diversity and the skills, knowledge and experience of the Directors. There were no new appointments to the Board in 2021.

There was a comprehensive internal evaluation completed in 2021. This process concluded that overall the Board and its Committees continue to operate effectively. The Board implemented a number of the actions arising from the 2020 internal evaluation during 2021 and will implement the actions arising from the 2021 review in the coming year. Following this review, the Board is satisfied that the Board and its Committees have the appropriate balance of skill, experience, diversity, independence and knowledge of the Group to enable the Directors to discharge their respective duties and responsibilities effectively and believe the Board has a sufficient balance of diversity. The culture of the Board is open, transparent and collegiate and the Chair demonstrates leadership and encourages an open and transparent style around the Board table. An independent external evaluation of the Board and its Committees will be conducted during 2022 in line with the Code's recommendation.

The Code recommends that, apart from the Chair, at least half of the Board of Directors of a listed company should comprise Non-executive Directors determined by the Board to be independent. During the year under review, the Company complied with the Code recommendation on composition and independence.

The Board reviewed the composition of the Board and determined that Anne Anderson, Carol Fairweather, Kaisa Hietala, James Lawrence, Lourdes Melgar, John Moloney, Jørgen Buhl Rasmussen and Gonzalo Restrepo are independent. In reaching that conclusion, the Board took into account the principles relating to independence contained in the Code and specifically whether any Non-executive Director:

- Is or has been an employee of the Group within the last five years;
- Has or has had within the last three years, a material business relationship with the Group;
- Has received or receives remuneration from the Group apart from a Director's fee, participates in the Group's share plans, or is a member of the Group's pension scheme;
- Has close family ties with any of the Group's advisers, Directors or senior employees;
- Holds cross-directorships or has significant links with other Directors through involvement in other companies or bodies;
- Represents a significant shareholder; or
- Has served on the Board for more than nine years from the date of their first appointment.

The Board is satisfied that the independence of the relevant Directors is not compromised by these or any other factors.

While Frits Beurskens was previously an employee of the Group and receives fees from a Group subsidiary, the Board does not believe these facts compromise his independence of judgement, his contribution to the Board or the quality of his oversight.

The Chair was independent on appointment.

Executive and Non-executive Directors – Experience and Skills
Each of the Executive Directors has extensive experience of the paper-based packaging industry. Their knowledge is supported by the general business skills of the individuals involved and previous relevant experience. The Non-executive Directors use their broad based skills, their diverse range of business and financial experiences and their international backgrounds in reviewing and assessing any opportunities or challenges facing the Group. These characteristics play an important role, enabling the Executive Directors to develop the Group's strategy and scrutinise the performance of management in meeting the Group's goals and objectives. Frits Beurskens has the additional benefit of many years exposure to paper-based packaging companies either as employee, director or stakeholder which complements the experiences of the Executive Directors. The diversity of skills and experiences are set out in the biographies of the Directors on pages 78 to 81.

Appointments, Retirement and Re-election to the Board
Any Director co-opted to the Board by the Directors is subject to election by the shareholders at the first Annual General Meeting ('AGM') after their appointment and, pursuant to the Articles of Association of the Company, all Directors are subject to re-election at intervals of no more than three years. However, in accordance with the Code, the Directors individually retire at each AGM and submit themselves for re-election if appropriate.

The procedures governing the appointment and replacement of Directors are contained in the Company's Articles of Association. Changes to the Articles of Association must be approved by the shareholders in accordance with Irish company law.

The standard letter of appointment of Non-executive Directors will be available for inspection at the AGM and is available on request from the Group Secretary.

Each of the Directors are offering themselves for re-election at the 2022 AGM.

External Directorships and Time Commitments
For executive directors, the Board believe that there is benefit to the Group if they hold non-executive directorships with other companies as it enhances their overall business experiences. Consequently, the Executive Directors are encouraged to accept a small number of external appointments as non-executive directors on industry associations. Directors are permitted to retain payments received in respect of such appointments.

In relation to Non-executive Directors, the Chair is satisfied that each has demonstrated that they have sufficient time to meet their Board responsibilities.

Remuneration
Details of remuneration paid to Directors, (Executive and Non-executive) are set out in the Remuneration Report on pages 92 to 109. Non-executive Directors are paid fees for their services and none of their remuneration is performance related. They are not eligible to participate in the Group's annual bonus scheme or long-term incentive plan ('LTIP'). Non-executive Directors' fees are not pensionable. The Remuneration Report will be presented to shareholders for the purposes of a non-binding advisory vote at the AGM on 29 April 2022.

Roles and Responsibilities
Chair
Overview
Irial Finan joined the Board in February 2012 and was appointed Chair in May 2019. He was independent at the time of appointment, as recommended by the Code. Irial's appointment as Chair followed a comprehensive chair succession process completed by the Board in 2018. He was appointed as Chair designate in October 2018 and became Chair at the conclusion of the AGM in May 2019. Including his time as a Non-executive Director, he had completed nine years on the Board in 2021.

The Chair is responsible for the leadership of the Board and the efficient and effective working of the Board. He sets and manages the Board agenda so that the agenda (at appropriate times) addresses all matters reserved to the Board and ensures that adequate time is available for discussion on strategy and the strategic issues facing the Group. He ensures that the Directors receive accurate, timely and clear information, and that the Directors are updated periodically on the views or concerns of the major investors. He also ensures that a culture of openness and debate is fostered to facilitate constructive Board relations and the effective contribution of the Non-executive Directors to the Board.

Succession Review
During 2021, the Board completed a detailed review to consider the tenure of the Chair and Chair succession, which was led by Gonzalo Restrepo, the Senior Independent Director and Chair of the Nomination Committee. The Company engaged with shareholders to seek their views and support as part of the process in which approximately 50% of the shareholder base were consulted in addition to institutional proxy advisers.

In the detail below, the Board has provided a transparent disclosure of their considerations and recommendations in relation to the tenure of the Chair (including the recommendation to shareholders that the re-election of Irial at the AGM in April 2022 is in the best interests of the Company and of shareholders).

Considerations
The Board in completing their Chair succession review, was cognisant of Provision 19 of the Code which states that 'the Chair should not remain in post beyond nine years from the date of their first appointment to the Board'. However, the Board also notes the flexibility within the Code to extend the Chair tenure for a limited time to facilitate effective succession planning and the development of a diverse board, particularly in those cases where the Chair was an existing Non-executive Director on appointment. The Code states that a 'clear explanation should be provided' where this is the case. As noted while Irial's tenure on the Board exceeded nine years in 2021, he has only been in the critical position of Chair since May 2019.

A clear explanation has been provided below outlining the rationale for extending the tenure of the Chair and this has also been detailed in the Nomination Committee Report on page 111.

In the year of his appointment, an external evaluation of the Board was conducted. Over the last two years there have been internal evaluations conducted by the Senior Independent Director including an evaluation of the Chair. The performance of Irial has been exceptional and the Board are very satisfied with his support, leadership and independence as Chair.

The executive Directors of the Group, the Group CEO and the Group CFO, were appointed to their positions in 2015 and 2016 respectively. As a result, the Board believe that there is no governance concern arising in relation to concurrency of the roles.

The Board noted in their consideration the exceptional performance of the Group in recent years which has seen a significant increase in market capitalisation. Throughout his tenure to date, the Chair has supported the Executive management team in their delivery of many key achievements and milestones for the Group, which have included the completion of a successful share placing in November 2020 raising gross proceeds of €660 million to allow for accelerated capital investment; the issuance of €1 billion of Green Bonds at record low coupons for the Group in September 2021; and a number of successful acquisitions in Europe and the Americas. As a result, the Board believe that in this time of growth and transformation for the Group that continuity in the position of Chair is important not only for the Group but also for shareholders and other stakeholders.

The Board has had significant refreshment in recent years with over 50% of Non-executive Directors on the Board in their position for less than five years. The Board believes that the leadership, governance and direction from the Chair is essential to the effective integration of new members and are very satisfied that Irial is providing the necessary support to the Directors.

Board Meetings

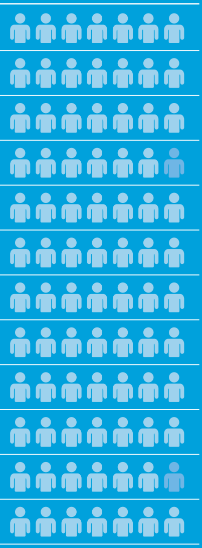
The Board meets at least five times each year with additional meetings as required. The Board met seven times in 2021, in person twice and held five meetings by way of video conference calls due to the restrictions imposed by COVID-19. Details of the meetings held during the period are contained in the adjacent table, which also includes information on individual attendance. The Board usually holds at least one of its meetings each year at a Group operation site to give the Directors an opportunity to meet with a wider range of management and to see and remain familiar with the Group's operating activities. This was not possible during 2021 due to the restrictions imposed by COVID-19. The Board is supplied on a timely basis in advance of Board meetings with a Board Report comprising strategic updates, operational, financial, health and safety, and investor relations information together with Board papers on key issues in a form and of a quality to enable it to discharge its duties effectively. In addition, during 2021 the Board received regular updates from management in relation to COVID-19. At each Board meeting the Chair of each Committee gives a report on major agenda items discussed at Committee meetings held since the last Board meeting. In addition, all Board members have access to all Board Committee papers and minutes.

When Directors are unable to attend a meeting, having been advised in the Board papers circulated prior to the meeting of the matters to be discussed, they are given an opportunity to make their views known to the Chair or the Group Chief Executive Officer prior to the meeting.

Attendance at Board Meetings during the Year to 31 December 2021

Number of meetings held during the period the Director was a member of the Board and was eligible to attend*

I. Finan
A. Smurfit
K. Bowles
A. Anderson
F. Beurskens
C. Fairweather
K. Hietala
J. Lawrence
L. Melgar
J. Moloney
J. Buhl Rasmussen
G. Restrepo



* The total people icons represent the number of meetings held during the period the Director was a member of the Board and was eligible to attend. The lighter blue people icons indicate the number of meetings attended.

Since his appointment, the Chair has been pro-active in his engagement with stakeholders including shareholders, proxy bodies and the Group's workforce. Most recently, during 2021 Irial met virtually and engaged with many shareholders and proxy body representatives. Shareholder support for his reappointment has been very strong at every AGM since appointment, including the 2021 AGM.

The Board want to ensure an orderly succession and transition of the Chair. The Board will ensure that a process to identify a suitable candidate will be completed so that the successor is in place in sufficient time for the end of the proposed extension as outlined in the conclusion.

Conclusion

Following consideration of the Code, the rationale identified and the views of shareholders, the Board concluded that it was in the best interests of the Group and of all stakeholders that the tenure of Irial be extended by a period of up to three years. In their decision to define a time period for the extension, the Board believe that this provides clarity and certainty for all stakeholders of the Group.

The Board concluded that given the importance of the role, it would not be in the interests of the Company or stakeholders to have a change in Chair so soon after appointment, particularly given the exceptional leadership, governance and direction from the Chair and the level of Board refreshment in recent years. The Board believe that as the Group continues in this time of growth and transformation that continuity in the position of Chair is important to the effective operation of the Board and continued success of the Group.

The Board also note that Irial's re-appointment will be subject to shareholder approval at the 2022 AGM and subsequent future AGMs as applicable. In advance of subsequent AGMs, the Board is committed to providing transparent disclosure on the status of the Chair succession process in the Annual Report.

Recommendation for 2022 AGM

As noted, the Board has carefully considered the tenure of the Chair and is recommending to shareholders that the re-election of Irial at the forthcoming AGM in in April 2022 is in the best interests of the Company and its shareholders.

Group Chief Executive Officer

Tony Smurfit as the Group Chief Executive Officer has overall responsibility for the day-to-day oversight of the Group's business and the implementation of the Group strategy and policies as approved by the Board. He is also responsible for ensuring that the Group's purpose, values and culture are instilled throughout the Group.

Senior Independent Director

Gonzalo Restrepo's duties as the Group's Senior Independent Director include being available to shareholders if they have concerns which cannot be resolved through the Chair or Group Chief Executive Officer or where contact with either of them is inappropriate. He is available to serve as an intermediary for other Directors where necessary. The Senior Independent Director also conducts an evaluation of corporate governance compliance, the operation and performance of the Board, the Directors, its Committees and the Chair's performance in conjunction with the other Non-executive Directors on an annual basis except in the year when an external evaluation takes place. During the year as described above, Gonzalo led the shareholder consultation process in relation to the tenure of the Chair.

Group Secretary

The Directors have access to the advice and services of the Group Secretary who is responsible to the Board for ensuring that Board procedures are followed, applicable rules and regulations are complied with and that the Board is advised on its corporate governance obligations and developments in best practice. The Group Secretary is responsible for formal minuting of any unresolved concerns that any Director may have with the operation of the Company. During the year, there were no such unresolved issues. The Group Secretary also acts as secretary to all of the Board Committees.

Induction and Development

On appointment, all Non-executive Directors receive comprehensive briefing documents on the Group, its operations and their duties as a Director. They are also given presentations by the senior management team and are given the opportunity to visit sites and meet with the local management. In addition, the training and development programme which was introduced during 2020 for Non-executive Directors continued in 2021 with sessions covering a range of business, industry, legal and regulatory updates. Due to the restrictions imposed by COVID-19, visits to Group operations by the Board were not possible during 2021, The Chair did get the opportunity to visit operations in Italy and the United States during 2021. Directors also receive regular briefings and presentations on a wide range of the Group's activities together with all significant analyst and rating reports. All Directors are encouraged to undergo training to ensure they are kept up to date on relevant legal developments or changes in best practice.

Succession Planning and Diversity

The Board believes that appointing the best people to the Group's Board is critical to the success of the Group and as a result all appointments are made purely on merit regardless of ethnicity, gender, religion, age or disability. The Board recognises that diversity is an essential cornerstone for building long-term business success and ensures different perspectives are introduced into Board discussion. The Board's policy on diversity considers gender, ethnicity, tenure and a wide geographical experience base to be essential aspects of diversity for a company with businesses in 36 countries worldwide, with eight nationalities represented on the Board. This policy plays a key role in the Group's succession planning when considering new appointments to the Board. Suitable candidates are selected on the basis of their relevant experience, employment background, skills, knowledge and insight, having due regard to the benefits of diversity to the Board. The Board recognises the need for orderly succession and has a comprehensive succession plan in place.

During the year, the Nomination Committee evaluated the composition of the Board with respect to the balance of skills, knowledge, experience and diversity, including geographical, gender and ethnic diversity on the Board as part of the annual evaluation process.

Internal Board Evaluation

The Senior Independent Director co-ordinated a rigorous annual internal evaluation of the operation and performance of the Board, the Directors, its Committees and the performance of the Chair in 2021. The evaluation process involved the completion of a detailed questionnaire by each Director and separate discussions with each Director. In addition, the Chair conducted an annual evaluation of the performance of the Directors. The Committees also undertook an annual evaluation of their performance which was reported back to the Board. At least once a year, the Chair meets with the Non-executive Directors without the Executive Directors to review the Board's performance. The Board discussed the results of its evaluations in order to identify and address areas in which the effectiveness of the Board might be improved and the resulting recommendations will be put in place during 2022. An independent external evaluation of the Board and Committees will be conducted during 2022.

Share Ownership and Dealing

Details of Directors' shareholdings are set out on pages 106 to 109. The Group has a policy on dealing in shares that applies to restricted persons comprising all Directors, senior management and certain other employees. Under the policy, restricted persons are required to obtain clearance from prescribed persons before dealing. Restricted persons are prohibited from dealing in SKG securities during designated closed periods and at any other time when the individual is in possession of Inside Information (as defined by the Market Abuse Regulation (EU 596/2014).

Board Committees

As recommended by the Code, the Board has established three Committees to assist in the execution of specific matters within its responsibility. These are the Audit Committee, the Remuneration Committee and the Nomination Committee. In addition, since 2019, there is a Sustainability Committee with responsibility to provide direction and oversight of the sustainability strategy of the Group. The Sustainability Committee is also responsible for engagement with the workforce on behalf of the Board as required by the Code. The responsibilities of each of these Committees are set out clearly in written terms of reference, which are reviewed annually and are available on the Group's website. The Chair of each Committee reports to the Board on the major agenda items discussed since the last Board meeting and the minutes of all Committee meetings are available to all of the Directors.

The current membership of each Committee, details of attendance and each member's tenure are set out in the individual Committee reports on pages 88 to 113.

Stock Exchange Listings

Smurfit Kappa Group plc, which is incorporated in Ireland and subject to Irish company law, has a premium listing on the London Stock Exchange and a secondary listing on Euronext Dublin.

For this reason, Smurfit Kappa Group plc is not subject to the same ongoing listing requirements as those which would apply to an Irish company with a primary listing on Euronext Dublin.

Communication with Shareholders

The Board gives a high priority to effective communications with shareholders and recognises the benefits of shareholder engagement in order to foster mutual understanding of the Company's strategy and the views of major investors. On a day-to-day basis, contact with institutional shareholders is the responsibility of the Group Chief Executive Officer, the Group Chief Financial Officer and the Head of Investor Relations. There is regular dialogue with individual shareholders and the investment community. During the year, despite the restrictions imposed by COVID-19, there continued to be ongoing engagement with shareholders, various virtual investor conferences and roadshows, and numerous conference calls and presentations. This engagement takes place as applicable, and at the time of the release of the Annual Report, preliminary and interim reports and trading statements. During the year the Chair met virtually and engaged with many shareholders and proxy body representatives. The Chair, the Senior Independent Director and any other member of the Board are available to meet or virtually engage with investors if required.

The papers for each Board meeting include a comprehensive report summarising investor relations activity during the preceding period including contacts between executive management and current and prospective institutional shareholders.

The Group issues its Annual Report, preliminary and interim reports and trading statements promptly to shareholders and also publishes them on the Group's website: smurfitkappa.com. The Group operates an investor relations section on the website, which in addition to the above reports and statements, contains investor presentations and all press releases immediately after their release to the relevant Stock Exchanges.

The Group's AGM affords each shareholder the opportunity to engage with and question the Chair of the Board, the Chairs of all Committees and all other Board members. The 2021 AGM was a closed meeting in line with the restrictions imposed by COVID-19, however, shareholders were encouraged to join the AGM via online broadcast and to submit a Form of Proxy to ensure their votes could be represented at the AGM. In addition, shareholders attending the AGM electronically could ask questions during the meeting by submitting their questions in writing online. Shareholders were also invited to email any questions relating to the items on the agenda in advance of the meeting. The Notice of the AGM and related papers together with the Annual Report are sent to shareholders at least 20 working days before the meeting. In addition, the Group responds throughout the year to numerous queries from shareholders on a broad range of issues.

Shareholder Meetings and Shareholder Rights

Shareholders' meetings are governed by the Articles of Association of the Company and the Companies Act 2014 (as amended) (the 'Companies Act').

The Company must hold an AGM each year in addition to any other shareholder meeting in that year and must specify whether the meeting is an AGM or an Extraordinary General Meeting in the notice calling it. The Directors may convene general meetings. Extraordinary General Meetings may also be convened as provided by the Companies Act. Notice of a general meeting must be provided as required by the Companies Act.

At its general meetings, the Company proposes a separate resolution on each substantially separate issue and does not bundle resolutions together inappropriately. Resolutions on consideration of the Annual Report, the Directors' Remuneration Report and the Remuneration Policy (on adoption or renewal) are put to shareholders at the AGM.

The Chair of the Board of Directors or, in his absence, another Director nominated by the Directors will preside as Chair of a general meeting. Ordinary Shares carry voting rights. Two members entitled to vote at the meeting present either in person or by proxy constitute a quorum. Votes may be cast either personally or by proxy. Under the Articles of Association, voting can take place either by a show of hands, where each shareholder has one vote, or by way of a poll, where each shareholder has one vote for each Ordinary Share held.

The Companies Act provides for a number of key powers of general meetings, including the right to elect or re-elect a Director, the right to give authority to the Company to disapply pre-emption rights, the right to give authority to the Company to buy back shares and the right to amend the Memorandum and Articles of Association of the Company.

The Companies Act also provides for a number of shareholder rights in respect of the general meeting and the methods of exercising those rights, which are set out in the notes to the Notice of the AGM, including the right a) to table agenda items and resolutions for inclusion on the agenda of an AGM, b) to table a draft resolution in respect of an item already on the agenda of the general meeting, c) to ask questions in relation to an item on the agenda of a general meeting and d) to appoint a proxy electronically.

New arrangements regarding the exercise of shareholder rights and voting rights apply to all dematerialised shares as a result of the migration to the Euroclear Bank central securities depository which took place in March 2021. To the extent that such shareholder rights are not facilitated under the Company's Articles of Association, the rules of the Euroclear Bank system dictate how these shareholder rights can be exercised. Details of how shareholders holding dematerialised shares can exercise their voting rights will be contained in the notes to the Notice for the Annual General Meeting.

Code of Conduct

The Smurfit Kappa Code of Conduct includes principles of best practice in this area which apply to the Group's Board of Directors, officers and employees worldwide. We also require individuals, entities, agents or anyone acting on the Group's behalf to comply with its Code of Conduct. The Code of Conduct also incorporates the Speak Up Policy and is available on the Group's website: smurfitkappa.com and is translated into 21 languages.

Sustainability

In order to create long-term value, our Company has built its business on three pillars of sustainability – Planet, People and Impactful Business. This means respecting the social environment we are in, and ensuring that the impacts on nature and natural resources do not exceed the needs of future generations. SKG manages its business in a way which recognises its key responsibilities in all material aspects of sustainability especially in the areas of Environment, Sustainable Forestry, Social Citizenship and Health and Safety. The Group's principles are summarised on pages 62 to 63 and are described in detail in the Sustainable Development Report for 2020 which is available on the Group's website. The Sustainable Development Report for 2021 will be published in April 2022. The Board Sustainability Committee is responsible for providing direction and overall strategic guidance of the Group's sustainability strategy.

Risk Management and Internal Control

The Board has overall responsibility for the Group's system of risk management and internal control and for monitoring and reviewing its effectiveness, in order to safeguard shareholders' investments and the Group's assets. Details in relation to Risk Management and Internal Control are included in the Risk Report on pages 34 to 38.

The Directors confirm there is an ongoing process for identifying, evaluating and managing the emerging and principal risks faced by the Group which is in accordance with the FRC's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting. This process has been in place throughout the accounting period and up to the date of approval of the Annual Report and Consolidated Financial Statements and is subject to regular review by the Board.

The Directors confirm that they have carried out a robust assessment of the emerging and principal risks facing the Group's business model, future performance, solvency and liquidity. The Directors also confirm they have conducted an annual review of the effectiveness of the Group's risk management and system of internal control up to and including the date of approval of the Annual Report and Consolidated Financial Statements. This had regard to the emerging and principal risks that could affect the Group's business (as outlined on pages 34 to 38), the methods of managing those risks, the controls that are in place to contain them and the procedures to monitor them. In addition, the potential impact of COVID-19 on the principal risks of the Group was reviewed for each emerging and principal risk.

Financial Reporting

As part of its overall system of internal control, the Group has in place control and risk management systems to govern the Group's financial reporting process and the process for the preparation of the Group's Consolidated Financial Statements. The requirements for producing financial information are governed by the Group's Financial Reporting Guide and Financial Monitoring Policy which gives guidance on the maintenance of records that accurately and fairly reflect transactions, provide reasonable assurance that transactions are recorded correctly to permit the preparation of Consolidated Financial Statements in accordance with International Financial Reporting Standards and that require reported data to be reviewed and reconciled. These systems include the following financial reporting controls: access controls, reconciliations, verification controls, asset security controls and segregation of duties. Segment management and the Group's executive management team review the results of the operations on a monthly basis. The Group's executive management team receive detailed monthly reports from all operations and meet with segment management at least on a quarterly basis to review the year-to-date results against budget and rolling forecasts enabling them to monitor and challenge any variance against the expected financial outcome for the period. Internal Audit review financial controls in different locations on a test basis each year and report quarterly to the Audit Committee. Each operation through to segment level is required to self-assess on the effectiveness of its financial control environment. This includes the completion of an Internal Control Questionnaire which is reviewed by the Group Financial Controller and audited on a test basis by Internal Audit. Senior management representations with respect to the Group Consolidated Financial Statements showing a true and fair view are also required and supplied at year-end.

Directors' Report

The Change of Control, Capital Structure and Purchase of Own Shares information are set out on page 116 of the Directors' Report and form part of this Corporate Governance Statement.

"Dear Shareholders, I am pleased to present the Audit Committee report for the 2021 financial year. "

Carol Fairweather
Chair of Audit Committee, 16 March 2022

Committee Members

C. Fairweather (Chair)
K. Hietala
J. Lawrence
L. Melgar
J. Moloney

The Role of the Audit Committee

The Committee is responsible for providing oversight and assurance to the Board regarding:

- The integrity of the published financial statements and the significant financial reporting judgements;
- Internal financial controls and risk management and internal control systems;
- The Internal Audit function;
- The External Audit arrangements; and
- Whether the Annual Report taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

The Terms of Reference of the Committee were reviewed and updated in December 2021 and are available on smurfitkappa.com.

Attendance Record

Attendance Record	The number of meetings held during the period the Director was a member of the Committee and was eligible to attend*
C. Fairweather (Chair)	
K. Hietala	
J. Lawrence	
L. Melgar	
J. Moloney	

* The total people icons represent the number of meetings held during the period the Director was a member of the Committee and was eligible to attend. The lighter blue people icons indicate the number of meetings attended.

Length of Tenure

Length of Tenure	Appointment Date
C. Fairweather (Chair)	2018
K. Hietala	2021
J. Lawrence	2015
L. Melgar	2020
J. Moloney	2014

This report provides an overview and detail on how the Committee has discharged its responsibilities together with the other areas we have focused on during the year, as well as the Committee's priorities for the year ahead.

Membership of the Committee
The Committee is currently comprised of five independent Non-executive Directors with Kaisa Hietala joining the Committee in January 2021.

Each Committee member has considerable commercial experience and Jim Lawrence and I bring recent and relevant financial experience. The biographical details of each member are set out on pages 78 to 81.

Meetings
The Committee met five times during the year under review. Details of the Committee members and meetings attended are provided in the table on the previous page.

The Group Chief Financial Officer, the Group Internal Auditor, the Group VP Human Resources and senior members of the Group finance team normally attend meetings of the Committee. The Group Chief Executive Officer periodically attends meetings of the Committee. The External Auditor also attends all meetings and together with the Group Internal Auditor have direct access to the Committee Chair at all times. In advance of every meeting, the Committee Chair meets individually with the Group Chief Financial Officer, the Group Company Secretary, the Group finance team, the Group Internal Auditor, the External Auditor and the VP Human Resources.

Committee papers and minutes are available to all members of the Board.

Areas of Focus in 2021
The key focus of the Committee during the year continued to be the review and monitoring of the integrity of the financial statements and the significant reporting judgements; reviewing internal controls and risk management systems; the Internal and External Audit arrangements; and advising the Board on whether the Annual Report taken as a whole is fair, balanced and understandable. More details on the work carried out in these areas are set out on the following pages.

In addition, we spent time on the following:
- Reviewing the ongoing evolution of the Group Risk Framework including the risk strategy, risk policy, risk KPI's, risk appetite and the decision to include long-term climate related risk as a principal risk, see pages 34 to 38;
- Reviewing the proposed disclosures in the Annual Report against the recommendation of the Task Force on Climate Related Financial Disclosures ('TCFD') and EU Taxonomy see pages 54 to 61 and pages 50 to 51;
- Considering the quarterly reports on Cyber Security and the continued investments in this area to respond to current trends and increasing cyber security threats;
- Considering the preparation for and compliance with the requirements of the European Single Format and Regulatory Standard ('ESEF');
- Receiving a briefing from the Auditor on the recommendations of the BEIS Consultation 'Restoring Trust in Audit and Corporate Governance';
- The annual tax update covering tax strategy, developments in the internal and external tax landscape and compliance;
- An update on the Group's insurance cover in relation to property, business interruption and cyber and the continued capital investment in risk protection; and
- An update from the Group's Legal Counsel on Competition Law Compliance, Sanctions, Screening and Data Protection compliance.

Committee Evaluation
An internal evaluation of the Committee was undertaken in 2021. The conclusion from that process was that the performance of the Committee and of the Chair of the Committee were satisfactory.

Priorities for the Year Ahead
This year, we will continue to focus on the development of the Internal Audit function mandate. We will also continue to follow developments on audit reform and evolving best practice, including climate change reporting and spend time as required reviewing any new regulations, guidance or recommendations.

The evolution of the Group Risk Framework will continue as the work undertaken in 2021 is further embedded into the processes during 2022.

The Committee will also engage with KPMG during the year in selecting and planning for the transition of the lead audit partner, a change which will be required for the audit in respect of the financial year ending 31 December 2023.

Carol Fairweather
Chair of Audit Committee

Financial Reporting and Significant Matters Related to the Consolidated Financial Statements

The Group's Consolidated Financial Statements are prepared by finance personnel with the appropriate level of qualifications and expertise. The Committee reviewed all published financial and narrative statements of the Company, including the annual and interim reports, preliminary results' announcement and trading statements released during the year and reported its views to the Board to assist in the Board's approval of the results announcements.

The Committee assessed whether suitable accounting policies had been adopted and whether management has made appropriate estimates and judgements. The Committee considered management's position in relation to the main significant matters and financial reporting judgements, as detailed below.

The Committee also reviewed reports by the External Auditor on the hard-close and year-end audit procedures which highlighted any matters identified from the work undertaken on the external audit.

Fair, Balanced and Understandable

The Code requires that a fair, balanced and understandable assessment of the Company's position and prospects be presented by the Board and that they consider that the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

The Committee, on behalf of the Board, considered and discussed with management the key processes that they have in place for the preparation of the Annual Report including their comprehensive review procedures. This allowed the Committee to confirm to the Board that the Annual Report, taken as a whole, is fair, balanced and understandable and that it provides the necessary information for shareholders to assess the Group's position and performance, business model and strategy. In addition, the Committee noted the formal processes performed by KPMG in relation to the Annual Report.

Viability Statement and Going Concern

The Committee is responsible for ensuring that the process in place to allow the Board to make the viability statement is robust. The Committee reviewed the process that had been followed, the stress testing scenarios that had been applied based on the Group's principal risks and the additional scenarios and reverse stress testing presented to take account of the pandemic. The Committee confirmed to the Board that it was comfortable with the process that had been followed to make the Viability Statement on page 34.

The Committee reviewed and was comfortable with the recommendation setting out the support for adopting the going concern basis in preparing the financial statements, including extended scenarios in relation to the pandemic. The Board's statement on going concern is set out on page 35.

Significant Matters Related to the Consolidated Financial Statements

Significant Matter	Action Taken/Conclusions
Assessment of the Carrying Value of Goodwill The Group has goodwill of €2,511 million at 31 December 2021. The Group performs an impairment review at least annually and at any time an impairment is considered to exist.	Through discussions with management and KPMG: • The Committee considered management's assessment of the carrying value of goodwill relating to groups of cash-generating units ('CGUs'). The Committee considered the methodology applied and the key assumptions (including future profitability and terminal growth and discount rates) used in the assessment; and • The Committee considered a number of different scenarios to test the sensitivity of the model to changes in its key drivers and to understand the level of headroom available at a CGU level. The Committee was satisfied that the judgements made by management are reasonable and that goodwill is not impaired, and the disclosures in Note 13 to the Consolidated Financial Statements are appropriate.
Valuation of Defined Benefit Obligations The Group has defined benefit obligations totalling €630 million at 31 December 2021.	The Committee considered the key assumptions management used in determining the defined benefit liabilities (which included a full actuarial valuation of the unfunded liabilities undertaken by independent experts) and was satisfied that they were reasonable, appropriate and consistent with market practice.

Internal Audit

The Group operates an internally resourced Internal Audit function which reports directly to the Committee. The Committee reviewed and approved the annual Internal Audit plan having considered the impact of remote working, the evolution of data analytics and related resourcing requirements to deliver the plan.

The Committee received and reviewed the quarterly reports from the Internal Auditor summarising audit findings, agreed actions and recommendations and reviewed progress on addressing the actions and recommendations. The Committee noted that the remote auditing which had commenced in 2020 as a result of the pandemic continued throughout 2021 and did not impact significantly on the delivery of the plan.

In compliance with the Chartered Institute of Internal Auditors ('CIIA') requirements, an independent review of the Internal Audit function must be conducted at least once every five years by a qualified assessor.

The last independent review of Group Internal Audit took place in 2020 and was performed by EY. The assessment concluded that the Internal Audit function was performing well in accordance with its current mandate but that there were opportunities to develop the mandate of Internal Audit. During 2021 the Internal Audit mandate was evolved to consider the principal risks in the scope of the annual internal audit plan.

The Committee reviewed the effectiveness of the Group's Internal Audit function and was satisfied it was operating effectively within the current remit. The Committee met privately with the Internal Auditor during the year.

The current Internal Auditor is retiring in 2022, and to ensure effective planning and a coordinated handover, a comprehensive process was undertaken during 2021 to identify and recruit a successor. The new Internal Auditor joined the Group in early 2022.

Whistleblowing

The Committee is responsible for ensuring that the Group maintains suitable whistleblowing arrangements.

The Group has a Code of Conduct in place which incorporates the Speak Up Policy (Whistleblower Code). There is a Speak Up service which allows employees to raise concerns across all key communication channels which is available in 21 different languages and provides confidentiality and/or anonymity and assurance of non-retaliation (see page 75 for further details).

The Committee received regular updates on cases raised via the Speak Up process from the Group VP of Human Resources. No material cases were reported to the Committee during 2021.

Risk Management and Internal Control

The Group's internal control and risk management systems are embedded within the organisation structure.

The Committee is responsible for reviewing the adequacy and effectiveness of the internal control system and risk management on behalf of the Board.

The Committee has reviewed the adequacy and effectiveness of the Group's internal control systems regularly through various activities including reviewing:
- The effectiveness of its risk management processes;
- Challenging management's self-assessment of the internal control framework;
- The work undertaken by internal and external auditors in relation to internal controls; and
- The regular reporting on any control, fraud related or whistleblowing issues.

As a result of the pandemic remote and hybrid working continued throughout 2021. The Committee received regular updates from management that the internal control environment continued to operate effectively.

The review of the Group risk process completed by PwC in 2020 noted the comprehensive process in place and the strong awareness of risk across the Group. They noted some recommendations which were considered as part of the further evolution of the risk framework which continued during 2021. The work completed during the year included the updating of formal risk policy and strategy documents in line with best practice with the assistance of PwC. In addition formalised risk appetite statements were approved by the Board. These will be further embedded into the overall risk management framework during 2022.

Emerging risk is considered as part of the risk process and over the last number of years climate risk has been included as an emerging risk for the Group. Following due consideration during 2021, climate change was elevated to a principal risk of the Group in the long-term.

For further details on the Group's Risk Management and Internal Control, please see the Risk Report on pages 34 to 38.

External Auditor

The Committee is responsible for overseeing the relationship with, and the performance of, the External Auditor. This includes making a recommendation on the appointment, reappointment and removal of the External Auditor, assessing their independence, involvement in fee negotiations and assessing their performance. KPMG has been the Group's auditor since 2018, following a formal tender process.

The External Auditor is required to rotate the audit partner responsible for the Group audit every five years. Roger Gillespie acted as lead audit partner for the year ended 31 December 2021, his fourth year as lead audit partner. Therefore, the audit for the financial year ending 31 December 2022 will be the final audit with Roger Gillespie as lead audit partner. As noted in the Committee's areas of focus for 2022, the Committee will engage with KPMG during the year in selecting and planning for the transition of the lead audit partner.

Prior to the commencement of the 2021 year-end audit and taking into consideration continued remote and hybrid working, the Committee reviewed, challenged and approved the External Auditor's strategy and plan and agreed the scope of the audit, the key risks, the proposed audit fee and the terms of engagement. While remote working was required for much of the audit, there were no issues reported by KPMG in being able to complete their procedures effectively.

During the year, the Committee considered the effectiveness and independence of the External Auditor and confirmed its satisfaction on both. This review involved discussions with both Group management and Internal Audit; feedback provided by divisional management; consideration of the robustness of the audit process and the level of scepticism and challenge by the External Auditor particularly in relation to key judgments; review of the ratio of audit to non-audit fees; and the most recent publicly available results of IAASA's quality assurance review of KPMG. Following these considerations, the Committee has recommended to the Board that KPMG be proposed for reappointment at the forthcoming AGM.

KPMG attended all the Audit Committee meetings during the year and had a number of private meetings with the Committee during the year where no significant matters of concern were raised.

External Auditor Non-audit Services

The Committee recognises that the independence of the External Auditor is an essential part of the audit framework and the assurance that it provides. The Committee has adopted a policy which sets out the types of permitted and non-permitted non-audit services and those which require explicit prior approval.

Non-audit services provided by the External Auditor must be considered by the Committee to be necessary in the interests of the business and by their nature, these services could not easily be provided by another professional auditing firm.

The provision of tax advisory services and due diligence/transaction services may be permitted with the Committee's prior approval. The provision of internal audit services, valuation work and any other activity that may give rise to any possibility of self-review are not permitted under any circumstance.

All contracts for non-audit services in excess of €50,000 must be notified to and pre-approved by the Chair of the Committee. Details of the amounts paid to the External Auditor during the year for audit and other services are set out in Note 5 on page 146. Fees paid to KPMG for non-audit work in 2021 amounted to €0.4 million and total 4% of the fees paid for the statutory audit (2020: 4.8%).

During the year, there were no circumstances where KPMG was engaged to provide services which might have led to a conflict of interests or compromised their independence.

"Dear Shareholders, I present the Remuneration Report for the financial year ended 31 December 2021."

John Moloney
Chair of Remuneration Committee, 16 March 2022

Committee Members

J. Moloney (Chair)
J. Buhl Rasmussen
C. Fairweather
G. Restrepo

The Role of the Remuneration Committee

- Determine the remuneration framework or broad policy for the Company's Chair, Chief Executive Officer, Executive Directors, Company Secretary and other senior executives;
- Continually review the ongoing appropriateness, competitiveness and relevance of the Remuneration Policy;
- Approve the design and determine targets for any performance related pay schemes;
- Determine the policy for and scope of pension arrangements for Executive Directors and other senior executives;
- Review the workforce remuneration trends and related policies across the Group and the alignment of incentives and reward with the Company's culture;
- Oversee any major changes in employee benefits throughout the Group; and
- Ensure effective engagement with relevant stakeholders in relation to remuneration and related policies and practices.

The Terms of Reference of the Committee were reviewed and updated in December 2021 and are available on smurfitkappa.com.

Attendance Record

	The number of meetings held during the period the Director was a member of the Committee and was eligible to attend*
J. Moloney (Chair)	
J. Buhl Rasmussen	
C. Fairweather	
I. Finan**	
G. Restrepo	

* The total people icons represent the number of meetings held during the period the Director was a member of the Committee and was eligible to attend. All Committee members attended all meetings during the year.

** Irial Finan retired from the Committee in October 2021.

Length of Tenure

	Appointment Date
J. Moloney (Chair)	2015
J. Buhl Rasmussen	2017
C. Fairweather	2018
G. Restrepo	2015

I am pleased to report that the Group has delivered an excellent performance over the past year and continues to deliver across all performance measures. In particular, our talented people have responded to ensure our customers' needs were met in a world of significant supply constraints and increasing demand.

Remuneration Policy Implementation

The Remuneration Policy ('the Policy') was reviewed in 2020 and the revised policy was put to shareholders at the AGM in 2021. I am pleased to report that the updated Policy was supported by 94% of shareholders at the AGM. For the current year, no changes are proposed to the implementation of the Policy.

2021 Performance and Incentive Out-turns

Smurfit Kappa reported excellent results for 2021, with EBITDA of €1,702 million, ahead of our stated guidance, EBITDA margin of 16.8%, free cash flow of €455 million and ROCE of 16.0%. In this context, the Committee reviewed performance against the metrics under the annual bonus plan for 2021 and approved a bonus of 99.8% for the Group CEO and Group CFO, with 50% of the annual bonus being deferred into shares for three years, in line with the Policy.

The Committee reviewed the outcome of the Performance Share Plan ('PSP') for the performance period 2019–2021 which resulted in a cumulative three-year EPS of 818 cent; three-year average ROCE of 16%; and out-performing the TSR of all the global paper and packaging peers in the TSR benchmark which resulted in a 100% outcome for that measure. Overall the 2019 PSP award vested at 62.02% of maximum demonstrating the consistency of performance over the last three years.

In determining the outcomes of the 2021 annual bonus and 2019 PSP cycle, the Committee was satisfied that the outcomes reflected the underlying performance of the Company and the experience of stakeholders, and therefore deemed it unnecessary to apply any discretionary overrides.

Further details on performance against the targets are set out on pages 101 to 103.

Executive Director Salaries

During the year, the Committee reviewed the salary of the Group CFO as a result of new, additional responsibilities coming under the remit of his role. The Group, a leader in sustainability, appointed a dedicated Group Chief Sustainability Officer for the Group in mid-2021, with this role and the Group's sustainability function now reporting into the Group CFO. The Committee, having completed a thorough review of the expanded role and following careful consideration, approved an increase to the Group CFO's salary from €655,638 to €700,000, a 7% increase. The increase took effect from 1 July 2021 and brings the Group CFO's salary to a level that the Committee believes is fair and equitable based on the scope of the role. The Group CEO's salary was not increased in 2021.

Following a review of the salary for both executive Directors at the year-end, the Committee did not recommend any further increase to the salary of the Group CFO for 2022. The Group CEO's salary for 2022 has been increased by 2.5% which is in line with the approach taken for the wider workforce.

Executive Director Pensions

In line with the requirements of the UK Corporate Governance Code, and reflecting on the external sentiment on executive Director pensions, the Committee agreed with the executive Directors in 2020 that their pension contributions would be reduced on a phased basis to be in line with the wider workforce by the end of 2022 (i.e. effective 1 January 2023). Effective as of 1 January 2022 (and announced in 2021), the Group CEO and Group CFO's pension rates reduced to 15.5% and 13.5% of salary, respectively. The final reduction in their pension rates to 10% will be effective from 1 January 2023 and will bring them in line with the workforce.

Performance Share Plan Targets 2022–2024

Each year, the Committee reviews targets for long-term performance share awards to ensure that they continue to incentivise executives to achieve clearly defined stretching long-term targets. Performance targets for the 2022 award have taken into account the Group's annual budgeting, medium-term planning and viability statement processes, which consider a number of factors including external economic factors such as the OECD expectations on GDP growth.

The Committee believe the proposed targets, which are a significant increase on the prior year targets and which are detailed on page 94, are suitably stretching to reward out-performance whilst also being incentivising for the management team. The EPS targets are set on a cumulative basis and ROCE targets are set on a three-year average basis. In addition, the ESG metrics (CO_2 emission reduction, waste reduction and water reduction), cumulatively constitute 15% of the targets for this award.

There are over 350 managers within the Group participating in the PSP plan with the same targets as the executive Directors. As noted below, an increase in the participation in the PSP was approved by the Committee in 2021.

As ever, the Committee will use its judgement to review the formulaic outcomes across all the metrics, to ensure that vesting levels accurately reflect the underlying performance of the business and the experience of wider stakeholders. Any adjustment to the formulaic outcome will be communicated to investors at the end of the relevant performance period.

Employee Engagement

The Remuneration Committee continues to support the Group's goal of creating greater social, economic and environmental value, and in 2021 we introduced new metrics linked to these aims into our incentive plans. The past year also saw the establishment of the Group's Green Finance Framework and 'Better Planet 2050' sustainability agenda, which introduced ambitious new targets focused on further reducing our environmental footprint, increasing support for the communities in which we operate and enhancing the lives of our employees.

As the Remuneration Committee is responsible for overseeing pay arrangements for all employees, the Committee recognise the need to engage with the wider workforce as part of our efforts to align with the Group's sustainability strategy and make the right decisions on pay. We have already made good progress in this area, voluntarily adopting a number of the requirements of UK remuneration reporting regulations, in recognition of the importance of transparency around matters of pay.

In 2021, the Committee received wider workforce feedback on remuneration via the Sustainability Committee. As market practice evolves, the Committee will continue to explore new ways of bringing the voice of the workforce into the boardroom, affirming our mission of being a sustainable company that builds excellent relationships with employees and other stakeholders.

Remuneration Policy Review

Smurfit Kappa's significant and successful growth over recent years means that our senior managers and executives are highly desirable from a recruitment perspective, in what has become an extremely competitive market for talented executives in the paper and packaging sector. As noted above, the Committee has recently approved an increase in the participation of the Company's PSP to a broader selection of our management population to help reinforce their alignment to our longer-term goals, and their retention. During 2022, the Committee also intends to look in detail at the competitiveness of our pay arrangements, particularly the incentives, for our most senior executives. We will be reaching out to our shareholders over the coming year with regard to this and welcome your views.

Conclusion

On behalf of the Committee, I thank you for your continued support and hope that you will feel able to support the remuneration related resolution at the upcoming AGM. As ever, I welcome any comments you have.

John Moloney
Chair of Remuneration Committee

Remuneration Policy (abridged) including 2022 Implementation
Executive Directors

Component of pay	Implementation in 2022	
	Group Chief Executive Officer	**Group Chief Financial Officer**
Basic Salary	The Group CEO's salary is being increased by 2.5% for 2022 which is in line with the approach taken for the wider workforce. Having received a salary increase effective from 1 July 2021, there is no further increase to the salary of the Group CFO for 2022.	
	A. Smurfit = €1,139,936 p.a.	K. Bowles = €700,000 p.a.
Benefits	Market competitive benefits provided in line with Remuneration Policy.	
Pension	A. Smurfit = 15.5% of salary (cash allowance) *Reduced from 2021 rate of 20.5%. Will reduce further to align with workforce rate by 1 January 2023.*	K. Bowles = 13.5% of salary (cash allowance) *Reduced from 2021 rate of 17%. Will reduce further to align with workforce rate by 1 January 2023.*
Annual Bonus	Performance will be measured over one year against the following key financial, operational/strategic and individual performance metrics:	

Measure	Weighting
EBIT	35%
Free Cash Flow	35%
Health and Safety	10%
People & ESG	10%
Personal/Strategic Goals	10%

In line with previous years, the actual targets have not been disclosed prospectively. The target setting process will be in line with the prior year and the targets will be published retrospectively in the Annual Report.

50% will be delivered in cash and 50% will be deferred into Company shares for three years.

	A. Smurfit (maximum) = 150% of salary	K. Bowles (maximum) = 150% of salary

Performance Share Plan

Performance measured over three years against four quadrants. Awards are subject to a post-vesting holding period such that they are released following the fifth anniversary of the grant date.

Measure	Weighting	Threshold Vesting (25% of maximum)	Maximum Vesting (100% of maximum)
EPS (pre-exceptional items – cumulative over three years)	28%	935c	1,140c
ROCE (three-year average)	28%	15.0%	18.5%
Relative TSR*	29%	Median Performance	Upper Quartile
ESG – Planet			
CO_2 Emissions Reduction[1]	5%	43.5%	48.0%
Water Discharge Reduction[2]	5%	49.5%	58.0%
Waste to Landfill Reduction[3]	5%	30.0%	33.0%
		Straight line vesting between points	

* Measured against the following peers: Billerud Korsnas, Cascades, DS Smith, Empresas CMPC, Graphic Packaging, International Paper, Klabin, Mayr-Melnhof, Metsa Board, Mondi, Packaging Corporation of America, Stora Enso, UPM Kymmene and WestRock.
1 Intensity reduction in fossil CO_2 emissions in our global paper and board mill system compared with our baseline year 2005.
2 Intensity reduction of COD content of water returned to the environment from our global paper and board mill system compared with our baseline year 2005.
3 Intensity reduction in waste sent to landfill by our global paper and board mill system compared with our baseline year 2013.

	A. Smurfit (maximum) = 250% of salary	K. Bowles (maximum) = 205% of salary
Share Ownership Requirements	A. Smurfit is required to build a shareholding equivalent to 300% of basic salary.	K. Bowles is required to build a shareholding equivalent to 200% of basic salary.
Post-employment Share Ownership Requirements	The share ownership requirement will apply for the first year post-departure and 50% of the requirement will apply for the second year post departure.	

Remuneration Policy (abridged) including 2022 Implementation continued

Non-executive Directors

The table below sets out a summary of Non-executive Director fees. A review of Non-executive Director fees will be completed in 2022.

	Annual Fee
Chair	€350,000
Non-executive Director base fee	€70,000
Additional Fees:	
Senior Independent Director fee	€60,000
Committee Chair fee	€60,000
Committee membership fee	€20,000

Alignment with the Workforce

Smurfit Kappa unites some 48,000 people around the globe. The Group's reward policies are designed to attract and retain the best employees, providing fair and competitive reward packages and motivating employees at every level of the organisation to achieve the Group's strategic objectives. Whilst exact structures differ by level and geography, our reward programmes are strongly aligned with the Group's pay for performance culture, enabling people to see a clear link to their remuneration packages when they perform above and beyond what is expected.

Remuneration Policy (abridged)

Introduction

The current Remuneration Policy is designed to attract, retain and motivate Directors and senior management of the highest calibre who are expected to deliver superior performance and to provide strong leadership to the Group. The Policy has been effective from 30 April 2021 following the strong approval of 94% of shareholders at the 2021 AGM. No changes have been made to the Policy since this time. Full details of the Remuneration Policy can be found on pages 76 to 97 of the 2020 Annual Report.

The following table summarises how the Remuneration Policy fulfils the factors set out in Provision 40 of the 2018 UK Corporate Governance Code:

Code	SKG Remuneration
Clarity	
Remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.	The annual bonus and PSP have been designed to incentivise executives to achieve clearly defined stretching targets. Performance measures and targets are reviewed each year by the Committee to ensure that they continue to be clear and appropriate.
Simplicity	
Remuneration structures should avoid complexity and their rationale and operation should be easy to understand.	In 2018, the Committee replaced the deferred bonus matching plan with a new performance share plan aligned with market practice. This move supported our aim of operating a simple remuneration structure with a single long-term incentive plan operating separately from the annual bonus.
Risk	
Remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated.	The policy has been designed to support the Group's business strategy and the objective of developing superior, sustainable returns and value at acceptable levels of risk but with a clear and intelligible link to performance and the financial prosperity of the Group.
Predictability	
The range of possible values of rewards to individual Directors and any other limits or discretions should be identified and explained at the time of approving the policy.	The Committee believes it is important for executive Directors and senior management that a significant portion of the package is performance related. The potential value and composition of the executive Directors' remuneration packages at below threshold, target and maximum (including share price performance) scenarios under our Remuneration Policy are set out on pages 98 to 99.
Proportionality	
The link between individual awards, the delivery of strategy and the long-term performance of the Company should be clear. Outcomes should not reward poor performance.	Payments from the annual bonus and PSP require delivery against stretching performance conditions. The performance conditions are directly linked to the Group's strategy and KPIs. The Committee has discretion to override formulaic out-turns to ensure that they are appropriate and reflective of overall performance.
Alignment to Culture	
Incentive schemes should drive behaviours consistent with company purpose, values and strategy.	Smurfit Kappa is a multinational Group and it is important that remuneration packages in each geographical location are fair and competitive for that location and at a most senior level, on an international basis. Details of how our remuneration arrangements support delivery of the Group's strategy (including changes to increase the emphasis on sustainability metrics) are set out on pages 94 to 98.

Executive Director Policy Table

Component	Purpose and Link to Strategy, Long-term Interests and Sustainability	Operation	Opportunity	Performance Metrics
(i) Basic Salary	Competitive salaries are set to attract, retain and motivate executives to deliver superior performance in line with the Group's business strategy.	Reviewed annually; changes are generally effective on 1 January. Set by taking into consideration the individual's skills, experience, performance and position against peers. When determining increases, consideration is given to: (i) scope of role and responsibility; (ii) personal performance; (iii) Group performance; (iv) step changes in responsibility; (v) remuneration trends across the Group; and (vi) competitive market practice.	Whilst there is no maximum salary level, basic salary increases will normally be in line with the range of increases for the wider workforce. The Committee may at its discretion award larger increases in certain circumstances, such as a change in responsibilities or development in the role.	Not applicable.
(ii) Benefits	Competitive benefits taking into account market value of role.	Benefits relate principally to the use of company cars. Other benefits may be provided, including but not limited to club subscriptions. In the event of recruitment or relocation, additional benefits may be provided as considered appropriate by the Committee.	The level of benefit provision is determined based on the cost to the Company and as such no maximum level is set.	Not applicable.
(iii) Pension	To provide a market competitive package to attract and retain executives.	Contributions are made to the Group's defined contribution pension arrangement, or equivalent cash allowances are paid. The defined benefit plan was closed to future accrual with effect from 30 June 2016. The Group continues to honour legacy arrangements.	Current executive Directors – maximum Company contribution, or cash equivalent, of 21% of salary; but with 2022 rates set at 15.5% and 13.5% of salary for the CEO and CFO respectively; the contribution rates for executive Directors will reduce to align with the workforce rate (10% of salary) on 1 January 2023. The rate for new hires will be aligned with the rate available to the majority of employees in the relevant jurisdiction.	Not applicable.

Executive Director Policy Table continued

Component	Purpose and Link to Strategy, Long-term Interests and Sustainability	Operation	Opportunity	Performance Metrics
(iv) Annual Bonus Plan	To incentivise the executives to achieve clearly defined stretching annual targets (financial and non-financial) which are aligned with the Group's strategy. A deferral element in shares provides a retention element and aligns executives with shareholder interests.	Performance measures, their respective weightings and targets are normally set each year by the Committee to ensure continued alignment with the Group strategy. Payouts are determined by the Committee after the year-end taking into account performance against targets. The Committee retains the discretion to review out-turns to ensure they are appropriate in the context of overall performance and how it was delivered. 50% of any bonus award is normally deferred into shares for a period of, normally, three years. Deferred awards may include the right to receive (in cash or shares) the value of the dividends that would have accrued during the vesting period. Malus and clawback provisions are in place. The Committee may adjust and amend awards in accordance with the rules.	The maximum bonus opportunity in respect of a financial year is 150% of basic salary. 25% of the bonus pays out for threshold performance.	Performance is measured against a range of key financial, operational/strategic, sustainability and individual performance metrics. No less than 60% of the bonus will be based on financial measures.
(v) Performance Share Plan	To incentivise the executives to achieve clearly defined stretching long-term targets which are aligned with the Group's long-term strategic and sustainability ambition.	Annual awards are normally subject to a performance period of no less than three years. Subject to performance, awards will then normally be subject to a holding period of two years. Performance measures, their weightings and targets are normally reviewed each year by the Committee to ensure continued alignment with the Group's long-term strategy. Vesting levels are determined by the Committee after the end of the performance period taking into account performance against targets. The Committee retains the discretion to review formulaic outcomes to ensure they are appropriate in the context of overall performance and how it was delivered. Any adjustment to the formulaic outcome will be communicated to investors at the end of the performance period. Awards may include the right to receive (in cash or shares) the value of the dividends that would have accrued during the performance period and any holding period. Malus and clawback provisions are in place. The Committee may adjust and amend awards in accordance with the rules.	The maximum PSP award opportunity in respect of a financial year is 250% of basic salary. Up to 25% of the award pays out for threshold performance.	Performance measures for the PSP are selected by the Committee to be aligned with the Group's long-term strategic priority of delivering sustainable returns to shareholders. Prior to each grant, the Committee will select performance measures and targets. Measures may be financial, non-financial, share-price based, strategic, and sustainability-focused or on any other basis that the Committee considers appropriate. PSP awards for 2022 will be subject to the following performance measures including their percentage weighting: • Earnings per share (28%); • Return on capital employed (28%); • Relative TSR (29%); and • Sustainability (15%).

Executive Director Policy Table continued

Component	Purpose and Link to Strategy, Long-term Interests and Sustainability	Operation	Opportunity	Performance Metrics
Share ownership requirements	To align the interests of executive Directors with those of shareholders and incentivise long-term performance.	The Group Chief Executive Officer is required to build a shareholding equivalent to 300% of basic salary, and other executive Directors a shareholding equivalent to 200% of basic salary. Executives will normally also be subject to a post-cessation shareholding requirement. The share ownership requirement will apply for the first year post-departure and 50% of the requirement will apply for the second year post departure.	Not applicable	Not applicable
Recovery provisions	Recovery provisions (clawback and malus) may apply where stated in the table above. The provisions may be enforced in the event of: • A material misstatement of the Group's consolidated audited financial statements; • Where an award was determined by reference to an assessment of a performance condition which was based on an error, or inaccurate or misleading information; • Fraud or other material financial irregularity affecting the Group; • The occurrence of an event that causes or is likely to cause reputational damage to the Group; • Serious misconduct by a participant; • Corporate failure; or • Other circumstances which the Committee in its discretion considers to be similar in their nature or effect as the above. Recovery provisions may be enforced in respect of the cash bonus for three years following payment, in respect of deferred shares for three years from grant and in respect of PSP awards for five years from grant.			

The Committee reserves the right to make any remuneration payments and payments for loss of office, notwithstanding that they are not in line with the Policy set out above, where the terms of the payment were agreed: (i) before the Policy set out above, or (ii) at a time when a previous Policy, approved by shareholders, was in place provided the payment is in line with the terms of that policy, or (iii) at a time when the relevant individual was not a Director of the Company and the payment was not in consideration for the individual becoming a Director of the Company. For these purposes, payments include the Committee satisfying awards of variable remuneration. This means making payment in line with the terms that were agreed at the time the award was granted.

The Committee will also retain flexibility in a number of areas regarding the operation and administration of variable pay plans, including (but not limited to): change of control, variation of share capital, demerger, special dividend, winding up or similar events. The Committee retains the discretion within the Policy to amend targets and/or set different measures and weightings if events happen that cause it to determine that the original targets or conditions are no longer appropriate and the amendment is required so that the targets or conditions achieve their original purpose. Revised targets/measures will be, in the opinion of the Committee, no less difficult to satisfy than the original conditions.

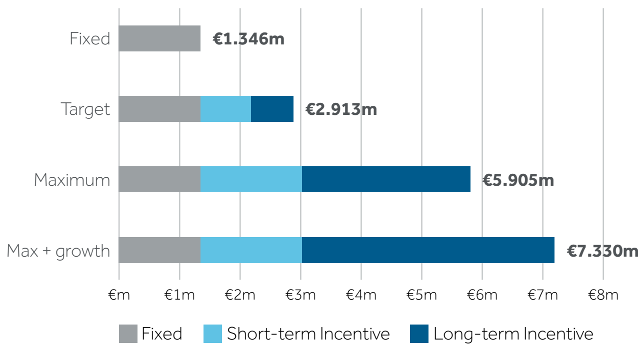
The Committee may make minor amendments to the Remuneration Policy without obtaining shareholder approval for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation. The Committee may accelerate the vesting and/or the release of awards if an executive Director moves jurisdictions following grant and there would be greater tax or regulatory burdens on the award in the new jurisdiction.

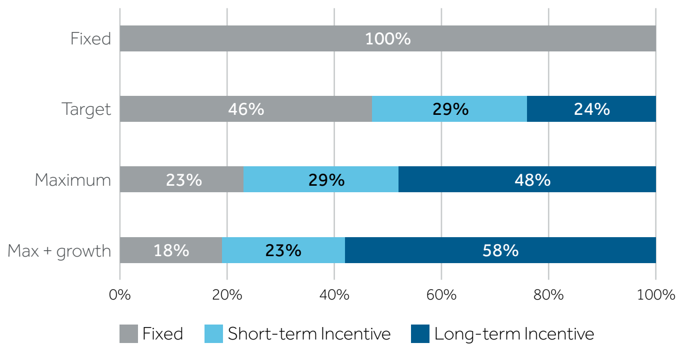
Value and Composition of Remuneration Packages

The Committee believes it is important for executive Directors and the senior management that a significant portion of the package is performance related and a significant portion is delivered in shares to align their interests with shareholders. The potential value and composition of the executive Directors' remuneration packages at below threshold, target and maximum scenarios under the proposed Policy are set out in the charts below.

Value and Composition of Package

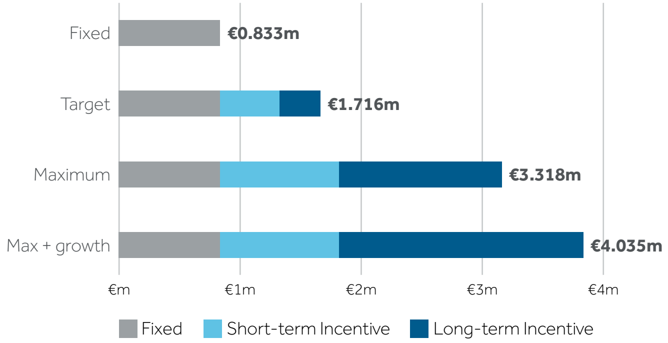
CEO

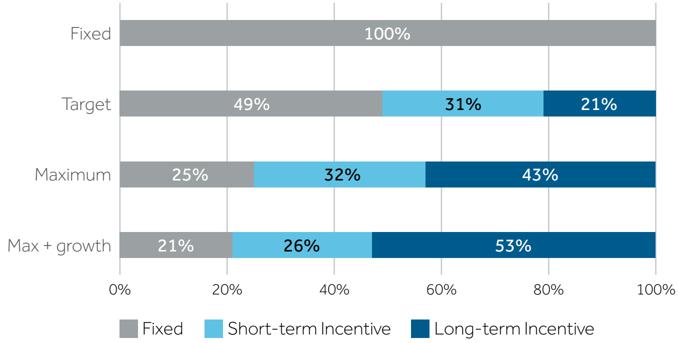




Value and Composition of Package continued

CFO





In developing the scenarios the following assumptions have been made:

- Salary: Salary at 1 January 2022.
- Benefits: Estimate based on benefits received in 2021.
- Pension: Cash in lieu rate or contribution rate applied to salary.
- Below Threshold: No pay-outs under any incentive plan.
- Target: Up to 50% of the maximum potential under the annual bonus plan and 25% of the maximum PSP awards to be made in 2022 are earned.
- Maximum: The maximum potential under the incentive plans for 2022 is earned.
- Maximum plus share price growth of 50%: The maximum potential under the incentive plans for 2022 is earned, plus share price growth of 50%.
- Other: No share price (unless otherwise stated), dividends or discount rate assumptions have been included.

Executive Directors' Service Contracts and Loss of Office Payment Policy

Details of the service contracts of the executive Directors are as follows. Contracts are available for inspection at the Company's office:

	Effective Date of Contract	Notice Period	Termination Payments
A. Smurfit	9 March 2007 (amended 1 September 2015)	12 months notice	Annual salary, the highest annual bonus for the most recent three years, the regular pension contribution in respect of the annual salary and the cash value of any benefits.
K. Bowles	1 April 2016	12 months notice	Annual salary, the regular pension contribution in respect of the annual salary and the cash value of any benefits.
Policy going forward	n/a	12 months notice	For any new executive Director, any payment in lieu of notice would solely include salary, pension and other benefits.

The Committee reserves the right to make any other payments (including appropriate legal fees) in connection with an executive Director's cessation of office or employment where the payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement of any claim arising in connection with the cessation of that executive Director's office or employment.

Non-executive Directors and the Chair

Terms and Conditions for Non-executive Directors

All Non-executive Directors have letters of appointment for a period of three years which are renewable but generally for no more than three terms in aggregate. In compliance with the UK Corporate Governance Code, all Directors will retire at each AGM and offer themselves for re-election. A copy of the letter of appointment is available for inspection at the Company's registered office during normal business hours and at the AGM. Non-executive Directors are not eligible to participate in the annual bonus plan or the long-term incentive plans and their service as a Non-executive Director is not pensionable.

Non-executive Director Policy Table

Approach to Fees	Operation	Other Items
Fees for the Chair and Non-executive Directors are set at an appropriate level to reflect the time commitment, responsibility and duties of the position and the contribution that is expected from Non-executive Directors. The remuneration of the Non-executive Directors is determined by the Board within the limits set out in the Articles of Association.	The Chair receives an aggregate fee. The Remuneration Policy for Non-executive Directors is to pay: (i) a basic annual fee; and (ii) fees for additional board responsibilities (including the Senior Independent Director and the Chair and membership of a committee). Additional fees may also be paid where the time commitment in a particular year was significantly more than anticipated. The Board retains discretion to remunerate the Non-executive Directors in shares rather than cash where appropriate.	Non-executive Directors are reimbursed for travel and reasonable personal expenses (including any related tax liability on such expenses). Additional fees or benefits may be provided at the discretion of the Board.

If a new Chair or Non-executive Director is appointed, the remuneration arrangements will normally be in line with those detailed in the table above.

Consideration of Remuneration Arrangements Throughout the Group

As the Group is multinational, remuneration packages in each geographical location must be fair and competitive for that location and at a most senior level, on an international basis. Our objectives are to a) ensure that SKG can attract and retain talented employees of the calibre necessary for it to compete in all its markets, b) motivate employees at every level of the organisation to achieve the Group's objectives, both short and long-term, in order to create sustainable value and c) align remuneration packages with the Group's values of supporting a performance culture.

The employees are rewarded in line with their individual and business performance. In setting remuneration levels, SKG takes into consideration the employees' performance appraisal, external benchmark data for their role in companies of similar size and scope in their geographical area while also ensuring reasonable internal equity within the Group.

Consideration of Shareholder Views

The Company is committed to ongoing shareholder dialogue when considering changes to the Remuneration Policy. As set out in the letter from the Committee Chair, the Committee intends to consult with the Group's largest shareholders on certain aspects of the Remuneration Policy, namely the competitiveness of our pay arrangements particularly the incentives for our most senior executives.

Annual Report on Remuneration

Total Executive Directors' Remuneration in 2021

The following table shows a single figure of total remuneration for each executive Director for the years 2021 and 2020.

				Total Annual Bonus		LTIP[3]					
2021	Basic Salary €'000	Pension €'000	Benefits[2] €'000	Cash €'000	Deferred Shares €'000	PSP Shares €'000	Share Appreciation[4] €'000	Total LTIP €'000	Total Fixed €'000	Total Variable €'000	Total €'000
A. Smurfit	**1,112**	**228**	**29**	**832**	**832**	**1,708**	**1,496**	**3,204**	**1,369**	**4,868**	**6,237**
K. Bowles	**678[1]**	**115**	**38**	**507**	**507**	**767**	**671**	**1,438**	**831**	**2,452**	**3,283**
2020											
A. Smurfit	1,112	228	29	689	689	2,108	408	2,516	1,369	3,894	5,263
K. Bowles	646	110	41	400	400	920	178	1,098	797	1,898	2,695

1 During the year, Ken Bowles received a salary increase to €700,000 per annum, effective as of 1 July 2021. This figure has therefore been calculated on a pro-rata basis.
2 Benefits include the use of a company car, club subscriptions or cash equivalent.
3 For 2021, this represents conditional share awards granted under the Group's 2018 Performance Share Plan in 2019 that vested in February 2022 at the grant price in 2019. The awards vested at 62.02% of the maximum as a result of the achievement of the relevant performance targets in the three-year period ended 31 December 2021. The vested shares (post-tax) are subject to a two-year post holding period and will be released in 2024.
4 Share price appreciation element – the additional value generated through share price growth over the grant price in 2019 and 2018. For 2019 grants, the share price used is € 46.26 compared to the grant price of €24.66. For the 2018 grants, the share price used was €39.77 compared to the grant price of €33.32 per share.

Pensions

Tony Smurfit and Ken Bowles previously participated in a Group contributory defined benefit pension plan based on an accrual rate of 1/60th of pensionable salary for each year of pensionable service, designed to provide two thirds of salary at retirement for full service. The defined benefit plan which Tony Smurfit and Ken Bowles are members of closed to future accrual with effect from 30 June 2016 and was replaced by a defined contribution plan. All pension benefits are determined solely in relation to basic salary.

For 2021, the non-pensionable cash allowance for Tony Smurfit represented 20.5% of salary and for Ken Bowles represented 17% of salary. As set out in the 2020 Remuneration Committee Report, the Committee committed to aligning the pension contribution rate to the wider workforce rate by means of a phased reduction. These phased reductions were announced in 2021 and effective 1 January 2022, the CEO and CFO's non-pensionable cash allowance reduced to 15.5% and 13.5% of salary, respectively. From January 2023, the non-pensionable cash allowance for Tony Smurfit and Ken Bowles will be aligned to the workforce rate (which is currently 10% of salary).

Annual Bonus

Executive Directors participate in an annual bonus scheme based on the achievement of clearly defined stretching annual financial targets, together with targets for Health and Safety and personal/strategic goals for each of the executive Directors. In 2021, a new set of targets was added relating to the Group's 'People' strategy.

2021 Annual Bonus

The key target areas as well as their weightings and the specific targets for the 2021 annual bonus plan are set out in the table below:

Performance Metrics (weighting)	Threshold	Target	Maximum	Resultant Payout (% of max.)
EBIT (35%)			€1,080m	34.8% (99%)
	€647m	€865m	€1,082m	
FCF (35%)			€455m	35% (100%)
	€41m	€201m	€360m	
Health & Safety (10%)	The Group TRIR was 0.59, 100% payout for less than 0.60.			10% (100%)
People & ESG (10%)	Strong progress against People & ESG goals. Further details set out overleaf for the Executive Directors.			10% (100%)
Personal/Strategic Goals (10%)	Strong progress against personal/strategic goals. Further details set out overleaf, individually for the CEO and CFO.			10% (100%)

People and ESG Outcome for Executive Directors (10% weighting)

Focus area	Objectives	Assessment	Resultant Payout
People	Develop next generation of leaders, increase employee engagement, promote and champion Inclusion, Diversity and Equality programmes.	• Carried out successful strategic talent review for top talent. • 13 percentage point increase in global employee engagement rate, positioning SKG ahead of industry peers. • Detailed workforce engagement schedule developed and completed with frequent direct and indirect engagement opportunities. • Creation of Inclusion, Diversity and Equality Council and evolved the EveryOne programme in 2021.	100%
Sustainability	Drive Group to be a fully sustainable circular business, target recognition for ESG activities.	• Strong progress against Sustainability objectives including approval of sustainability related capital expenditure, publication of Green Finance Framework and improvement across key medium-term KPIs. • Achieved strong scores with key ratings agencies such as MSCI and second party opinion on SKG Green Finance framework by ISS ESG leading to successful €1 billion green bond issuance in September 2021. • Delivery of Better Planet Packaging event which hosted 2,700 attendees in March 2021. • Developed and evolved Better Plant 2050 Strategy with enhanced targets across all key sustainability metrics including emissions, waste, water intake and quality, chain of custody, inclusion, diversity and equality, community & social responsibility and health & safety.	100%
Ethics & Community	Ensure a safe and trusting environment that encourages any reporting of wrong-doing; create a Community Investment Plan for support.	• Presented quarterly reporting of key data and whistleblowing activity. • Launched Open Community Brochure for 2021. • Commitment to donate €24 million over a five-year period to 2025 to support social, environmental and community initiatives.	100%
			Total: 10% (100%)

Personal/Strategic Goals (10% weighing)

The following table sets out the executive Directors' achievements against their personal/strategic objectives for 2021:

Executive	Objectives	Assessment	Resultant Payout (%)
A. Smurfit	**Strategy for Growth** Development of strategic plans for the Group.	• New ambitious investment and strategic plans developed, presented and approved by the Board . • Successful €1 billion green bond issuance at a record coupon for the Group.	100%
	Digital enablement Oversee completion of Digital Strategy for the Group.	• Multi-functional Digital Strategy for the Group developed, approved and commenced. • Implementation on course to deliver significant efficiencies.	100%
			Total: 10% (100%)
K. Bowles	**Capital structure & stakeholder engagement** • Lead the Group's journey towards investment grade credit rating. • Effective management of relationships with key stakeholders.	• Achieved investment grade rating from Moody's, Fitch and Standard & Poor's in 2021. • Successful €1 billion green bond issuance at a record coupon for the Group. • SKG TSR significantly ahead of peer group.	100%
	Digital enablement Oversee completion of Digital Strategy for the Group.	• Multi-functional Digital Strategy for the Group developed, approved and commenced. • Implementation on course to deliver significant efficiencies.	100%
			Total: 10% (100%)

Following the consideration of performance against the targets, and in the context of the wider performance of the Group, the Committee did not consider it necessary to apply discretion to the outturns and approved the following annual bonuses for 2021:

	2021				
Executive Directors	(% Maximum)	Bonus Payable (% Salary)	Annual Cash Bonus €'000	Deferred Shares €'000	Total Bonus €'000
A. Smurfit	**99.8%**	**149.7%**	**832**	**832**	**1,664**
K. Bowles	**99.8%**	**149.7%**	**507**	**507**	**1,014**

In line with the Remuneration Policy, half of the bonuses shown above were paid in cash and half are deferred into Company shares which vest after three years subject to the continuity of employment of the executive or in certain circumstances based on normal good leaver provisions.

Performance Share Plan

Awards Vesting in Respect of Performance to 31 December 2021

In 2019, Tony Smurfit and Ken Bowles were granted awards under the 2018 PSP. These awards were based on the following performance criteria: EPS (pre-exceptional); Return on Capital employed; and Total Shareholder Return against a bespoke peer group. Performance was measured on a straight-line basis between threshold and maximum.

Performance Metrics (weightings)	Threshold (25% Vesting)	Maximum (100% Vesting)	Achievement	Level of Vesting
EPS (pre-exceptional items – cumulative over three years) (33%)	770c	940c	818c	15.41%
ROCE (three-year average) (33%)	15.3%	18.7%	16%	13.28%
Relative TSR vs. a select peer group (33%)	Median	Upper quartile	100th percentile	33.33%
Overall vesting				62.02%

The peer group used for the TSR measure comprised the following companies: Billerud Korsnas, Cascades, DS Smith, Empresas CMPC, Graphic Packaging, International Paper, Klabin, Mayr-Melnhof, Metsa Board, Mondi, Packaging Corporation of America, Stora Enso, UPM-Kymmene and WestRock. SKG finished in first place in terms of TSR outcome against the peer group for the performance period and was therefore in the upper quartile in terms of the achievement for the 2019 award.

In line with our normal approach for EPS and ROCE, we adjust for items which would affect comparability such as acquisitions and disposals, the impact of IFRS 16, *Leases* and the equity raise.

Following consideration of performance against the targets, and in the context of the wider performance of the Group, the Committee did not consider it necessary to apply discretion to the out-turns and approved the level of vesting of the 2019 PSP awards. PSP Awards although vested, are subject to an additional holding period such that they are released following the fifth anniversary of the grant date.

Share Awards Granted During the Year

During the year, executive Directors were granted Deferred Share Awards in respect of the 2020 annual bonus. They were also granted PSP Awards that may vest based on the achievement of performance targets for the three-year period ending on 31 December 2023. PSP Awards are subject to an additional holding period such that they are released following the fifth anniversary of the grant date. Details of the performance conditions attached to these awards are set out on page 85 of the 2020 Annual Report.

Details of the executive Directors' awards are set out below. Further detail on the executive Directors' outstanding shares are set out on page 107.

	Type of Interest	Face Value €'000	Basis on Which Award Made	% Vesting at Threshold	Performance Period
Deferred Bonus[1]					
A. Smurfit	Deferred shares	689	Deferred bonus	n/a	n/a
K. Bowles	Deferred shares	400	Deferred bonus	n/a	n/a
Performance Shares[2]					
A. Smurfit	Performance shares	2,780	250% of salary	25%	01/01/2021–31/12/2023
K. Bowles	Performance shares	1,344	205% of salary	25%	01/01/2021–31/12/2023

1 Share price of deferred shares granted in March 2021 was €40.24. Awards will vest based on continued employment to February 2024 (subject to leaver provisions within the plan rules).
2 Two grants of performance shares were made in 2021; the first in March, with a second tranche granted in May to reflect the increased PSP opportunity approved at the AGM as part of the 2021 Remuneration Policy. The share price of performance shares granted in March 2021 was €40.76; the share price of performance shares granted in May 2021 was €43.93. These awards are subject to the following performance conditions and weightings: EPS (pre-exceptional, 28%); ROCE (28%); relative TSR (29%) against a bespoke peer group; CO_2 emissions reduction (5%); water discharge reduction (5%); and waste to landfill reduction (5%). Details of the underlying targets are set out in the Annual Report 2020.

Annual Percentage Change in Remuneration of Directors and Employees

Details of the percentage change in the salary, annual bonus and benefits from 2020 to 2021 for the Directors of the Company, along with that applicable to an average FTE employee of Smurfit Kappa, is set out below:

	Change 2020–2021			Change 2019–2020		
	Basic Salary	**Total Bonus**	**Benefits**	Basic Salary	Total Bonus	Benefits
Executive Directors						
Group Chief Executive Officer – A. Smurfit	**0%**	**21%**	**0%**	0%	16%	(6%)
Group Financial Officer – K. Bowles[1]	**5%**	**27%**	**(7%)**	3.50%	20%	14%
Non-executive Directors[2]						
I. Finan	**0%**	**n/a**	**n/a**	26%	n/a	n/a
A. Anderson	**0%**	**n/a**	**n/a**	2%	n/a	n/a
F. Beurskens	**0%**	**n/a**	**n/a**	0%	n/a	n/a
C. Fairweather	**0%**	**n/a**	**n/a**	0%	n/a	n/a
K. Hietala[3]	**671%**	**n/a**	**n/a**	n/a	n/a	n/a
J. Lawrence	**0%**	**n/a**	**n/a**	0%	n/a	n/a
L. Melgar	**0%**	**n/a**	**n/a**	n/a	n/a	n/a
J. Moloney	**0%**	**n/a**	**n/a**	11%	n/a	n/a
J. Buhl Rasmussen	**0%**	**n/a**	**n/a**	40%	n/a	n/a
G. Restrepo	**0%**	**n/a**	**n/a**	40%	n/a	n/a
Average employee of Smurfit Kappa Group (FTE)	**2%**	**4%**	**n/a***	2%	16%	n/a*

1 During the year, Ken Bowles received a salary increase to €700,000 per annum, effective as of 1 July 2021. This figure has therefore been calculated on a pro-rata basis.
2 Page 108 provides the underlying single figure of remuneration for Non-executive Directors used to calculate the figures above.
3 Kaisa Hietala joined the Board in October 2020.
* Due to data availability, it is not possible to calculate the percentage change in benefits for all employees for the purpose of this table.

Chief Executive Officer Pay Ratio

Although this legislation does not apply to SKG, the Committee has voluntarily published the ratio. The following table sets out the Group CEO pay ratio against Irish employees within the Group, which is considered the most relevant reference point as the Group's headquarters are in Ireland.

Year	**Population**	**25th percentile**	**50th percentile**	**75th percentile**
2021	**Irish employees**	**152**	**116**	**83**
2020	Irish employees	132	97	72
2019	Irish employees	92	68	50

Total remuneration for each individual in the above data has been calculated on the same basis as the Group CEO's annual total remuneration for the same period in the single figure table. For part-time employees, their relevant pay and benefit components have been adjusted to the equivalent full-time figure for the relevant business.

The pay ratio reflects how remuneration arrangements differ as responsibility increases for more senior roles within the organisation; with a significant proportion of the CEO's remuneration derived from at-risk, performance based pay linked to the Group's overall performance and also to Smurfit Kappa's share price performance through the equity based incentives. The Committee is comfortable that the pay ratio reflects the pay progression policies at Smurfit Kappa and acknowledges that there will be volatility in the reported pay ratio year-on-year, driven by the performance-based pay outcomes.

Relative Importance of Spend on Pay

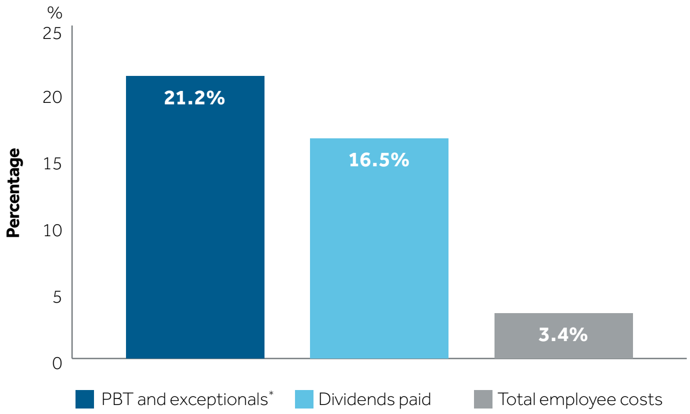
The following tables set out the change in profit, dividends and total employee costs for the financial year ended 31 December 2021 against a five-year comparative.

	2021 €m	2020 €m	2019 €m	2018 €m	2017 €m	2016 €m
Profit before income tax and exceptional items	**944**	779	872	938	601	657
Dividends paid to shareholders	**302**	260	238	213	191	166
Total employee costs[1]	**2,292**	2,218	2,195	2,139	2,070	1,968
Directors Remuneration	**11**	9	7	6	5	4[2]

1 Total employee costs for continuing operations, includes wages and salaries, social insurance costs, share-based payment expense, pension costs and redundancy costs for all employees. The average full time equivalent number of employees and part-time employees in continuing operations was 47,753 (2020: 46,375).

2 Ken Bowles, who was appointed Group Chief Financial Officer on 1 April 2016, was appointed a Director on 8 December 2016.

Percentage Change of Spend on Pay 2021 vs 2020

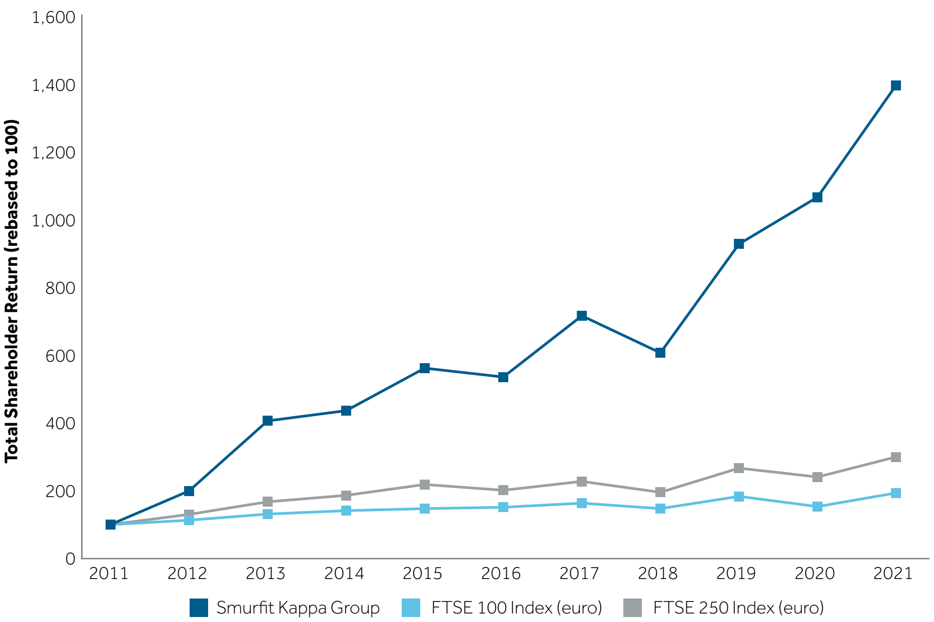


* Profit before income tax and exceptional items.

Total Shareholder Return Performance

The performance graph below shows the Group TSR performance from 31 December 2011 to 31 December 2021 against the performance of the FTSE 100 and FTSE 250 over the same period. Both the FTSE 100 and FTSE 250 have been chosen, as during the relevant period these are the two broad equity market indices of which the Group has been a member.

Total Return Indices – Smurfit Kappa vs FTSE 100 and FTSE 250



Group Chief Executive Officer Remuneration

The table below summarises the single figure of total remuneration for the Group Chief Executive Officer for the past ten years as well as how the actual awards under the annual bonus and LTIP compare to the maximum opportunity.

		Single Figure of Total Remuneration €'000	Annual Bonus Award Against Maximum Opportunity*	LTIP Award Against Maximum Opportunity
Group Chief Executive Officer				
2021	A. Smurfit	6,237	99.8%	62.02%[1]
2020	A. Smurfit	5,263	82.6%	78.35%[2]
2019	A. Smurfit	3,670	71%	100%[3]
2018	A. Smurfit	3,372	97.3%	51.6%[3]
2017	A. Smurfit	2,477	41%	45%[3]
2016	A. Smurfit	2,407	35%	45%[3]
2015	A. Smurfit (appointed 1 September)	1,180	42%	67%[3]
2015	G. McGann (retired 31 August)	3,837	42%	67%[3]
2014	G. McGann	7,203	55%	75%[3]
2013	G. McGann	5,278	54%	93%[3]
2012	G. McGann	3,169	60%	30%[4]

1 The Performance Share award granted in 2019 vested in February 2022 based on the achievement of the relevant performance targets for the three-year period ending on 31 December 2021. Awards will be released after a two year holding period.

2 The Performance Share award granted in 2018 vested in February 2021 based on the achievement of the relevant performance targets for the three-year period ending on 31 December 2020. Awards are being released in three equal tranches.

3 The Matching and Conditional Matching Awards granted in 2017, 2016, 2015, 2014, 2013, 2012 and 2011 vested in February 2020, 2019, 2018, 2017, 2016, 2015 and 2014 respectively based on the achievement of the relevant performance targets for the three-year periods ending on 31 December 2019, 2018, 2017, 2016, 2015, 2014 and 2013.

4. The awards under the 2007 Share Incentive Plan ('SIP') vested 30% in February 2013 with the TSR condition being at the median.

* The annual bonus award was paid 50% in cash and 50% in Deferred Share Awards.

The information below forms an integral part of the audited Consolidated Financial Statements as described in the Basis of Preparation on page 134.

Pension Entitlements – Defined Benefit

	Increase/ (Decrease) in Accrued Pension During Year €'000	Transfer Value of Increase/ (Decrease) in Accrued Pension €'000	**2021 Total Accrued Pension[1] €'000**
Executive Directors			
A. Smurfit	–	–	**282**
K. Bowles	–	–	**80**

1 Accrued pension benefit is that which would be paid annually on normal retirement date. The defined benefit plan was closed to future accrual with effect from 30 June 2016.

Additional Information

Payments to Former Directors

There were no payments made to former Directors in the year.

Payments for Loss of Office

There were no payments for loss of office made in the year.

Executive Directors' Interests in Share Capital at 31 December 2021

The table below summarises the personal shareholdings of each executive Director. The figures include beneficially owned shares and unvested share awards which are not subject to further performance criteria (other than continued employment) on a net of tax basis.

Name	Beneficially Owned at 31 December 2020	Beneficially Owned at 31 December 2021	Unvested Awards Not Subject to Performance Criteria (Net of Tax)	**Total Shareholding as at 31 December 2021**	Shareholding (% of Salary)	Shareholding Guideline (% of Salary)	Shareholding Guideline Met?
A. Smurfit	1,258,490	1,333,120	32,718	**1,365,838**	5,433%	300%	Yes
K. Bowles	47,374	63,546	18,286	**81,832**	534%	200%	Yes

The changes in the executive Directors' interests (beneficially owned shares) between 31 December 2021 and 16 March 2022 were as follows: Tony Smurfit and Ken Bowles increased their holdings by 50,133 and 14,877 shares respectively in February 2022, following the vesting of the Deferred share awards and the vesting of the Performance Share Plan.

External Appointments

The Company recognises that, during their employment with the Company, Executive Directors may be invited to become Non-executive Directors of other companies and that such duties can broaden their experience and knowledge. Executive Directors may, with the written consent of the Company, accept such appointments outside the Company, and the policy is that any fees may be retained by the Director. The Executive Directors do not hold any paid appointments at present.

Deferred Annual Bonus Plan and Deferred Bonus Plan Awards

Deferred Share Awards

Deferred Share Awards were granted to eligible employees in 2021 in respect of the financial year ended 31 December 2020. These awards are not subject to performance conditions.

	31 December 2020	Granted (Lapsed) in Year 2021	Shares vested	31 December 2021	Market Price on Award Date	Deferral Period
Directors						
A. Smurfit						
	11,362		**(11,362)**[1]	**–**	30.09	01/01/2018 – 31/12/2020
	30,861			**30,861**[2]	26.13	01/01/2019 – 31/12/2021
	17,460			**17,460**	33.91	01/01/2020 – 31/12/2022
		17,114		**17,114**	40.24	01/01/2021 – 31/12/2023
K. Bowles						
	6,198		**(6,198)**[1]	**–**	30.09	01/01/2018 – 31/12/2020
	16,833			**16,833**[2]	26.13	01/01/2019 – 31/12/2021
	9,798			**9,798**	33.91	01/01/2020 – 31/12/2022
		9,940		**9,940**	40.24	01/01/2021 – 31/12/2023
Secretary						
G. Carson-Callan						
	1,033		**(1,033)**[1]	**–**	30.09	01/01/2018 – 31/12/2020
	3,347			**3,347**[2]	26.13	01/01/2019 – 31/12/2021
	1,969			**1,969**	33.91	01/01/2020 – 31/12/2022
		2,746		**2,746**	40.24	01/01/2021 – 31/12/2023

1 The deferred shares vested and were distributed in February 2021. The market price at date of distribution was €39.77.
2 The deferred shares vested in February 2022 and were distributed. The market price at the date of distribution was €46.26.

The market price of the Company's shares at 31 December 2021 was €48.44 and the range during 2021 was €38.34 to €50.14.

Performance Share Plan Awards

PSP Awards were granted to eligible employees in 2021. Awards may vest based on the achievement of the relevant performance targets for the three-year period ending on 31 December 2023. Details of the status of the original awards is included below.

	31 December 2020	Granted (Lapsed) in Year 2021*	Shares Vested	31 December 2021	Market Price on Award Date	Performance Period**
Directors						
A. Smurfit	74,651	**(16,162)**	**(58,489)**[1]	**–**	33.32	01/01/2018 – 31/12/2020
	101, 472	**–**	**–**	**101,472**[2]	24.66	01/01/2019 – 31/12/2021
	93,719	**–**	**–**	**93,719**	26.70	01/01/2020 – 31/12/2022
	–	**61,391**	**–**	**61,391**	40.76	01/01/2021 – 31/12/2023
	–	**6,329**[3]	**–**	**6,329**	43.93	01/01/2021 – 31/12/2023
K. Bowles	32,575	**(7,053)**	**(25,522)**[1]	**–**	33.32	01/01/2018 – 31/12/2020
	45,555	**–**	**–**	**45,555**[2]	24.66	01/01/2019 – 31/12/2021
	43,547	**–**	**–**	**43,547**	26.70	01/01/2020 – 31/12/2022
	–	**28,954**	**–**	**28,954**	40.76	01/01/2021 – 31/12/2023
	–	**3,731**[3]	**–**	**3,731**	43.93	01/01/2021 – 31/12/2023
Secretary						
G. Carson-Callan	2,161	**(468)**	**(1,693)**[1]	**–**	33.32	01/01/2018 – 31/12/2020
	6,813	**–**	**–**	**6,813**[2]	24.66	01/01/2019 – 31/12/2021
	7,865	**–**	**–**	**7,865**	26.70	01/01/2020 – 31/12/2022
	–	**9,495**	**–**	**9,495**	40.76	01/01/2021 – 31/12/2023

1 Based on the achievement of relevant performance targets for the three-year period ending on 31 December 2020, the conditional share awards including dividend equivalents vested at 78.35% in February 2021. The market price at the time of vesting was €39.77. The vested shares (post-tax) from the 2018 award for the executive Directors are subject to holding periods and are to be released in three equal tranches: one was released in 2021; and the subsequent shares will be released in 2022 and 2023. The dividend equivalents that vested amounted to 4,779, 2,084 and 136 shares for A. Smurfit, K. Bowles and G. Carson-Callan respectively.
2 Based on the achievement of relevant performance targets for the three-year period ending on 31 December 2021, the conditional share awards including dividend equivalents vested at 62.02% in February 2022. The market price at the time of distribution was €46.26. The Directors vested shares (post-tax) from the 2019 award for the executive Directors are subject to a two year holding period and are to be released March 2024.
3 Two grants of performance shares were made in 2021; the first in March 2021, with a second tranche granted in May 2021 to reflect the increased PSP opportunity approved at the AGM as part of the 2021 Remuneration Policy.
* Awards are eligible to accrue dividend equivalents during the performance period.
** Awards are subject to a holding period. Awards granted in 2019, 2020 and 2021 are released to executive Directors on the fifth anniversary of the date of grant.

Directors' Remuneration

	2021 €'000	2020 €'000
Executive Directors		
Basic salary	**1,790**	1,758
Annual cash bonus	**1,339**	1,089
Annual bonus deferred shares	**1,339**	1,089
Pension	**343**	338
Benefits	**67**	70
Total LTIP	**4,642**	3,614
Executive Directors' remuneration	**9,520**	7,958
Average number of executive Directors	**2**	2
Non-executive Directors		
Fees	**1,380**	1,302
Non-executive Directors' remuneration	**1,380**	1,302
Average number of Non-executive Directors	**10**	10
Directors' Remuneration	**10,900**	9,260

Individual Remuneration for the Financial Year Ended 31 December 2021

	Total 2021 €'000	Total 2020 €'000
Non-executive Directors*		
I. Finan	**350**	350
A. Anderson	**90**	90
F. Beurskens[1]	**150**	150
C. Fairweather	**130**	130
K. Hietala[2]	**90**	12
J. Lawrence	**90**	90
L. Melgar	**90**	90
J. Moloney	**130**	130
J. Buhl Rasmussen	**130**	130
G. Restrepo	**130**	130
	1,380	1,302

* Non-executive Director remuneration is entirely fixed.
1 Frits Beurskens' fees include additional fees of €60,000 (2020: €60,000) for services as a Director of a Group subsidiary and advisory services.
2 Kaisa Hietala joined the Board in October 2020.

Share-based Payment

The executive Directors receive Deferred Share Awards and Performance Share Awards, details of which are outlined on page 107 of this report. The share-based payment expense recognised in the Consolidated Income Statement for the executive Directors in the year totalled €5 million (2020: €3 million).

Non-executive Directors' Interests in Share Capital at 31 December 2021

The interests of the Non-executive Directors and Secretary in the shares of the Company as at 31 December 2021 which are beneficial unless otherwise indicated are shown below. The Directors and Secretary have no beneficial interests in any of the Group's subsidiary or associated undertakings.

Ordinary Shares	31 December 2021	31 December 2020
Directors		
I. Finan	**19,709**	19,709
A. Anderson*	**6,911**	5,874
F. Beurskens	**5,300**	5,300
C. Fairweather	**3,000**	3,000
K. Hietala	**1,471**	1,471
J. Lawrence	**170,000**	335,000
L. Melgar	**–**	–
J. Moloney	**10,206**	10,206
J. Buhl Rasmussen	**6,146**	6,146
G. Restrepo	**–**	–
Secretary		
G. Carson-Callan	**1,016**	441

* From October 2021, Anne Anderson has an indirect interest in 1,000 SKG shares, held by a connected person. These shares were acquired historically in 2019 and 2020.

The changes in the Secretary's interest between 31 December 2021 and 10 March 2022 was as follows:
- Gillian Carson-Callan increased her holding by 1,601 shares in February 2022 following the vesting of the share plans.

There were no changes to the Non-executive Director interests during this time.

End of information in the Remuneration Report that forms an integral part of the audited Consolidated Financial Statements.

The Remuneration Committee

The Remuneration Committee is chaired by John Moloney and currently comprises four Non-executive Directors. Irial Finan retired from the Committee in October 2021. The Directors' biographical details on pages 78 to 81 demonstrate that the members of the Committee bring to it a wide range of experience in the area of senior executive remuneration in comparable companies.

The Committee receives advice from independent remuneration consultants, as appropriate, to supplement their own knowledge and to keep the Committee updated on current trends and practices. During the year, Ellason LLP replaced Deloitte LLP as advisers to the Committee. Ellason were appointed by the Committee following a competitive tender process. In 2021, the Committee received independent advice in relation to the external governance landscape and on the approach to executive remuneration in the Group going forward. The Committee considers that the advice provided by both Deloitte and Ellason, neither of whom have any other affiliation with the Group, was objective and independent. The total fees paid to Deloitte LLP in relation to Remuneration Committee work during 2021 were £37,600 (excluding VAT). The total fees paid to Ellason LLP in relation to Remuneration Committee work during 2021 were £59,740 (excluding VAT). Deloitte and Ellason are signatories to the Remuneration Consultants' Group code of conduct in relation to executive remuneration consulting in the UK.

The role and responsibilities of the Committee are set out in its Terms of Reference which were updated and approved in December 2021 and are available on the Group's website: smurfitkappa.com. As detailed on page 86, the Board conducts an annual evaluation of its own performance and that of its Committees, Committee Chairs and individual Directors except in years when an external evaluation is carried out. In accordance with the UK Corporate Governance Code, an internal evaluation was conducted in 2021. The conclusion from the 2021 process was that the performances of the Remuneration Committee and of the Chair of the Committee were satisfactory.

The Committee met six times during the year. Details of Committee members and meetings attended are provided in the table on page 92. The Group Chief Executive Officer normally attend the meetings and the Group VP Human Resources attends when appropriate (neither are involved in discussions concerning their own remuneration).

Statement on Shareholder Voting

The Company is committed to ongoing dialogue with our shareholders regarding executive remuneration. We engaged extensively with our stakeholders during the Policy review in 2020.

The following table shows the voting outcomes at the 30 April 2021 AGM for the 2020 Directors' Remuneration Report, the Directors' Remuneration Policy and the increase in the maximum award opportunity in the rules of the 2018 Performance Share Plan.

Item	Votes For and Discretionary	% Votes Cast	Votes Against	% Votes Cast	Total Votes Cast	Vote Withheld
Directors' Remuneration Report	150,927,438	96.2%	6,020,064	3.8%	156,947,502	315,598
Directors' Remuneration Policy	146,576,022	94.0%	9,420,688	6.0%	155,996,710	1,266,390
Increase the maximum award opportunity in the rules of the 2018 Performance Share Plan	153,662,853	97.7%	3,597,815	2.3%	157,260,668	2,432

"Dear Shareholders, I am pleased to present the Nomination Committee report covering the work the Committee performed during the 2021 financial year."

Gonzalo Restrepo
Chair of Nomination Committee, 16 March 2022

Committee Members

G. Restrepo (Chair)
A. Anderson
F. Beurskens
I. Finan
J. Lawrence

The Role of the Nomination Committee

- Lead the process for appointments to the Board and make recommendations to the Board;
- Evaluate the balance of skills, knowledge, experience and diversity, including geographical, gender, age and ethnic diversity, on the Board and its Committees to ensure they operate effectively;
- Prepare descriptions of the role and requirements for new appointees; and
- Give full consideration to succession planning for the Board and senior management.

The roles and responsibilities of the Committee are set out in its Terms of Reference which are available on the Group's website: smurfitkappa.com. The Terms of Reference were reviewed and updated in December 2021.

Attendance Record	The number of meetings held during the period the Director was a member of the Committee and was eligible to attend*
G. Restrepo (Chair)	
A. Anderson	
F. Beurskens	
I. Finan	
J. Lawrence	

* The total people icons represent the number of meetings held during the period the Director was a member of the Committee and was eligible to attend. All Committee member's attended all meetings during the year.

Length of Tenure	Appointment Date
G. Restrepo (Chair)	2019
A. Anderson	2019
F. Beurskens	2013
I. Finan	2019
J. Lawrence	2015

Membership of the Committee

The Committee is currently comprised of five Non-executive Directors. The Committee met three times during the year under review. Details of Committee members and meetings attended are provided in the table above. The Group Chief Executive Officer normally attends meetings of the Committee and the Group VP of Human Resources attends as appropriate.

Main Activities During the Year

The Committee has fully complied with the principles of the Code, which includes up to date guidance for Nomination Committees of companies listed on Euronext Dublin and the LSE throughout the accounting period.

The primary role of the Committee is to monitor and maintain an appropriate balance of skills, experience, independence and diversity on the Board while regularly reviewing its structure, size and composition. It is also responsible for ensuring there is a formal, rigorous and transparent process for the appointment of new Directors to the Board.

Where necessary, the Committee uses the services of external advisors in order to assist in the search for new appointments to the Board. Advisors are provided with a brief which takes into consideration the skills, experience and diversity required at the time to give balance to the Board. When suitable candidates have been identified, some Committee members will meet with them and if a candidate is agreed upon, the Committee will then recommend the candidate to the Board. All appointments to the Board are approved by the Board as a whole. All newly appointed Directors are subject to election by shareholders at the AGM following their appointment and in compliance with the Code, all Directors are required to retire at each AGM and offer themselves for re-election. There were no new appointments to the Board during 2021.

Succession planning is a fundamental aspect of the Committee's work both for Directors and senior management. A detailed succession planning process is in place which has been developed and has evolved in recent years. The Committee and the Board regularly review succession plans for Directors and senior management of the Group and are assisted by comprehensive updates from the Group VP of Human Resources.

Refreshing the Board and its Committees

During the year, the Committee evaluated the composition of the Board with respect to the balance of skills, knowledge, experience and diversity, including geographical, gender, age and ethnic diversity.

Board and Committee Evaluation

The Committee also lead oversight of the Internal Board evaluation process to assess the performance of individual Directors and the effectiveness of the Board and its Committees. In line with the Code, an external evaluation of the Board and its Committees is conducted every three years, the next of which will take place during 2022. Details of the outcome of the Internal Board evaluation completed in 2021 are included in the Corporate Governance Statement on page 86.

In addition to the oversight of the Internal Board Evaluation, the Committee conducted an evaluation of its performance in 2021, the outcome of which was that the Committee was considered to be operating effectively and efficiently.

Chair Succession Planning

During the year, the Board (led by the Senior Independent Director and this Committee) carried out an extensive process relating to the succession of the Group Chair. Full details of this process and outcome are also outlined in the Corporate Governance Statement on pages 84 to 85.

Irial Finan joined the Board in February 2012 and was appointed Chair in May 2019. He was independent at the time of appointment, as recommended by the Code. Irial's appointment as Chair followed a comprehensive chair succession process completed by the Board in 2018. He was appointed as Chair designate in October 2018 and became Chair at the conclusion of the AGM in May 2019. Including his time as a Non-executive Director, he had completed nine years on the Board in 2021.

The Chair is responsible for the leadership of the Board and the efficient and effective working of the Board. He sets and manages the Board agenda so that the agenda (at appropriate times) addresses all matters reserved to the Board and ensures that adequate time is available for discussion on strategy and the strategic issues facing the Group. He ensures that the Directors receive accurate, timely and clear information, and that the Directors are updated periodically on the views or concerns of the major investors. He also ensures that a culture of openness and debate is fostered to facilitate constructive Board relations and the effective contribution of the Non-executive Directors to the Board.

Succession Review

During 2021, the Board completed a detailed review to consider the tenure of the Chair and Chair succession, which was led by Gonzalo Restrepo, the Senior Independent Director and Chair of the Nomination Committee. The Company engaged with shareholders to seek their views and support as part of the process in which approximately 50% of the shareholder base were consulted in addition to institutional proxy advisers.

In the detail below, the Board has provided a transparent disclosure of their considerations and their recommendations in relation to the tenure of the Chair (including the recommendation to shareholders that the re-election of Irial at the AGM in April 2022 is in the best interests of the Company and of shareholders).

Considerations

The Board in completing their Chair succession review, was cognisant of Provision 19 of the Code which states that 'the Chair should not remain in post beyond nine years from the date of their first appointment to the Board'. However, the Board also notes the flexibility within the Code to extend the Chair tenure for a limited time to facilitate effective succession planning and the development of a diverse board, particularly in those cases where the Chair was an existing non-executive Director on appointment. The Code states that a 'clear explanation should be provided' where this is the case. As noted while Irial's tenure on the Board exceeded nine years in 2021, he has only been in the critical position of Chair since May 2019.

A clear explanation has been provided below outlining the rationale for extending the tenure of the Chair and this has also been detailed in the Corporate Governance Statement on pages 84 to 85.

In the year of his appointment, an external evaluation of the Board was conducted. Over the last two years there have been internal evaluations conducted by the Senior Independent Director including an evaluation of the Chair. The performance of Irial has been exceptional and the Board are very satisfied with his support, leadership and independence as Chair.

The executive Directors of the Group, the Group CEO and the Group CFO, were appointed to their positions in 2015 and 2016 respectively. As a result, the Board believe that there is no governance concern arising in relation to concurrency of the roles.

The Board noted in their consideration the exceptional performance of the Group in recent years which has seen a significant increase in market capitalisation. Throughout his tenure to date, the Chair has supported the Executive management team in their delivery of many key achievements and milestones for the Group, which have included the completion of a successful share placing in November 2020 raising gross proceeds of €660 million to allow for accelerated capital investment; the issuance of €1 billion of Green Bonds at record low coupons for the Group in September 2021; and a number of successful acquisitions in Europe and the Americas. As a result, the Board believe that in this time of growth and transformation for the Group that continuity in the position of Chair is important not only for the Group but also for shareholders and other stakeholders.

The Board has had significant refreshment in recent years with over 50% of Non-executive Directors on the Board in their position for less than five years. The Board believes that the leadership, governance and direction from the Chair is essential to the effective integration of new members and are very satisfied that Irial is providing the necessary support to the Directors.

Since his appointment, the Chair has been pro-active in his engagement with stakeholders including shareholders, proxy bodies and the Group's workforce. Most recently, during 2021 Irial met virtually and engaged with many shareholders and proxy body representatives. Shareholder support for his reappointment has been very strong at every AGM since appointment, including the 2021 AGM.

The Board want to ensure an orderly succession and transition of the Chair. The Board will ensure that a process to identify a suitable candidate will be completed so that the successor is in place in sufficient time for the end of the proposed extension as outlined in the conclusion.

Conclusion

Following consideration of the Code, the rationale identified and the views of shareholders, the Board concluded that it was in the best interests of the Group and of all stakeholders that the tenure of Irial be extended by a period of up to three years. In their decision to define a time period for the extension, the Board believe that this provides clarity and certainty for all stakeholders of the Group.

The Board concluded that given the importance of the role, it would not be in the interests of the Company or stakeholders to have a change in Chair so soon after appointment, particularly given the exceptional leadership, governance and direction from the Chair and the level of Board refreshment in recent years. The Board believe that as the Group continues in this time of growth and transformation that continuity in the position of Chair is important to the effective operation of the Board and continued success of the Group. The Board also note that Irial's re-appointment will be subject to shareholder approval at the 2022 AGM and subsequent future AGMs as applicable. In advance of subsequent AGMs, the Board is committed to providing transparent disclosure on the status of the Chair succession process in the Annual Report.

Recommendation for 2022 AGM

As noted, the Board has carefully considered the tenure of the Chair and is recommending to shareholders that the re-election of Irial at the forthcoming AGM in in April 2022 is in the best interests of the Company and its shareholders.

Board Balance and Effectiveness

As is the case each year, the Committee reviewed the size and performance of the Board during 2021. Key elements of ensuring the Board continues to operate at a high standard is independent oversight and a diverse background of skills, which allows Non-executive Directors to scrutinise and, when necessary, challenge management proposals and strategy. The Committee continues to review that each of the Non-executive Directors, excluding the Chair, remain impartial and independent in order to meet the challenges of their roles.

Throughout the year, over half of the Board comprised independent Non-executive Directors. Gonzalo is the Senior Independent Director of the Company. The Senior Independent Director provides a sounding board for the Chair and serves as an intermediary for the other Directors and shareholders when necessary.

The Board has had due regard to various matters which might affect, or appear to affect, the independence of certain of the Directors. The Board considers that other than Frits Beurskens, each of the Non-executive Directors is independent. In determining the independence of the Non-executives, the Committee scrutinised any issues relating to actual or perceived conflicts of interest.

Boardroom and Senior Management Diversity

As a global business, inclusion, diversity and equality are integral to how we do business. The Board and Committee recognise the importance of these values at Board level, senior management level and throughout the organisation.

In terms of gender diversity the Group is committed to increasing the representation of females within senior management roles. As part of our Better Planet 2050 Targets, the Group announced a target of 25% of management positions to be held by women by 2024. At Board level, female representation is currently at 33% in line with the target of the FTSE Women Leaders Review, with our Group Executive Committee at 31%. You can read more about diversity at Smurfit Kappa in our People section on pages 68 to 69.

The Committee notes the new FTSE Women Leaders targets published in February 2022 and remains committed to ensuring that gender diversity is a focus on its Board and senior management agendas.

The Board and Committee gives due regard to all aspects of diversity including ethnic and social diversity. The Board includes Directors from eight different nationalities. The Board and the Committee are mindful of the recommendation of the Parker Review to have at least one Board member from an ethnic minority background by 2021 and the Board currently meets this recommendation.

Notwithstanding our policies, any search for Board candidates and any subsequent appointments are made purely on merit regardless of gender, ethnicity, religion, age or disability. We look to ensure we have the appropriate balance of skills, diversity of knowledge and thinking, professional and geographic backgrounds and experience on our Board and recruit accordingly.

We are committed to appointing the best people and ensuring that all employees have an equal chance of developing their careers within the Group. The Group has made further progress in addressing diversity in the Group's workforce through its Global Inclusion, Diversity & Equality Programme, EveryOne which was launched in 2018. During 2021 the Group has been working on enhancing and evolving the EveryOne programme, with the creation of five new diverse communities to drive ambition in this area. The communities are: Disability; Family & Age, Gender; LGBTQ+ & Allies and Origin; and Race & Ethnicity. This evolution is moving from awareness to action as we continue to create a globally admired company with diverse talent who feel respected and a sense of belonging. Further information on EveryOne is on pages 68 to 69.

Gonzalo Restrepo
Chair of Nomination Committee

SUSTAINABILITY COMMITTEE REPORT

"As Chair, I am pleased to present the 2021 report of the Sustainability Committee and outline the Committee's continued development, their objectives and their activities."

Jørgen Buhl Rasmussen
Chair of Sustainability Committee, 16 March 2022

Committee Members

J. Buhl Rasmussen (Chair)
A. Anderson
K. Hietala
L. Melgar

The Role of the Sustainability Committee

The Committee has responsibility for the:

- Overall strategic guidance of the Smurfit Kappa sustainability strategy which is based on three key strategic sustainability and corporate responsibility pillars, Planet; People and Impactful Business;
- Reviewing and approving the annual Sustainable Development Report and the Sustainability section of the Annual Report;
- Reviewing the TCFD (Task Force for Climate-related Financial Disclosures) compliance reporting of climate-related financial information and the climate risks and opportunities of the Group; and
- Engagement with the workforce on behalf of the Board as required by the Code.

The role and responsibilities of the Committee are set out in its Terms of Reference which are available on the Group's website: smurfitkappa.com. The Terms of Reference were reviewed and updated in December 2021.

Attendance Record	The number of meetings held during the period the Director was a member of the Committee and was eligible to attend*
J. Buhl Rasmussen (Chair)	
A. Anderson	
K. Hietala	
L. Melgar	

* The total people icons represent the number of meetings held during the period the Director was a member of the Committee and was eligible to attend. All Committee member's attended all meetings during the year.

The Group Chair, Group Chief Executive Officer, Group Chief Financial Officer, Group VP Human Resources and the newly appointed Group Chief Sustainability Officer attend when appropriate.

Length of Tenure	Appointment Date*
J. Buhl Rasmussen (Chair)	2019
A. Anderson	2019
K. Hietala	2021
L. Melgar	2020

* Tenure is from the establishment of the Committee in December 2019.

Strategic Sustainability Priorities

As a responsible company, operating globally, Smurfit Kappa has a product that is naturally sustainable and a process that is increasingly sustainable, driven by a culture with strong values of loyalty, integrity and respect. Smurfit Kappa understands the challenges facing both our business and the planet and is committed to doing its part in resolving these critical issues. Therefore, our ambition is to deliver sustainable growth to the benefit of all our stakeholders based on our three pillars: Planet, People and Impactful Business. Within these pillars our People, our Communities and Climate Change, Forest, Water and Waste are the main strategic environmental and corporate social responsibility priorities.

2021 in Review

The Committee in its second full year had a very active and productive year with the Group completing many projects across its sustainability agenda, which have been outlined below and throughout this Annual Report.

During 2021, the Group appointed a new Group Chief Sustainability Officer, a role which will focus on delivering the sustainability strategy for the Group, maintaining our strong governance framework, but also to embrace new strategic opportunities from a capital markets perspective, and, across all stakeholders.

In January 2021, the Group announced ambitious new sustainability targets as part of Better Planet 2050 which focus on further reductions in our environmental footprint, increased support for the communities in which we operate and further enhancement to the lives of our employees. These targets build upon the Group's well established sustainability record, on which we have been reporting since 2007. The Group reporting on the delivery against the Better Planet 2050 targets during 2021 will be included in the Sustainable Development Report ('SDR') for 2021. Details of the outcome of CO_2 emissions reductions, chain of custody certification and Health and Safety are included in the non financial KPIs section in this report on pages 32 to 33.

In April 2021, the Group released its 14th annual Sustainable Development Report ('SDR') and the next report for 2021 will be published in April 2022.

Further validation of the Group's strong sustainability credentials was evidenced by the successful green bond transaction completed in September 2021, supported by a robust Green Finance Framework and second party opinion. The Group issued €1 billion in green bonds which were over-subscribed multiple times and secured SKG the lowest ever coupon for a corporate at SKG's credit rating with a very strong participation of 'green' investors including 'dark green' investors.

In December 2021, the Group had its emissions targets approved as being science based and in line with meeting the Paris agreement and well below 2°C. This approval by SBTi was a fitting end to another year of continued delivery, third party assurance and best in class certification.

As the business evolved during 2021, the Group has delivered new innovative products to the marketplace that demonstrably lower our customers' carbon footprint and together with the inherent sustainable nature of our product, our increasingly sustainable operating footprint, position Smurfit Kappa as an integral part of delivering on our customers' sustainability goals. The Group focuses on providing fit-for-purpose packaging solutions that are renewable, recyclable and biodegradable. The Better Planet Packaging initiative also provides a key platform for differentiation in a competitive market. Details of some of the innovations and solutions provided to customers are included on pages 8 to 11.

The Committee conducted an evaluation of its performance in 2021, the outcome of which was that the Committee was considered to be operating effectively and efficiently.

Strategic Guidance

As the Committee of the Board is responsible for overall strategic guidance of the Smurfit Kappa sustainability strategy, the Committee has particular regard to the alignment of the Group's sustainability strategy with the overall Group strategy and global best practice.

During 2021, significant work was undertaken in relation to the climate risks and opportunities of the Group, which included engagement with experts and completion of an extensive climate scenario analysis project for the Group. The Committee reviewed and evaluated the outcomes of the work completed and the proposed disclosures relating to climate change. An enhanced disclosure consistent with the recommendations of TCFD is outlined on pages 54 to 61 of this report. In addition, following consideration by the Board, climate change which had been included as an emerging risk of the Group for a number of years has been elevated to a long-term principal risk of the Group as outlined on page 38.

Workforce Engagement

In line with the requirements of the Code, the Committee is also responsible for engaging with the workforce on behalf of the Board. During 2021, we further evolved our workforce engagement with the introduction of direct engagement. These opportunities for us to directly engage during 2021 were possible despite the ongoing COVID-19 pandemic although they were primarily virtual in nature. Some of the topics considered during the engagement sessions included Health, Safety & Wellbeing, MyVoice, Female Engagement, Management of COVID-19, Workplace Satisfaction and Career Development. In addition to direct engagement, indirect engagement continued in 2021 including the Speak Up programme, an Employee Engagement Survey, collated Health and Safety data, and Training and Development programmes for employees. For further details on employee engagement, see pages 46 to 47.

Looking Ahead

This Committee will continue to provide direction and overall strategic guidance as the Group continues its sustainability journey in 2022. There are many projects in the areas of Planet, People and Impactful Business which will be delivered in 2022 and beyond.

The Committee is encouraged by the progress the Group has made so far and we look forward to reporting on our continued progress to all of our stakeholders in the years ahead.

Jørgen Buhl Rasmussen
Chair of the Sustainability Committee

DIRECTORS' REPORT

Report of the Directors
The Directors submit their Report and Audited Financial Statements for the financial year ended 31 December 2021.

Principal Activity and Business Review
The Group is an integrated paper and paperboard manufacturer and converter whose operations are divided into Europe and the Americas. Geographically, the major economic environments in which the Group conducts its business are Europe (principally the Eurozone, Sweden and the United Kingdom) and the Americas (principally Argentina, Brazil, Colombia, Mexico and the United States).

The Chair's Statement, Group Chief Executive Officer's Statement, Strategy Statement, Finance Review (including financial risk management policies), Stakeholder Engagement, Sustainability Report and People Report on pages 18 to 29 and pages 39 to 75. report on the performance of the Group during the year and on future developments.

Results for the Year
The results for the year are set out in the Consolidated Income Statement on page 126.

Financial Key Performance Indicators are set out on pages 30 to 32. The Consolidated Financial Statements for the financial year ended 31 December 2021 are set out in detail on pages 126 to 189.

Dividends
In May 2021, a final dividend of 87.4 cent per share was paid to holders of ordinary shares, and in October 2021, an interim dividend of 29.3 cent per share was paid to holders of ordinary shares. The Board is recommending a final dividend of 96.1 cent per share for 2021. Subject to shareholders' approval at the AGM on 29 April 2022, it is proposed to pay the final dividend on 6 May 2022 to all holders of ordinary shares on the share register at the close of business on 8 April 2022.

Research and Development
The Company's subsidiaries are engaged in ongoing research and development aimed at providing innovative paper-based packaging solutions and improving products, processes and expanding product ranges. Expenditure on research and development in the year amounted to €7 million (2020: €8 million).

Accounting Records
The Directors are responsible for ensuring that adequate accounting records, as outlined in Section 281–286 of the Companies Act, are kept by the Company. The Directors are also responsible for the preparation of the Annual Report. The Directors have appointed professionally qualified accounting personnel with appropriate expertise and have provided adequate resources to the finance function in order to ensure that those requirements are met. The accounting records of the Company are maintained at the Group's principal executive offices, located at Beech Hill, Clonskeagh, Dublin 4, D04 N2R2.

Directors
The current members of the Board of Directors are named on pages 78 to 81 together with a short biographical note on each Director.

Any Director co-opted to the Board by the Directors is subject to election by the shareholders at the first AGM after their appointment. Pursuant to the Articles of Association of the Company, all Directors are subject to re-election at intervals of no more than three years. However, in compliance with the Code, all Directors will retire at the 2022 AGM and put themselves forward for re-election.

To enable shareholders to make an informed decision on re-election of each Director, reference should be made to pages 78 to 81 which contains a biographical note on each Director offering themselves for re-election and to the Notice of the AGM which explains why the Board believes the relevant Directors should be re-elected. The Directors intend to confirm at the AGM that the performance of each individual seeking re-election continues to be effective and demonstrates commitment to the role.

Shareholders are referred to the information contained in the Corporate Governance Statement on pages 82 to 87 concerning the operation of the Board and the composition and functions of the Committees of the Board.

Directors' and Secretary's Interests
Details of the Directors' and Group Secretary's interests in the share capital are set out in the Remuneration Report on pages 106, 107 and 109 and are incorporated into this Directors' Report.

Principal Risks and Uncertainties
Under Irish company law (Section 327 of the Companies Act), the Directors are required to give a description of the principal risks and uncertainties which the Group faces. These principal risks and uncertainties are set out on pages 36 to 38, and form part of this report as required by Section 327 of the Companies Act.

Corporate Governance
Under Section 1373 of the Companies Act, the Directors' Report is required to include a Corporate Governance Statement. The Directors' Corporate Governance Statement is set out on pages 82 to 87 and forms part of this report. The Audit Committee Report, the Remuneration Report and the Nomination Report are set out on pages 88 to 112.

Subsidiary and Associated Undertakings
A list of the Group's principal subsidiaries and associates as at 31 December 2021 is set out in Note 33 to the Consolidated Financial Statements.

Audit Committee
The Group has established an Audit Committee. The responsibilities of the Audit Committee are outlined on page 88.

Substantial Holdings

	31 December 2021		**10 March 2022**	
	Number of Shares	% of Issued Ordinary Share Capital	**Number of Shares**	**% of Issued Ordinary Share Capital**
BlackRock, Inc	14,583,732	5.63%	**18,235,675**	**7.01%**
Norges Bank	12,141,164	4.69%	**12,141,164**	**4.67%**

The table above shows all notified shareholdings of 3% or more of the issued ordinary share capital of the Company as at 31 December 2021 and 10 March 2022.

Non-financial Information

Pursuant to the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017 together with the Commission Delegated Regulation supplementing Article 8 of the Taxonomy Regulation, (the 'Non-Financial Regulations'), the Group is required to report certain non-financial information to provide an understanding of its development, performance, position and the impact of its activities. We have set out the location below of the information required by the Non-Financial Regulations in this Annual Report. Each referenced section of the Annual Report is deemed to form part of this Directors' Report:

Requirement	Relevant Policies	Section(s) in Annual Report	Pages
Environmental Matters	Environmental Policy, Sustainable Sourcing Policy, Sustainable Forestry and Fibre Sourcing Policy	Sustainability	48 to 63
Social Matters	Social Citizenship Policy	Sustainability, People	48 to 75
Employee Matters	Code of Conduct, Health and Safety Policy, Social Citizenship Policy	Sustainability, People	48 to 75
Human Rights	Code of Conduct, Social Citizenship Policy	Sustainability	48 to 63
Anti-corruption and Bribery	Code of Conduct	Sustainability	48 to 63
Business Model		Our Business Model	26 to 27
Principal Risks		Risk Report	34 to 38
Non-financial KPIs		Key Performance Indicators	32 to 33
EU Taxonomy eligibility		Sustainability	48 to 63

In addition to the information required by the Non-Financial Regulations, the Group publishes a comprehensive, assured Sustainable Development Report which details our sustainability strategy, corporate social responsibilities and commitments to social matters. The 2021 Sustainable Development Report will be published on our website in April 2022.

Purchase of Own Shares

Special resolutions will be proposed at the AGM to renew the authority of the Company, or any of its subsidiaries, to purchase up to 10% of the Company's ordinary shares in issue at the date of the AGM and in relation to the maximum and minimum prices at which treasury shares (effectively shares purchased by the Company and not cancelled) may be re-issued off-market by the Company. If granted, the authority will expire on the earlier of the date of the AGM in 2023 or 28 July 2023.

A similar authority was granted at the AGM in 2021, which is due to expire on the earlier of the date of the AGM in 2022 or 29 July 2022. Information on the acquisition and disposal of own shares is set out in Note 23 to the Consolidated Financial Statements.

Change of Control

On a change of control following a bid, the lenders under the RCF would have the option to cancel the commitments under the facility and/or to declare all outstanding amounts immediately due and payable, and under the Senior Notes Indentures the Group is obliged to offer to repurchase the notes at 101% of the principal amount due.

Capital Structure

Details of the structure of the Company's capital are set out in Note 23 to the Consolidated Financial Statements and are deemed to form part of this Directors' Report. Details of the Group's long-term incentive plans are set out in the Remuneration Report and Note 26 to the Consolidated Financial Statements and are incorporated into this Directors' Report.

Directors' Compliance Statement

The Directors acknowledge that they are responsible for securing compliance by the Company of its relevant obligations as set out in the Companies Act (the 'Relevant Obligations').

The Directors further confirm that there is a Compliance Policy Statement in place setting out the Company's policies which, in the Directors' opinion, are appropriate to ensure compliance with the Company's Relevant Obligations.

The Directors also confirm that appropriate arrangements and structures are in place which, in the Directors' opinion, are designed to secure material compliance with the Company's Relevant Obligations. For the financial year ended 31 December 2021, the Directors, with the assistance of the Audit Committee, have conducted a review of the arrangements and structures in place. In discharging their responsibilities under Section 225 of the Companies Act, the Directors relied on the advice of persons who the Directors believe have the requisite knowledge and experience to advise the Company on compliance with its Relevant Obligations.

Financial Instruments

In the normal course of business, the Group has exposure to a variety of financial risks, including foreign currency risk, interest rate risk, liquidity risk, refinancing risk and credit risk. The Group and Company financial risk objectives and policies are set out in Note 29 to the Consolidated Financial Statements.

Disclosure of Information to the External Auditor

Each of the Directors individually confirm that:

- In so far as they are aware, there is no relevant audit information of which the Company's External Auditor is unaware; and
- They have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's External Auditor is aware of such information.

External Auditor

KPMG, Chartered Accountants, were first appointed statutory auditors on 4 May 2018 and have been reappointed annually since that date and pursuant to section 383(2) will continue in office.

A. Smurfit
Director

K. Bowles
Director

16 March 2022

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the Group and Company Financial Statements, in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Company Financial Statements for each financial year. The Directors are required to prepare the Group Financial Statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union and applicable law including Article 4 of the IAS Regulation. The Directors have elected to prepare the Company Financial Statements in accordance with IFRS as adopted by the European Union as applied in accordance with the provisions of Companies Act 2014.

Under company law, the Directors must not approve the Group and Company Financial Statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Group and Company and of the Group's profit or loss for that year. In preparing each of the Group and Company Financial Statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable IFRS (as adopted by the European Union) have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and its Parent Company will continue in business.

The Directors are also required by the Transparency (Directive 2004/109/EC) Regulations 2007 and the Central Bank (Investment Market Conduct) Rules 2019 to include a management report containing a fair review of the business and a description of the principal risks and uncertainties facing the Group.

The Directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the assets, liabilities, financial position and profit or loss of the Company and which enable them to ensure that the Financial Statements of the Company comply with the provisions of the Companies Act 2014. The Directors are also responsible for taking all reasonable steps to ensure such records are kept by its subsidiaries which enable them to ensure that the Financial Statements of the Group comply with the provisions of the Companies Act 2014 including Article 4 of the IAS Regulation. They are responsible for such internal controls as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibilities for safeguarding the assets of the Company and the Group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for preparing a Directors' Report that complies with the requirements of the Companies Act 2014.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's and Company's website. Legislation in the Republic of Ireland concerning the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility Statement as Required by the Transparency Directive and UK Corporate Governance Code

Each of the Directors, whose names and functions are listed on pages 78 to 81 of this Annual Report, confirm that, to the best of each person's knowledge and belief:

- The Group Financial Statements, prepared in accordance with IFRS (as adopted by the European Union) and the Company Financial Statements prepared in accordance with IFRS (as adopted by the European Union) as applied in accordance with the provisions of Companies Act 2014, give a true and fair view of the assets, liabilities, and financial position of the Group and Company at 31 December 2021 and of the profit or loss of the Group for the year then ended;
- The Directors' Report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risk and uncertainties that they face; and
- The Annual Report and Financial Statements, taken as a whole, provides the information necessary to assess the Group's performance, business model and strategy and is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

On behalf of the Board

A. Smurfit
Director

K. Bowles
Director

16 March 2022

Strengthening Our Integrated Model

Acquisition of a State-of-the-art Containerboard Mill in Northern Italy

We completed the acquisition of Verzuolo for a purchase price of €360 million in October 2021.

The PM9 machine in Verzuolo was converted into a state-of-the-art 600,000 tonne recycled containerboard machine in 2019. It is highly complementary with our existing operations, is strategically located close to the port of Savona and is expected to deliver significant benefits for both the Group and our customer base.

Smurfit Kappa Group CEO, Tony Smurfit, said: "We are pleased to complete this acquisition ahead of schedule. Verzuolo brings a highly experienced and skilled team providing additional security of supply for SKG's customers. As we continue to invest in our corrugated facilities, Verzuolo strengthens the Group's integrated model and supports our sustainability ambitions."

Investment
€360 million

Capacity
600kt
per annum

Financial Statements

Financial Statements 118-189

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SMURFIT KAPPA GROUP PLC

Report on the Audit of the Financial Statements
Opinion
We have audited the Financial Statements of Smurfit Kappa Group plc ('the Company') and its consolidated undertakings (together 'the Group') for the year ended 31 December 2021 contained within the reporting package 635400CPLP8H5ITDVT56-2021-12-31-en.zip which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated and Company Balance Sheets, Consolidated and Company Statements of Changes in Equity, Consolidated and Company Statements of Cash Flows, and the related notes, including the *Summary of Significant Accounting Policies* set out in Note 2. The financial reporting framework that has been applied in their preparation is Irish Law, including the Commission Delegated Regulation 2018/815 regarding the single electronic reporting format ('ESEF') and International Financial Reporting Standards ('IFRS') as adopted by the European Union and, as regards the Company Financial Statements, as applied in accordance with the provisions of the Companies Act 2014.

In our opinion:
- The Financial Statements give a true and fair view of the assets, liabilities and financial position of the Group and Company as at 31 December 2021 and of the Group's profit for the year then ended;
- The Group Financial Statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- The Company Financial Statements have been properly prepared in accordance with IFRS as adopted by the European Union, as applied in accordance with the provisions of the Companies Act 2014; and
- The Group and Company Financial Statements have been properly prepared in accordance with the requirements of the Companies Act 2014 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation.

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing (Ireland) ('ISAs (Ireland)') and applicable law. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* section of our report. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Audit Committee.

We were appointed as auditor by the shareholders on 4 May 2018. The period of total uninterrupted engagement is the four years ended 31 December 2021. We have fulfilled our ethical responsibilities under, and we remained independent of the Group in accordance with, ethical requirements applicable in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority ('IAASA') as applied to public interest entities. No non-audit services prohibited by that standard were provided.

Conclusions Relating to Going Concern
In auditing the Financial Statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the Financial Statements is appropriate.

We evaluated the Directors' assessment of the Group's and Company's ability to continue to adopt the going concern basis of accounting. In our evaluation of the Directors' conclusions, we considered the inherent risks to the Group's and Company's business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. We incorporated additional downside sensitivities to management's underlying cash flow models. There were no risks identified that we considered were likely to have a material adverse effect on the Group's and Company's available financial resources over this period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or the Company's ability to continue as a going concern for a period of at least twelve months from the date when the Financial Statements are authorised for issue.

In relation to the Group's and the Company's reporting on how they have applied the UK Corporate Governance Code and the Irish Corporate Governance Annex, we have nothing material to add or draw attention to in relation to the Directors' statement in the Financial Statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Key Audit Matters: Our Assessment of Risks of Material Misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the Financial Statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, and which were unchanged from 2020, were as follows:

Goodwill Impairment Assessment €2,511 million (2020 – €2,344 million)

Refer to Note 2 (accounting policy) and Note 13 (financial disclosures)

The Key Audit Matter	How the Matter Was Addressed in our Audit
The Group has significant goodwill arising from acquisitions amounting to €2,511 million at 31 December 2021. Goodwill is required to be tested at least annually for impairment irrespective of whether there are indicators of impairment. The Group has performed an impairment assessment as of 31 December 2021. The goodwill is allocated to 16 groups of cash-generating units ('CGUs') – three of which individually account for between 10% and 20% of the total carrying amount. The recoverable amount of goodwill is arrived at by forecasting and discounting future cash flows to determine value-in-use for each CGU. We focus on this area due to the significance of the balance compared to total assets of the Group and the inherent judgement and assumptions involved in forecasting future cash flows, including revenue growth, cost synergies, paper pricing, discount rates and terminal values.	We obtained and documented our understanding of the process followed by management in calculating the recoverable amount of each CGU. We assessed the Group's valuation models and calculations by: • Checking the mathematical accuracy of the model; • Assessing the methodology applied within the model in the context of the requirements of the relevant accounting standard; • Assessing and challenging the appropriateness of the discount rates applied and the future operating cash flow assumptions in determining the value-in-use of each CGU using our valuation specialist and by comparing the assumptions, where possible, to externally derived data as well as our own assumptions; • Assessing and challenging the reasonableness of the long-term economic growth rate applied for each CGU by comparing the Group's assumptions, where possible, to externally derived data as well as our own assumptions; and • Comparing the Group's market capitalisation to the carrying value of the Group's net assets. We assessed the disclosures in the Financial Statements relating to the impairment testing methodology, sensitivity analysis and other matters. We found that management's judgements were appropriate and supported by reasonable assumptions. We found the disclosures to be adequate.

Key Audit Matters: Our Assessment of Risks of Material Misstatement continued

Defined Benefit Pension Liability – Valuation of €630 million (2020 – €853 million)

Refer to Note 2 (accounting policy) and Note 25 (financial disclosures)

The Key Audit Matter	How the Matter Was Addressed in our Audit
The Group operates a number of defined benefit pension schemes. Accounting for such schemes gives rise to an element of judgement and volatility arising from movements in actuarial assumptions and the selection of same across the Group. We focus on this area due to the level of estimation uncertainty involved and the sensitivity of the pension liabilities to changes in assumptions applied, in particular the discount rate.	We obtained and documented our understanding of the process for the accounting for defined benefit pension schemes and tested the design and implementation of the relevant controls. We inquired as to any changes or proposed changes to pension arrangements to assess any impact on the accounting treatment applied. We inspected Board minutes to identify any items arising that may impact on the pension arrangements in place. We performed substantive testing on the key data underlying the actuarial assessment and the maintenance of each scheme's membership data. We challenged, with the support of our actuarial specialist, the assumptions applied to this data to determine the Group's gross obligation, being the discount rates, inflation rate and mortality/life expectancies. This included a comparison of these assumptions against externally derived data. We also considered the adequacy of the Group's disclosures in respect of the sensitivity of the net deficit to these assumptions. We found the assumptions used in, and the resulting estimate of, the valuation of the defined benefit pension liability within the Group to be reasonable and the related disclosures to be adequate.

Company Key Audit Matter

Investment in Subsidiaries – Carrying Value €2,915 million (2020 – €2,872 million)

Refer to Note 2 (accounting policy) and Note 14 (financial disclosures)

The Key Audit Matter	How the Matter Was Addressed in our Audit
The investment in subsidiary undertakings is carried in the Balance Sheet of the Company at cost less impairment. There is a risk in respect of the carrying value of these investments if future cash flows and performance of these subsidiaries is not sufficient to support the Company's investments. We focus on this area due to the significance of the balance to the Company Balance Sheet and the inherent uncertainty involved in forecasting and discounting future cash flows.	We obtained and documented our understanding of the process surrounding impairment considerations and tested the design and implementation of the relevant controls therein. We considered management's assessment of impairment indicators. We compared the carrying value of investments in the Company's Balance Sheet to the net assets of the subsidiary Financial Statements and to the market capitalisation of the Company. We considered the audit work performed over the impairment testing of goodwill as outlined in the Group Key Audit Matter above. We found management's assessment of the carrying value of the investment in subsidiary undertakings to be appropriate.

Our Application of Materiality and an Overview of the Scope of our Audit

Materiality

The materiality for the Group Financial Statements as a whole was set at €36 million (2020: €31 million). This has been calculated based on the Group EBITDA of €1,702 million (2020: €1,510 million) of which it represents approximately 2.1% (2020: 2.1%). In determining that EBITDA was the most appropriate benchmark, we considered the prevalence of EBITDA as a measure of performance for the Group and the wider industry within analyst reports, industry commentaries and investor communications. We considered the determined materiality in the context of other commonly used benchmarks including pre-exceptional profit before tax, revenue and net assets and determined materiality of €36 million to be reasonable.

We report to the Audit Committee all corrected and uncorrected misstatements we identified through our audit in excess of €1 million (2020: €1 million), in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

Materiality for the Company Financial Statements as a whole was set at €29 million (2020: €21 million) determined with reference to a benchmark of the Company's total assets of which it represents 0.9% (2020: 1%).

Scoping

The scope of our audit was influenced by materiality, tailored to reflect the Group's structure, activities and financially significant operations. The Group is structured across two operating segments, Europe and the Americas. The operations of the Group are significantly disaggregated, split across a large number of operating plants in 36 countries. Reporting components are considered by individual operating plants, a combination of plants or on a geographical basis.

We used materiality in our scoping procedures to identify those reporting units for which we deemed that a complete financial audit was required, due to size, potential risks identified and to ensure appropriate coverage. We also subjected certain reporting units to specified risk-focused audit procedures. Such reporting units were not individually financially significant enough to require a full scope audit for Group purposes but did present specific individual risks to be addressed. The reporting units identified amounted to 91% (2020: 88%) of the Group's EBITDA, 77% (2020: 78%) of the Group's revenue, and 77% (2020: 83%) of the Group's total assets.

The approach to the audit scoping is consistent with that applied in previous years with some components subject to rotational scoping to introduce a level of unpredictability.

Involvement with Component Teams

In establishing our overall audit approach to the Group audit, we determined the type of work to be undertaken across the Group's components. The Group audit team interacted regularly with the local KPMG component audit teams during each stage of the audit, as set out below. The Group audit team instructed component auditors as to the significant areas to be addressed, including the relevant risks detailed above, and the information to be reported to the Group audit team and was responsible for the overall scope and direction of the audit process.

The Group audit team approved the materiality for components, which ranged from €1.7 million to €7.8 million (2020: €1.6 million to €7.6 million), having regard to the mix of size and risk profile of the components across the Group. The work on all components was performed by component auditors and the audit of the Company was performed by the Group team. For the residual components, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these components.

We maintained continuous and open dialogue with the component audit teams in addition to holding formal meetings to ensure that we were fully aware of their progress and results of their procedures. Due to the restrictions on travel across many jurisdictions, enacted as a response to the continuing global pandemic, these communications and meetings were held virtually using video and telephone conference meetings. At these meetings, a review of workpapers was undertaken by the Group audit team using technology and share-screen functionality, we used materiality to assist us in determining the scope of these reviews, and the findings reported to the Group audit team by the component auditor were discussed in detail. Audit closing meetings with Group and local management were primarily carried out virtually with some meetings taking place in person where restrictions allowed.

Other Information

The Directors are responsible for the preparation of the other information presented in the Annual Report together with the Financial Statements. The other information comprises the information included in the Directors' report and the Overview, Strategic Report and Governance sections of the Annual Report.

The Financial Statements and our auditor's report thereon do not comprise part of the other information. Our opinion on the Financial Statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our Financial Statements audit work, the information therein is materially misstated or inconsistent with the Financial Statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Based solely on our work on the other information undertaken during the course of the audit, we report that, in those parts of the Directors' report specified for our consideration:

- We have not identified material misstatements in the Directors' report;
- In our opinion, the information given in the Directors' report is consistent with the Financial Statements; and
- In our opinion, the Directors' report has been prepared in accordance with the Companies Act 2014.

Disclosures of Principal Risks and Longer-term Viability

Based on the knowledge we acquired during our Financial Statements audit, we have nothing material to add or draw attention to in relation to:

- The Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated;
- The Directors' confirmation within the Risk Report on page 34 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity; and
- The Directors' explanation in the Risk Report of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Other Corporate Governance Disclosures

We are required to address the following items and report to you in the following circumstances:

- Fair, balanced and understandable: if we have identified material inconsistencies between the knowledge we acquired during our Financial Statements audit and the Directors' statement that they consider that the Annual Report and Financial Statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.
- Report of the Audit Committee: if the section of the Annual Report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- Statement of compliance with UK Corporate Governance Code: if the Directors' statement does not properly disclose a departure from provisions of the UK Corporate Governance Code specified by the Listing Rules of Euronext Dublin and the UK Listing Authority for our review.
- If the Directors' statement relating to Going Concern required under the Listing Rules of Euronext Dublin and the UK Listing Authority set out on page 35 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

In addition as required by the Companies Act 2014, we report, in relation to information given in the Corporate Governance Statement on pages 82 to 87 that:

- Based on the work undertaken for our audit, in our opinion, the description of the main features of internal control and risk management systems in relation to the financial reporting process, and information relating to voting rights and other matters required by the European Communities (Takeover Bids (Directive 2004/EC) Regulations 2006) and specified for our consideration, is consistent with the Financial Statements and has been prepared in accordance with the Act;
- Based on our knowledge and understanding of the Group and its environment obtained in the course of our audit, we have not identified any material misstatements in that information; and
- The Corporate Governance Statement contains the information required by the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017.

We also report that, based on work undertaken for our audit, the information required by the Act is contained in the Corporate Governance Statement.

Our Opinions on Other Matters Prescribed by the Companies Act 2014 are Unmodified

We have obtained all the information and explanations which we consider necessary for the purpose of our audit.

In our opinion, the accounting records of the Company were sufficient to permit the Financial Statements to be readily and properly audited and the Financial Statements are in agreement with the accounting records.

We Have Nothing to Report on Other Matters on Which we are Required to Report by Exception

The Companies Act 2014 requires us to report to you if, in our opinion:

- The disclosures of Directors' remuneration and transactions required by Sections 305 to 312 of the Act are not made;
- The Company has not provided the information required by Section 1110N in relation to its Remuneration Report for the financial year 31 December 2020;
- The Company has not provided the information required by section 5(2) to (7) of the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017 for the year ended 31 December 2020 as required by the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) (amendment) Regulations 2018.

We have nothing to report in this regard.

The Listing Rules of Euronext Dublin and the UK Listing Authority require us to review:

- The Directors' Statement, set out on pages 34 to 35, in relation to going concern and longer-term viability;
- The part of the Corporate Governance Statement on pages 82 to 87 relating to the Company's compliance with the provisions of the UK Corporate Governance Code and the Irish Corporate Governance Annex specified for our review; and
- Certain elements of disclosures in the report to shareholders by the Remuneration Committee.

We have nothing to report in this regard.

Respective Responsibilities and Restrictions on Use

Directors' Responsibilities

As explained more fully in their statement set out on page 117, the Directors are responsible for: the preparation of the Financial Statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Statements. The risk of not detecting a material misstatement resulting from fraud or other irregularities is higher than for one resulting from error, as they may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control and may involve any area of law and regulation and not just those directly affecting the Financial Statements.

A fuller description of our responsibilities is provided on IAASA's website at http://www.iaasa.ie/Publications/Auditing-standards/International-Standards-on-Auditing-for-use-in-Ire/Description-of-the-auditor-s-responsibilities-for.

The Purpose of Our Audit Work and to whom we Owe Our Responsibilities

Our report is made solely to the Company's members, as a body, in accordance with Section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for our report, or for the opinions we have formed.

Roger Gillespie
for and on behalf of
KPMG
Chartered Accountants, Statutory Audit Firm
1 Stokes Place
St. Stephen's Green
Dublin 2
Ireland

16 March 2022

CONSOLIDATED INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

		2021			2020		
	Note	Pre-exceptional €m	Exceptional €m	Total €m	Pre-exceptional €m	Exceptional €m	Total €m
Revenue	4	**10,107**	**–**	**10,107**	8,530	–	8,530
Cost of sales	5	**(7,015)**	**–**	**(7,015)**	(5,656)	–	(5,656)
Gross profit		**3,092**	**–**	**3,092**	2,874	–	2,874
Distribution costs	5	**(823)**	**–**	**(823)**	(725)	–	(725)
Administrative expenses	5	**(1,196)**	**–**	**(1,196)**	(1,227)	–	(1,227)
Other operating expenses	5	**–**	**–**	**–**	–	(31)	(31)
Operating profit		**1,073**	**–**	**1,073**	922	(31)	891
Finance costs	7	**(148)**	**(31)**	**(179)**	(179)	–	(179)
Finance income	7	**17**	**–**	**17**	35	–	35
Share of associates' profit (after tax)		**2**	**–**	**2**	1	–	1
Profit before income tax		**944**	**(31)**	**913**	779	(31)	748
Income tax expense	8			**(234)**			(201)
Profit for the financial year				**679**			547
Attributable to:							
Owners of the parent				**679**			545
Non-controlling interests				**–**			2
Profit for the financial year				**679**			547
Earnings per share							
Basic earnings per share – cent	9			**263.9**			227.9
Diluted earnings per share – cent	9			**261.1**			225.7

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	2021 €m	2020 €m
Profit for the financial year		**679**	547
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss			
Foreign currency translation adjustments:			
Arising in the financial year		**14**	(165)
Recycled to Consolidated Income Statement		**1**	1
Effective portion of changes in fair value of cash flow hedges:			
Movement out of reserve		**(3)**	1
Fair value gain on cash flow hedges		**–**	6
Related tax	8	**–**	(1)
Changes in fair value of cost of hedging:			
Movement out of reserve		**(1)**	(1)
New fair value adjustments into reserve		**–**	1
		11	(158)
Items which will not be subsequently reclassified to profit or loss			
Defined benefit pension plans:			
Actuarial gain/(loss)	25	**177**	(9)
Related tax	8	**(32)**	7
		145	(2)
Total other comprehensive income/(expense)		**156**	(160)
Total comprehensive income for the financial year		**835**	387
Attributable to:			
Owners of the parent		**835**	388
Non-controlling interests		**–**	(1)
Total comprehensive income for the financial year		**835**	387

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2021

	Note	2021 €m	2020 €m
ASSETS			
Non-current assets			
Property, plant and equipment	11	**4,265**	3,839
Right-of-use assets	12	**346**	311
Goodwill and intangible assets	13	**2,722**	2,552
Other investments	14	**11**	11
Investment in associates	15	**13**	12
Biological assets	16	**103**	107
Other receivables	19	**26**	28
Derivative financial instruments	29	**2**	–
Deferred income tax assets	17	**149**	172
		7,637	7,032
Current assets			
Inventories	18	**1,046**	773
Biological assets	16	**10**	11
Trade and other receivables	19	**2,137**	1,535
Derivative financial instruments	29	**8**	38
Restricted cash	22	**14**	10
Cash and cash equivalents	22	**855**	891
		4,070	3,258
Total assets		**11,707**	10,290
EQUITY			
Capital and reserves attributable to owners of the parent			
Equity share capital	23	**–**	–
Share premium	23	**2,646**	2,646
Other reserves	23	**260**	207
Retained earnings		**1,473**	917
Total equity attributable to owners of the parent		**4,379**	3,770
Non-controlling interests	33	**13**	13
Total equity		**4,392**	3,783
LIABILITIES			
Non-current liabilities			
Borrowings	24	**3,589**	3,122
Employee benefits	25	**630**	853
Derivative financial instruments	29	**7**	17
Deferred income tax liabilities	17	**175**	191
Non-current income tax liabilities		**17**	14
Provisions for liabilities	27	**35**	50
Capital grants		**24**	21
Other payables	28	**11**	9
		4,488	4,277
Current liabilities			
Borrowings	24	**165**	154
Trade and other payables	28	**2,563**	1,835
Current income tax liabilities		**27**	7
Derivative financial instruments	29	**14**	13
Provisions for liabilities	27	**58**	221
		2,827	2,230
Total liabilities		**7,315**	6,507
Total equity and liabilities		**11,707**	10,290

A. Smurfit
Director

K. Bowles
Director

COMPANY BALANCE SHEET
AT 31 DECEMBER 2021

	Note	2021 €m	2020 €m
ASSETS			
Non-current assets			
Financial assets	14	**2,915**	2,872
		2,915	2,872
Current assets			
Amounts receivable from Group companies	19	**233**	256
Cash and cash equivalents		**–**	1
		233	257
Total assets		**3,148**	3,129
EQUITY			
Capital and reserves attributable to owners of the parent			
Equity share capital	23	**–**	–
Share premium	23	**2,646**	2,646
Share-based payment reserve		**216**	173
Retained earnings		**283**	300
Total equity		**3,145**	3,119
LIABILITIES			
Current liabilities			
Trade and other payables	28	**–**	5
Amounts payable to Group companies	28	**3**	5
Total liabilities		**3**	10
Total equity and liabilities		**3,148**	3,129

A. Smurfit
Director

K. Bowles
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Attributable to Owners of the Parent						
	Equity Share Capital €m	Share Premium €m	Other Reserves* €m	Retained Earnings €m	Total €m	Non-controlling Interests €m	Total Equity €m
At 1 January 2021	**–**	**2,646**	**207**	**917**	**3,770**	**13**	**3,783**
Profit for the financial year	**–**	**–**	**–**	**679**	**679**	**–**	**679**
Other comprehensive income							
Foreign currency translation adjustments	**–**	**–**	**15**	**–**	**15**	**–**	**15**
Defined benefit pension plans	**–**	**–**	**–**	**145**	**145**	**–**	**145**
Effective portion of changes in fair value of cash flow hedges	**–**	**–**	**(3)**	**–**	**(3)**	**–**	**(3)**
Changes in fair value of cost of hedging	**–**	**–**	**(1)**	**–**	**(1)**	**–**	**(1)**
Total comprehensive income for the financial year	**–**	**–**	**11**	**824**	**835**	**–**	**835**
Hyperinflation adjustment	**–**	**–**	**–**	**34**	**34**	**–**	**34**
Dividends paid	**–**	**–**	**–**	**(302)**	**(302)**	**–**	**(302)**
Share-based payment	**–**	**–**	**64**	**–**	**64**	**–**	**64**
Net shares acquired by SKG Employee Trust	**–**	**–**	**(22)**	**–**	**(22)**	**–**	**(22)**
At 31 December 2021	**–**	**2,646**	**260**	**1,473**	**4,379**	**13**	**4,392**
At 1 January 2020	–	1,986	351	615	2,952	41	2,993
Profit for the financial year	–	–	–	545	545	2	547
Other comprehensive income							
Foreign currency translation adjustments	–	–	(161)	–	(161)	(3)	(164)
Defined benefit pension plans	–	–	–	(2)	(2)	–	(2)
Effective portion of changes in fair value of cash flow hedges	–	–	6	–	6	–	6
Total comprehensive (expense)/income for the financial year	–	–	(155)	543	388	(1)	387
Shares issued	–	660	–	(12)	648	–	648
Purchase of non-controlling interests	–	–	(8)	12	4	(27)	(23)
Hyperinflation adjustment	–	–	–	19	19	–	19
Dividends paid	–	–	–	(260)	(260)	–	(260)
Share-based payment	–	–	35	–	35	–	35
Net shares acquired by SKG Employee Trust	–	–	(16)	–	(16)	–	(16)
At 31 December 2020	–	2,646	207	917	3,770	13	3,783

* An analysis of Other Reserves is provided in Note 23.

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Equity Share Capital €m	Share Premium €m	Share-based Payment Reserve €m	Retained Earnings €m	Total Equity €m
At 1 January 2021	**–**	**2,646**	**173**	**300**	**3,119**
Profit for the financial year	**–**	**–**	**–**	**285**	**285**
Dividends paid	**–**	**–**	**–**	**(302)**	**(302)**
Share-based payment	**–**	**–**	**43**	**–**	**43**
At 31 December 2021	**–**	**2,646**	**216**	**283**	**3,145**
At 1 January 2020	–	1,986	154	202	2,342
Profit for the financial year	–	–	–	370	370
Dividends paid	–	–	–	(260)	(260)
Shares issued	–	660	–	(12)	648
Share-based payment	–	–	19	–	19
At 31 December 2020	–	2,646	173	300	3,119

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	2021 €m	2020 €m
Cash flows from operating activities			
Profit before income tax		**913**	748
Adjustment for:			
Net finance costs	7	**162**	144
Depreciation charge	11, 12	**513**	514
Amortisation of intangible assets	13	**40**	43
Amortisation of capital grants		**(3)**	(2)
Share-based payment expense	26	**69**	35
Profit on sale of property, plant and equipment		**(8)**	(2)
Profit on purchase/disposal of businesses		**–**	(4)
Share of associates' profit (after tax)		**(2)**	(1)
Net movement in working capital	20	**(114)**	95
Change in biological assets	16	**7**	(6)
Italian Competition Authority fine		**(124)**	–
Change in employee benefits and other provisions		**(81)**	(7)
Other (primarily hyperinflation adjustments)		**5**	6
Cash generated from operations		**1,377**	1,563
Interest paid		**(152)**	(122)
Income taxes paid:			
Irish corporation tax (net of tax refunds) paid		**(21)**	(14)
Overseas corporation tax (net of tax refunds) paid		**(218)**	(180)
Net cash inflow from operating activities		**986**	1,247
Cash flows from investing activities			
Interest received		**3**	3
Business disposals		**33**	–
Additions to property, plant and equipment and biological assets		**(594)**	(493)
Additions to intangible assets	13	**(21)**	(21)
Receipt of capital grants		**5**	5
(Increase)/decrease in restricted cash		**(4)**	4
Disposal of property, plant and equipment		**16**	5
Dividends received from associates		**1**	1
Purchase of subsidiaries (net of acquired cash)		**(413)**	(2)
Deferred consideration paid		**(35)**	–
Net cash outflow from investing activities		**(1,009)**	(498)
Cash flows from financing activities			
Proceeds from issue of new ordinary shares (net)		**–**	648
Proceeds from bond issuance		**999**	–
Purchase of own shares (net)		**(22)**	(16)
Purchase of non-controlling interests		**–**	(23)
Decrease in other interest-bearing borrowings		**(107)**	(329)
Repayment of lease liabilities		**(88)**	(91)
Repayment of borrowings		**(491)**	–
Derivative termination receipts		**9**	9
Deferred debt issue costs paid		**(12)**	(2)
Dividends paid to shareholders		**(302)**	(260)
Net cash outflow from financing activities		**(14)**	(64)
(Decrease)/increase in cash and cash equivalents		**(37)**	685
Reconciliation of opening to closing cash and cash equivalents			
Cash and cash equivalents at 1 January	21	**876**	172
Currency translation adjustment	21	**(12)**	19
(Decrease)/increase in cash and cash equivalents	21	**(37)**	685
Cash and cash equivalents at 31 December	21, 22	**827**	876

COMPANY STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	2021 €m	2020 €m
Cash flows from operating activities			
Profit before income tax	32	**285**	370
Adjustment for:			
(Decrease)/increase in trade and other payables	28	**(5)**	5
Decrease in amounts payable to Group Companies	28	**(2)**	(5)
Net cash inflow from operating activities		**278**	370
Cash flows from investing activities			
Investment in subsidiaries		**–**	(753)
Net cash outflow from investing activities		**–**	(753)
Cash flows from financing activities			
Decrease/(increase) in amounts receivable from Group Companies	19	**23**	(4)
Proceeds from issue of new ordinary shares (net)		**–**	648
Dividends paid to shareholders		**(302)**	(260)
Net cash (outflow)/inflow from financing activities		**(279)**	384
Movement in cash and cash equivalents		**(1)**	1
Reconciliation of opening to closing cash and cash equivalents			
Cash and cash equivalents at 1 January		**1**	–
Movement in cash and cash equivalents		**(1)**	1
Cash and cash equivalents at 31 December		**–**	1

1. General Information

Smurfit Kappa Group plc ('SKG plc' or 'the Company') and its subsidiaries (together 'SKG' or 'the Group') primarily manufacture, distribute and sell containerboard, corrugated containers and other paper-based packaging products. The Company is a public limited company with a premium listing on the London Stock Exchange and a secondary listing on Euronext Dublin. It is incorporated and domiciled in Ireland. The address of its registered office is Beech Hill, Clonskeagh, Dublin 4, D04 N2R2, Ireland.

The Consolidated Financial Statements of the Group for the financial year ended 31 December 2021 were authorised for issue in accordance with a resolution of the Directors on 16 March 2022.

2. Summary of Significant Accounting Policies

The Group has consistently applied the following significant accounting policies to all periods presented, unless otherwise stated.

Statement of Compliance

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') issued by the International Accounting Standards Board ('IASB') as adopted by the European Union ('EU'), those parts of the Companies Act 2014 applicable to companies reporting under IFRS and Article 4 of the IAS Regulation. The Company Financial Statements have been prepared in accordance with IFRS adopted by the EU as applied in accordance with the provisions of the Companies Act 2014. IFRS adopted by the EU differ in certain respects from IFRS issued by the IASB. References to IFRS hereafter refer to IFRS adopted by the EU.

Basis of Preparation

The Consolidated Financial Statements are presented in euro rounded to the nearest million. They have been prepared under the historical cost convention except for the following which are recognised at fair value: certain financial assets and liabilities including derivative financial instruments; biological assets; share-based payments at grant date; pension plan assets; and contingent consideration. The financial statements of subsidiaries whose functional currency is the currency of a hyperinflationary economy are stated in terms of the measuring unit currency at the end of the reporting period. This is the case for the Group's subsidiaries in Argentina.

The preparation of financial statements in accordance with IFRS requires the use of accounting judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. The areas involving a higher degree of judgement and areas where assumptions and estimates are significant are discussed in the *Significant Accounting Judgements, Estimates and Assumptions* note.

The Consolidated Financial Statements include the information in the Remuneration Report that is described as being an integral part of the Consolidated Financial Statements.

Impact of COVID-19

The Group has again considered the impact of the COVID-19 pandemic with respect to all judgements and estimates it makes in the application of its accounting policies. This included assessing the recoverability of trade receivables and inventory. The Group's customers primarily operate in the FMCG sector, which has proved resilient during the COVID-19 pandemic to date. There has been no significant deterioration in the aging of trade receivables or extension of debtor days in the period. As a result of these reviews, there was no material change in the trade receivables or inventory provisions. The Group also assessed non-financial assets for indicators of impairment. No impairments were identified. The Group tested goodwill for impairment at 31 December 2021. The impact of COVID-19 was considered when preparing cash flow forecasts for each cash generating unit ('CGU'). The testing did not result in an impairment.

Going Concern

The Group is a highly integrated manufacturer of paper-based packaging solutions with leading market positions, quality assets and broad geographic reach. The financial position of the Group, its cash generation, capital resources and liquidity continue to provide a stable financing platform.

The Directors have assessed the principal risks and uncertainties outlined in the Risk Report, which include the deterioration of the current economic climate due to the COVID-19 pandemic. There has been no significant disruption to our business to date as a result of the pandemic. The Group took into consideration the potential impact of the pandemic and the effect that it could have on the Group's financial position and results of operations. The Group continues to have significant headroom in relation to its financial covenants.

The Group's diversified funding base and long-dated maturity profile of 5.8 years at 31 December 2021 provide a stable funding outlook. At 31 December 2021, the Group had a strong liquidity position of approximately €2.52 billion comprising cash balances of €869 million (including €14 million of restricted cash), undrawn available committed facilities of €1,343 million under its sustainability linked Revolving Credit Facility ('RCF') and €312 million under its sustainability linked securitisation facilities. At 31 December 2021, the strength of the Group's balance sheet, a net debt to EBITDA ratio of 1.7x (31 December 2020: 1.6x) and its BBB-/BBB-/Baa3 credit rating, continues to secure long-term strategic flexibility.

Having assessed the principal risks facing the Group, together with the Group's forecasts and significant financial headroom, the Directors believe that the Group is well placed to manage these risks successfully and have a reasonable expectation that the Company, and the Group as a whole, have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Consolidated Financial Statements.

New and Amended Standards and Interpretations Effective During 2021

The Group has applied the following standards, interpretations and amendments with effect from 1 January 2021:

- *Covid-19-Related Rent Concessions – amendments to IFRS 16*; and
- *Interest Rate Benchmark Reform – Phase 2 – amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16*.

The amendments listed above did not result in material changes to the Consolidated Financial Statements.

2. Summary of Significant Accounting Policies continued

New and Amended Standards and Interpretations Issued but not yet Effective or Early Adopted

A number of new standards and interpretations have been issued but are not yet effective for the Group. These standards are either not expected to have a material effect on the Consolidated Financial Statements or they are not currently relevant for the Group.

Basis of Consolidation

The Consolidated Financial Statements include the annual Financial Statements of the Company and all of its subsidiaries and associates, drawn up to 31 December.

Subsidiaries

Subsidiaries are entities controlled by the Group. They are consolidated from the date on which control is obtained by the Group. They are deconsolidated from the date on which control is lost by the Group. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Where necessary, the accounting policies of subsidiaries have been modified to ensure consistency with the policies adopted by the Group. Intragroup transactions, intragroup balances and any unrealised gains and losses arising from intragroup transactions are eliminated in preparing the Consolidated Financial Statements, except to the extent that such a loss provides evidence of impairment. The Company's investments in subsidiaries are carried at cost less impairment.

Non-controlling interests represent the portion of a subsidiary's equity which is not attributable to the Group. They are presented separately in the Consolidated Financial Statements. Changes in ownership of a subsidiary which do not result in a change of control are treated as equity transactions.

Associates

Associates are entities in which the Group has significant influence arising from its power to participate in the financial and operating policy decisions of the investee. Associates are recognised using the equity method from the date on which significant influence is obtained until the date on which such influence is lost. Under the equity method investments in associates are recognised at cost and subsequently adjusted to reflect the post-acquisition movements in the Group's share of the associates' net assets. The Group profit or loss includes its share of the associates' profit or loss after tax and the Group's other comprehensive income includes its share of the associates' other comprehensive income. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment losses. Losses in associates are not recognised once the Group's carrying value reaches zero, except to the extent that the Group has incurred further obligations in respect of the associate. Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest in the entity. Unrealised losses are similarly eliminated to the extent that they do not provide evidence of impairment. Where necessary, the accounting policies of associates are modified to ensure consistency with Group accounting policies.

Revenue

The Group's revenue is primarily derived from the sale of containerboard, corrugated containers and other paper-based packaging products. All revenue relates to revenue from contracts with customers. Contracts with customers include a single performance obligation to sell these products and do not generally contain multiple performance obligations. Revenue comprises the fair value of the consideration receivable for goods sold to third party customers in the ordinary course of business. It excludes sales based taxes and is net of allowances for volume based rebates and early settlement discounts.

The transaction price is the contracted price with the customer adjusted for volume based rebates and early settlement discounts. Goods are often sold with retrospective volume rebates based on aggregate sales over a certain period of time and early settlement discounts. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated rebates and discounts. Accumulated experience is used to estimate and provide for the rebates and discounts, using the most likely amount method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as the sales are made with credit terms consistent with market practice and are in line with normal credit terms in the entities' country of operation.

Revenue is recognised when control of the goods has transferred to the customer, being when the goods are delivered to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the goods have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer and the customer has accepted the goods in accordance with the sales contract. For the Group, revenue is recognised at the point in time when delivery to the customer has taken place.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Foreign Currency

Functional and Presentation Currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Consolidated Financial Statements of the Group are presented in euro which is the presentation currency of the Group and the functional currency of the Company.

Transactions and Balances

Transactions in foreign currencies are translated into the functional currency of the entity at the exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into functional currencies at the foreign exchange rate ruling at the reporting date. Non-monetary assets and liabilities carried at cost are not subsequently retranslated. Non-monetary assets carried at fair value are subsequently remeasured at the exchange rate at the date of valuation. Foreign exchange differences arising on translation are recognised in profit or loss with the exception of differences on foreign currency borrowings that qualify as a hedge of the Group's net investment in foreign operations. The portion of exchange gains or losses on foreign currency borrowings used to provide a hedge against a net investment in a foreign operation and that is determined to be an effective hedge is recognised in other comprehensive income. The ineffective portion is recognised immediately in the Consolidated Income Statement.

2. Summary of Significant Accounting Policies continued

Foreign Currency continued

Group Companies

The assets and liabilities of entities that do not have the euro as their functional currency, including goodwill and fair value adjustments arising on acquisition, are translated to euro at the foreign exchange rates ruling at the reporting date. Their income, expenses and cash flows are translated to euro at average exchange rates during the year. However, if a Group entity's functional currency is the currency of a hyperinflationary economy, that entity's financial statements are first restated in accordance with IAS 29, *Financial Reporting in Hyperinflationary Economies* (see *Reporting in Hyperinflationary Economies*). Under IAS 29, income, costs and balance sheet amounts are translated at the exchange rates ruling at the reporting date. All resulting exchange differences are recognised in other comprehensive income.

On consolidation, foreign exchange differences arising on translation of net investments including those arising on long-term intragroup loans deemed to be quasi-equity in nature are recognised in other comprehensive income. When a quasi-equity loan ceases to be designated as part of the Group's net investment, accumulated currency differences are reclassified to profit or loss only when there is a change in the Group's proportional interest. On disposal of a foreign operation, accumulated currency translation differences are reclassified to profit or loss as part of the overall gain or loss on disposal.

Reporting in Hyperinflationary Economies

When the economy of a country in which we operate is deemed hyperinflationary and the functional currency of a Group entity is the currency of that hyperinflationary economy, the financial statements of such Group entities are adjusted so that they are stated in terms of the measuring unit current at the end of the reporting period. This involves restatement of income and expenses to reflect changes in the general price index from the start of the reporting period and restatement of non-monetary items in the balance sheet, such as property, plant and equipment and inventories, to reflect current purchasing power as at the period end using a general price index from the date when they were first recognised. The gain or loss on the net monetary position for the year is included in finance costs or income. Comparative amounts are not restated. The restated income, expenses and balance sheets are translated to euro at the closing rate at the end of the reporting period. Differences arising on translation to euro are recognised in other comprehensive income.

Business Combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. Under the acquisition method, the assets, liabilities and contingent liabilities of an acquired business are initially recognised at their fair value at the date of acquisition; which is the date on which control is transferred to the Group. The cost of a business combination is measured as the aggregate of the fair values at the date of exchange of any assets transferred, liabilities assumed and equity instruments issued in exchange for control. In a business combination achieved in stages, the cost includes the acquisition date fair value of any pre-existing equity interest in the subsidiary. When settlement of all or part of a business combination is deferred, the fair value of the deferred component is determined by discounting the amounts payable to their present value at the date of exchange. The discount component is unwound as an interest expense in the Consolidated Income Statement over the life of the obligation. Where a business combination agreement provides for an adjustment to the cost of the combination which is contingent on future events, the contingent consideration is measured at fair value. Any subsequent remeasurement of the contingent amount is recognised in the Consolidated Income Statement if it is identified as a financial liability.

When the initial accounting for a business combination is determined provisionally, any adjustments to the provisional values allocated to the identifiable assets and liabilities are made within twelve months of the acquisition date. Non-controlling interests are measured either, at their proportionate share of the acquiree's identifiable net assets or, at fair value as at the acquisition date, on a case by case basis. Acquisition related costs are expensed as incurred.

Where a put option is held by a non-controlling interest in a subsidiary whereby that party can require the Group to acquire the non-controlling interest's shareholding in the subsidiary at a future date and the non-controlling interest does not retain present access to the results of the subsidiary, the Group applies the anticipated acquisition method of accounting to the arrangement. The Group recognises a contingent consideration liability at fair value, being the Group's estimate of the amount required to settle that liability, which is included in the consideration transferred. Any subsequent remeasurements required due to changes in the fair value of the put liability are recognised in the Consolidated Income Statement. Where the Group has a call option over the shares held by a non-controlling interest in a subsidiary, whereby the Group can require the non-controlling interest to sell its shareholding in the subsidiary at a future date, the option is classified as a derivative and is recognised as a financial instrument on inception, with fair value movements recognised in the Consolidated Income Statement.

Goodwill

Goodwill is the excess of the cost of an acquisition over the Group's share of the fair value of the identifiable assets, liabilities and contingent liabilities acquired. When the fair value of the identifiable assets and liabilities acquired exceeds the cost of the acquisition, the values are reassessed and any remaining gain is recognised immediately in the Consolidated Income Statement. Goodwill is allocated to the groups of CGUs that are expected to benefit from the synergies of the combination. This is the lowest level at which goodwill is monitored for internal management purposes. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Intangible Assets

These include software development costs as well as marketing and customer related intangible assets generally arising from business combinations. They are initially recognised at cost which, for those arising in a business combination, is their fair value at the date of acquisition. Subsequently, intangible assets are carried at cost less any accumulated amortisation and impairment. Cost is amortised on a straight-line basis over their estimated useful lives which vary from two to twenty years. Carrying values are reviewed for indicators of impairment at each reporting date and are subject to impairment testing when events or changes in circumstances indicate that the carrying values may not be recoverable. Further information is provided in the *Goodwill and Intangible Assets* note.

2. Summary of Significant Accounting Policies continued

Property, Plant and Equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment charges. Cost includes expenditure that is directly attributable to the acquisition of the assets. Software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any retired component is derecognised. Other repair and maintenance expenditure that does not meet the asset recognition criteria is expensed in the Consolidated Income Statement as incurred. Assets are depreciated from the time they are available for use, however land is not depreciated. Depreciation on other assets is calculated to write off the carrying amount of property, plant and equipment, on a straight-line basis at the following annual rates:

- Buildings: 2 – 5%
- Plant and equipment: 3 – 33%

The estimated residual value and the useful lives of assets are reviewed at each reporting date. Climate change does not have a significant impact on the assessment of useful lives across the Group, however it is considered on an asset-by-asset basis. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in the Consolidated Income Statement.

Capitalisation of costs in respect of constructing an asset commences when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Cost includes expenditure that is directly attributable to the construction of the asset. Construction in progress is not depreciated and is assessed for impairment when there is an indicator of impairment. When these assets are available for use, they are transferred out of construction in progress to the applicable heading under property, plant and equipment.

Impairment

Goodwill

Goodwill is subject to impairment testing on an annual basis at a consistent time each year and at any time an impairment indicator is considered to exist. Impairment is determined by comparing the carrying amount to the recoverable amount of the groups of CGUs to which the goodwill relates. The recoverable amount is the greater of; fair value less costs to sell, and value-in-use. When the recoverable amount of the groups of CGUs is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a group of CGUs and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the group of CGUs retained.

In the year in which a business combination occurs, and the goodwill arising affects the goodwill allocation to CGUs, the groups of CGUs are tested for impairment prior to the end of that year. Impairment losses on goodwill are recognised in the Consolidated Income Statement and are not reversed following recognition.

Impairment of Non-financial Assets

Long-term tangible and intangible assets that are subject to depreciation or amortisation are tested for impairment whenever events or changes in circumstances, including those relating to climate change, indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the Consolidated Income Statement for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. When assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets that have suffered impairment losses are reviewed for possible reversal of the impairment at each reporting date. The impairment loss is only reversed to the extent that the asset's carrying amount does not exceed that which would have been determined had no impairment been recognised.

Impairment of Financial Assets

For trade receivables, the Group applies the simplified approach permitted by IFRS 9. The Group's impairment policy is explained in the *Trade and Other Receivables* note.

Biological Assets

The Group holds standing timber which is classified as a biological asset and is stated at fair value less estimated costs to sell. Changes in value are recognised in the Consolidated Income Statement. The fair value of standing timber is calculated using weighted average prices for similar transactions with third parties. At the time of harvest, wood is recognised at fair value less estimated costs to sell and transferred to inventory. Further information is provided in the *Biological Assets* note.

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is determined on a first-in, first-out basis and includes expenditure incurred in acquiring the inventories and bringing them to their present location and condition. Raw materials are valued on the basis of purchase cost on a first-in, first-out basis. For finished goods and work-in-progress, cost includes direct materials, direct labour and attributable overheads based on normal operating capacity and excludes borrowing costs. The cost of wood is its fair value less estimated costs to sell at the date of harvest, determined in accordance with the policy for biological assets. Any change in value at the date of harvest is recognised in the Consolidated Income Statement. Net realisable value is the estimated proceeds of sale less costs to completion and any costs to be incurred in selling and distribution. Full provision is made for all damaged, deteriorated, obsolete and unusable materials.

2. Summary of Significant Accounting Policies continued

Financial Instruments

Trade receivables and debt instruments issued are initially recognised when they are originated. All other financial instruments are recognised when the Group becomes a party to its contractual provisions. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially recognised at fair value plus, for an item not at fair value through profit or loss ('FVPL'), transaction costs that are directly attributable to its acquisition or issue.

On initial recognition, a financial asset is classified as measured at amortised cost, or fair value through other comprehensive income ('FVOCI'), or FVPL. The classification is based on the business model for managing the financial assets and the contractual terms of the cash flows. Reclassification of financial assets is required only when the business model for managing those assets changes. Financial assets are derecognised when the Group's contractual rights to the cash flows from the financial assets expire, are extinguished or transferred to a third party.

Financial liabilities are classified as measured at amortised cost or FVPL. Financial liabilities are derecognised when the Group's obligations specified in the contracts expire, are discharged or cancelled. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid, (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Cash and Cash Equivalents

Cash and cash equivalents comprise; cash balances held to meet short-term cash commitments, and; investments which are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Where investments are categorised as cash equivalents, the related balances have a maturity of three months or less from the date of acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Consolidated Statement of Cash Flows. Cash and cash equivalents are stated at amortised cost.

Restricted Cash

Restricted cash comprises cash held by the Group but which is ring-fenced or used as security for specific financing arrangements, and to which the Group does not have unfettered access. Restricted cash is stated at amortised cost.

Equity Instruments

Equity instruments are measured at fair value with fair value gains and losses recognised in other comprehensive income. Dividend income is recognised in profit or loss. There is no reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Any gains and losses will be reclassified within equity from the FVOCI reserve to retained earnings.

Debt Instruments

Listed and unlisted debt instruments are measured at fair value with fair value gains and losses recognised in profit or loss. Interest and dividend income is recognised in profit or loss.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fixed rate borrowings, which have been hedged to floating rates are measured at amortised cost adjusted for changes in value attributable to the hedged risk arising from changes in underlying market interest rates. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least one year after the reporting date.

Securitised Assets

The Group has entered into a series of securitisation transactions involving certain of its trade receivables and the establishment of certain special purpose entities to effect these transactions. These special purpose entities are consolidated as they are considered to be controlled by the Group. The related securitised assets continue to be recognised in the Consolidated Balance Sheet.

Trade and Other Receivables

Trade and other receivables (unless it is a trade receivable without a significant financing component) are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance. Trade receivables without a significant financing component are initially measured at the transaction price.

Trade and Other Payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Derivative Financial Instruments and Hedging Activities

The Group uses derivative financial instruments to manage certain foreign currency, interest rate and commodity price exposures. All derivatives are recognised at fair value. The treatment of changes in fair value depends on whether the derivative is designated as a hedging instrument, the nature of the item being hedged and the effectiveness of the hedge. The Group designates certain derivatives as follows:

- Hedges of a particular risk associated with a recognised floating rate asset or liability or a highly probable forecast transaction (cash flow hedges);
- Hedges of changes in the fair value of a recognised asset or liability (fair value hedges); and
- Hedges of net investments in foreign operations (net investment hedges).

2. Summary of Significant Accounting Policies continued

Derivative Financial Instruments and Hedging Activities continued

At inception the Group documents the relationship between the hedging instrument and hedged items, its risk management objectives and the strategy for undertaking the transaction. The Group also documents its assessment of whether the derivative is highly effective in offsetting changes in fair value or cash flows of hedged items, both at inception and in future periods.

The fair values of various derivative instruments used for hedging purposes are disclosed in the *Financial Instruments* note. Movements on the cash flow hedging reserve and cost of hedging reserve in shareholders' equity are shown in the *Capital and Reserves* note. The full fair value of a hedging derivative is classified as a non-current asset or liability when its remaining maturity is more than one year; it is classified as a current asset or liability when its remaining maturity is less than one year. Non-hedging derivative assets and liabilities are classified as current or non-current based on expected realisation or settlement dates.

Cash Flow Hedges

Changes in the fair value of derivative hedging instruments designated as cash flow hedges are recognised in other comprehensive income to the extent that the hedge is effective. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

When designating a foreign exchange derivative contract as a cash flow hedge, the currency basis spread is excluded and accounted for separately as a cost of hedging, being recognised in a cost of hedging reserve within equity.

Amounts accumulated in other comprehensive income are reclassified to the Consolidated Income Statement in the same periods that the hedged items affect profit or loss as follows:

- The reclassified gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the Consolidated Income Statement within finance income or costs respectively.
- When the hedged item is a non-financial asset, the amount recognised in other comprehensive income is transferred to the carrying amount of the asset when it is recognised. The deferred amounts are ultimately recognised in profit or loss as the hedged item affects profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in other comprehensive income remains there until the forecast transaction occurs, unless the hedged transaction is no longer expected to occur, in which case the cumulative gain or loss that was previously recognised in other comprehensive income is transferred to the Consolidated Income Statement.

Fair Value Hedges

Where derivative hedging instruments are designated as fair value hedges, any gain or loss arising from the remeasurement of the hedging instrument to fair value is reported in the Consolidated Income Statement together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. When the hedging instrument no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of the hedged item is amortised to the Consolidated Income Statement over the period to maturity.

Net Investment Hedges

Hedges of net investments in foreign operations are accounted for in a similar manner to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the Consolidated Income Statement within finance income or costs respectively. Gains and losses accumulated in other comprehensive income are reclassified to profit or loss when the foreign operation is sold.

Derivatives not Designated as Hedges

Changes in the fair value of derivatives which are not designated for hedge accounting are recognised in the Consolidated Income Statement.

Fair Value Hierarchy

The Group reports using the fair value hierarchy in relation to its assets and liabilities which are measured at fair value except for those which are exempt as defined under IFRS 13, *Fair Value Measurement*. The fair value hierarchy categorises into three levels the inputs to valuation techniques used to measure fair value, which are described as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs, other than quoted prices included within Level 1, that are observable for the asset or liability either directly (as prices) or indirectly (derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Provisions

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as a finance expense.

A contingent liability is not recognised but is disclosed where the existence of an obligation will only be confirmed by future events or where it is not probable that an outflow of resources will be required to settle the obligation or where the amount of the obligation cannot be measured with sufficient reliability. Contingent assets are not recognised but are disclosed where an inflow of economic benefits is probable.

2. Summary of Significant Accounting Policies continued

Finance Costs and Income

Finance costs comprise interest expense on borrowings (including amortisation of deferred debt issue costs), certain foreign currency translation losses related to financing, unwinding of the discount on provisions, borrowing extinguishment costs, fair value loss on financial assets, fair value loss on put options arising in business combinations, net interest cost on net pension liability, net monetary loss arising in hyperinflationary economies, the interest element of lease payments and losses on derivative instruments that are not designated as hedging instruments and are recognised in profit or loss. Borrowing costs are recognised in profit or loss using the effective interest method. Borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset are capitalised as part of the cost of that asset. All other borrowing costs are recognised as an expense in the Consolidated Income Statement.

Finance income comprises interest income on funds invested, certain foreign currency translation gains related to financing, fair value gain on financial assets, fair value gain on put options arising in business combinations, net monetary gain arising in hyperinflationary economies, gains on derivative instruments that are not designated as hedging instruments and are recognised in profit or loss and dividend income. Interest income is recognised as it accrues using the effective interest method. Dividend income is recognised on the date that the Group's right to receive payment is established.

Income Taxes

The income tax expense recognised in each financial year comprises current and deferred tax and is recognised in the Consolidated Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the related tax is similarly recognised in other comprehensive income or in equity.

Current Income Tax

Current tax consists mainly of the expected tax payable or recoverable on the taxable income for the year using the applicable tax rates during the year and any adjustment to tax payable in respect of previous years.

Deferred Income Tax

Deferred income tax is provided using the liability method, on temporary differences between the carrying amounts of assets and liabilities in the Consolidated Financial Statements and their tax bases. If the temporary difference arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction does not affect accounting nor taxable profit or loss, it is not recognised. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not subject to discounting.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease, if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. The Group recognises a right-of-use asset and a lease liability at the lease commencement date which is the date at which the asset is made available for use by the Group.

The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, restoration costs and lease payments made at or before the commencement date less any lease incentives received. The right-of-use asset is depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Where the lease contains a purchase option the asset is written off over the useful life of the asset when it is reasonably certain that the purchase option will be exercised. Right-of-use assets are subject to impairment testing.

The lease liability is initially measured at the present value of the lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate known at the commencement date, payments for a purchase option, payments for an optional renewal period and termination option payments if the Group is reasonably certain to exercise those options. The lease term is the non-cancellable period of the lease adjusted for any renewal options which are reasonably certain to be exercised or termination options which are reasonably certain not to be exercised. Management applies judgement in determining whether it is reasonably certain that a renewal or termination option will be exercised. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs. The Group has elected to avail of the practical expedient not to separate lease components from any associated non-lease components. Lease liabilities are included in borrowings.

The lease payments are discounted using the lessee's incremental borrowing rate as the interest rate implicit in the lease is generally not readily determinable. Incremental borrowing rates are determined using a build-up approach that uses externally benchmarked information adjusted to take consideration of the lessee's risk profile and the specific lease characteristics. These characteristics include the type of leased asset, the term of the lease and the currency of the lease.

After the commencement date, the lease liability is measured at amortised cost using the effective interest method. It is remeasured if there is a modification, a change in future lease payments arising from a change in an index or rate, or if the Group changes its assessment of whether it is reasonably certain to exercise an option within the contract.

The Group has elected to apply the recognition exemptions for short-term and low-value leases and recognises the lease payments associated with these leases as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise certain items of IT equipment and small items of office furniture.

2. Summary of Significant Accounting Policies continued

Retirement Benefit Obligations

The Group operates both defined benefit and defined contribution pension plans throughout its operations in accordance with local conditions and practice.

For defined contribution pension plans, once contributions have been paid, the Group has no further payment obligations. Contributions are recognised as an employee benefit expense as service is received from employees in the Consolidated Income Statement. Prepaid contributions are recognised as an asset only to the extent that a cash refund or a reduction in future payments is available.

The defined benefit pension plans are funded by payments to separately administered funds or in certain countries, in accordance with local practices, scheme liabilities are unfunded and recognised as liabilities in the Consolidated Balance Sheet.

The costs and liabilities of defined benefit pension plans are calculated using the projected unit credit method. Actuarial calculations are prepared by independent, professionally qualified actuaries at each reporting date. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation.

Defined benefit costs are categorised as: (1) service cost; (2) net interest expense or income; and (3) remeasurement. Service cost includes current and past service cost (which can be negative or positive) as well as gains and losses on settlements; it is included in operating profit. Past service cost is recognised at the earlier of the date when the plan amendment or curtailment occurs and the date that the Group recognises related restructuring costs. A gain or loss on settlement is recognised when the settlement occurs. Net interest, included within finance costs, is calculated by applying the discount rate to the net defined benefit asset or liability at the beginning of the year. Remeasurement is comprised of the return on plan assets (excluding net interest) and actuarial gains and losses; it is recognised in other comprehensive income in the period in which it arises and is not subsequently reclassified to the Consolidated Income Statement.

The net surplus or deficit arising on the Group's defined benefit pension plans, together with the liabilities associated with the unfunded plans, are shown either within non-current assets or liabilities in the Consolidated Balance Sheet. The defined benefit pension asset or liability comprises the total for each plan of the present value of the defined benefit obligation less the fair value of plan assets. Fair value of plan assets is based on market price information and in the case of published securities, it is the published bid price. Any pension asset is limited to the present value of economic benefits available in the form of refunds from the plans or reductions in future contributions. The deferred tax impact of pension plan surpluses and deficits is disclosed separately within deferred income tax assets or liabilities, as appropriate.

Share-based Payments

The Group grants equity settled share-based payments to certain employees as part of their remuneration. The fair value of grants is determined at the date of grant and is expensed in the Consolidated Income Statement over the vesting period with a corresponding increase in equity. Fair value incorporates the effect of market-based conditions. Non-market-based vesting conditions are only taken into account when assessing the number of awards expected to vest such that the cumulative expense recognised equates to the number of grants that actually vest. The periodic expense/credit recognised in the Consolidated Income Statement is calculated as the difference between the cumulative expense as estimated at the start and end of the period.

The cumulative expense is reversed when an employee in receipt of share awards terminates service prior to completion of the vesting period or when a non-market-based performance condition is not expected to be met. No reversal of the cumulative charge is made where awards do not vest due to a market-based vesting condition.

Where the Group receives a tax deduction for share-based payments, deferred tax is provided on the basis of the difference between the market price of the underlying equity at the date of the financial statements and the exercise price of the share award. As a result, the deferred tax impact will not directly correlate with the expense reported.

Proceeds received from the exercise of awards, net of any directly attributable transaction costs, are credited to the share capital and share premium accounts.

Exceptional Items

The Group has adopted an income statement format which seeks to highlight significant items within the Group results for the year. The Group believes this format is useful as it highlights one-off items, where significant, such as reorganisation and restructuring costs, profit or loss on disposal of operations, profit or loss on disposal of assets, impairment of assets, legislative and regulatory fines, defined benefit costs, foreign exchange gains or losses on currency devaluations, profit or loss on early extinguishment of debt and fair value gains or losses on put options arising in business combinations. Judgement is used by the Group in assessing the particular items, which by virtue of their nature and size, are disclosed as exceptional items.

Emissions Rights and Obligations

As a result of the European Union Emission Trading Scheme the Group receives free emission rights in certain countries. Rights are received annually and the Group is required to surrender rights equal to its actual emissions. A provision is only recognised when actual emissions exceed the emission rights granted. Any additional rights purchased are recognised at cost and they are not subsequently remeasured. Where excess certificates are sold to third parties, the Group recognises the consideration receivable within cost of sales in the Consolidated Income Statement.

2. Summary of Significant Accounting Policies continued

Government Grants

Government grants are recognised at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with any related conditions. Grants that compensate the Group for expenses are offset against the related expense in the Consolidated Income Statement in the same accounting periods. Grants related to the cost of an asset are recognised in the Consolidated Income Statement over the useful life of the asset within administrative expenses.

Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax.

Own Shares

Ordinary shares acquired by the Company or purchased on behalf of the Company are deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's ordinary shares.

Dividends

Dividends on ordinary shares are recognised as a liability in the period in which they are declared by the Company. In the case of interim dividends, these are considered to be declared when they are paid. In the case of final dividends, these are declared when approved by the shareholders at the Annual General Meeting.

3. Significant Accounting Judgements, Estimates and Assumptions

Preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities. These judgements, estimates and assumptions are subject to continuing re-evaluation and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. Actual outcomes may differ significantly from those estimates. No additional significant accounting judgements, estimates and assumptions were identified for the Group as a result of the elevation by the Board of the potential impact of climate change in the long-term to a principal risk for the Group. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant are set out below.

Significant Accounting Judgements

Consolidation of Structured Entities

The Group is a party to an arrangement involving securitisation of certain of its trade receivables. The arrangement required the establishment of certain special purpose entities ('SPEs') which are not owned by the Group. However, the SPEs are consolidated as management considers them to be controlled by the Group. The securitised receivables and the borrowings of the SPEs are recognised in the Consolidated Balance Sheet.

The Group has established a trust which facilitates the operation of the Group's long-term incentive plans. While the Group does not hold any of the equity of the trust, the Directors believe that the Group controls its activities and therefore the financial statements of the trust are included in the Consolidated Financial Statements.

Impairment of Goodwill

Judgement is required in determining whether goodwill is impaired or not. The Group tests annually whether goodwill has suffered any impairment. The recoverable amounts of groups of CGUs have been determined based on value-in-use calculations. The principal assumptions used to determine value-in-use relate to future cash flows and the time value of money. Further information is provided in the *Goodwill and Intangible Assets* note.

Income Taxes

Provisions for taxes require judgement in interpreting tax legislation, current case law or practice. It may be unclear how tax law or practice applies to a particular transaction or set of circumstances. In some instances this may not be known until a tax authority or a court makes a decision in an examination, audit or appeal. The Group considers such uncertain tax positions together or separately depending on which approach better predicts how the uncertainties can be resolved. Where the Group concludes it is not probable that a tax authority will fully accept its assessment of an uncertain tax position, it reflects the effect of the uncertainty as the most likely amount or the expected value. In addition, the Group recognises deferred tax assets, mainly relating to unused tax losses, when it is probable that the assets will be recovered through future profitability and planning. The assessment of recoverability involves judgement.

Exceptional Items

Judgement is required in determining which items by virtue of their nature and size are considered exceptional and separately disclosed in the Consolidated Income Statement. The Group has outlined significant items which it believes are exceptional, due to both their nature and size, within the accounting policy for exceptional items in the *Summary of Significant Accounting Policies* note.

Significant Accounting Estimates and Assumptions

Measurement of Defined Benefit Obligations

The cost of defined benefit pension plans and the present value of pension obligations are determined using actuarial valuations. These valuations involve making various assumptions that may differ significantly from actual developments in the future. The assumptions include determination of appropriate discount rates, future salary increases, inflation, mortality rates and future pension increases. Due to the complex nature of the valuations the Group employs an international network of professional actuaries to perform these valuations. The critical assumptions and estimates applied along with a sensitivity analysis are provided in the *Employee Benefits* note.

4. Segment and Revenue Information

The Group has identified operating segments based on the manner in which reports are reviewed by the Chief Operating Decision Maker ('CODM'). The CODM is determined to be the executive management team responsible for assessing performance, allocating resources and making strategic decisions. The Group has identified two operating segments: 1) Europe and 2) the Americas.

The Europe and the Americas segments are each highly integrated. They include a system of mills and plants that primarily produce a full line of containerboard that is converted into corrugated containers within each segment. In addition, the Europe segment also produces other types of paper, such as solidboard, sack kraft paper and graphic paper; and other paper-based packaging, such as solidboard packaging and folding cartons; and bag-in-box packaging. The Americas segment, which includes a number of Latin American countries and the United States, also comprises forestry; other types of paper, such as boxboard, sack paper and graphic paper; and paper-based packaging, such as folding cartons and paper sacks. Inter-segment revenue is not material. No operating segments have been aggregated for disclosure purposes.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year. Additionally, there are central costs which represent corporate governance costs, including executive costs, and costs of the Group's legal, company secretarial, pension administration, tax, treasury and controlling functions and other administrative costs.

Segment profit is measured based on EBITDA*. Segment assets consist primarily of property, plant and equipment, right-of-use assets, biological assets, goodwill and intangible assets, inventories, trade and other receivables, deferred income tax assets and cash and cash equivalents. Group centre assets are comprised primarily of property, plant and equipment, other investments, derivative financial assets, deferred income tax assets, cash and cash equivalents and restricted cash. Segment liabilities are principally comprised of borrowings, operating liabilities, deferred income tax liabilities and employee benefits. Group centre liabilities are comprised of items such as borrowings, employee benefits, derivative financial instruments, deferred income tax liabilities and certain provisions.

Segment capital expenditure comprises additions to property, plant and equipment (Note 11), right-of-use assets (Note 12) goodwill and intangible assets (Note 13) and biological assets (Note 16) and including additions resulting from acquisitions through business combinations (Note 31).

Inter-segment transfers or transactions are entered into under normal commercial terms and conditions that would also be available to unrelated third parties. Inter-segment transactions are not material.

* EBITDA as defined in the Supplementary Information section on page 192.

4. Segment and Revenue Information continued

Revenue and results	Europe 2021 €m	The Americas 2021 €m	Total 2021 €m	Europe 2020 €m	The Americas 2020 €m	Total 2020 €m
Revenue	**7,847**	**2,260**	**10,107**	6,645	1,885	8,530
EBITDA	**1,302**	**441**	**1,743**	1,180	372	1,552
Segment exceptional items	**–**	**–**	**–**	(19)	(12)	(31)
EBITDA after exceptional items	**1,302**	**441**	**1,743**	1,161	360	1,521
Unallocated centre costs			**(41)**			(42)
Share-based payment expense			**(69)**			(37)
Depreciation and depletion (net)*			**(520)**			(508)
Amortisation			**(40)**			(43)
Finance costs			**(179)**			(179)
Finance income			**17**			35
Share of associates' profit (after tax)			**2**			1
Profit before income tax			**913**			748
Income tax expense			**(234)**			(201)
Profit for the financial year			**679**			547
Assets						
Segment assets	**8,521**	**2,349**	**10,870**	7,470	1,913	9,383
Investment in associates	**1**	**12**	**13**	1	11	12
Group centre assets			**824**			895
Total assets			**11,707**			10,290
Liabilities						
Segment liabilities	**3,186**	**714**	**3,900**	2,928	568	3,496
Group centre liabilities			**3,415**			3,011
Total liabilities			**7,315**			6,507
Other segmental disclosures						
Segment capital expenditure:						
Segment expenditure	**864**	**265**	**1,129**	438	146	584
Group centre expenditure			**–**			1
Total expenditure			**1,129**			585
Depreciation and depletion (net):						
Segment depreciation and depletion (net)	**406**	**113**	**519**	401	106	507
Group centre depreciation and depletion (net)			**1**			1
Total depreciation and depletion (net)			**520**			508
Amortisation:						
Segment amortisation	**24**	**16**	**40**	24	19	43
Group centre amortisation			**–**			–
Total amortisation			**40**			43

* Depreciation and depletion is net of fair value adjustments arising on biological assets.

4. Segment and Revenue Information continued

Information about Geographical Areas

The Group has a presence in 36 countries worldwide. The following is a geographical analysis presented in accordance with IFRS 8, which requires disclosure of information about country of domicile (Ireland) and countries with material revenue and non-current assets.

	Revenue 2021 €m	Revenue 2020 €m	Non-current Assets 2021 €m	Non-current Assets 2020 €m
Ireland	**109**	111	**40**	51
Germany	**1,403**	1,207	**489**	533
France	**1,094**	969	**538**	513
Mexico	**992**	850	**369**	263
The Netherlands	**924**	760	**617**	549
United Kingdom	**901**	743	**427**	384
Other Europe* – eurozone	**2,147**	1,796	**1,100**	859
Other Europe* – non-eurozone	**1,233**	1,029	**646**	629
Other Americas*	**1,304**	1,065	**712**	696
	10,107	8,530	**4,938**	4,477

* No individual country represents greater than 8% of revenue.

Revenue is derived almost entirely from the sale of goods and is disclosed based on the location of production. No one customer represents greater than 10% of Group revenues. Non-current assets include marketing and customer related intangible assets, software, investment in associates, biological assets, right-of-use assets and property, plant and equipment and are disclosed based on their location.

While the Group does not allocate goodwill by geographic area, if it were to ascribe goodwill to Ireland we estimate the amount would be less than 3% (2020: less than 3%) of the total goodwill of the Group of €2,511 million (2020: €2,344 million).

Disaggregation of Revenue

The Group derives revenue from the following major product lines. The economic factors which affect the nature, amount, timing and uncertainty of revenue and cash flows from the sub categories of both paper and packaging products are similar.

	2021			2020		
	Paper €m	Packaging €m	Total €m	Paper €m	Packaging €m	Total €m
Revenue by product:						
Europe	**1,328**	**6,519**	**7,847**	1,005	5,640	6,645
The Americas	**213**	**2,047**	**2,260**	207	1,678	1,885
	1,541	**8,566**	**10,107**	1,212	7,318	8,530

Packaging revenue is derived mainly from the sale of corrugated products. The remainder of packaging revenue is comprised of bag-in-box and other paper-based packaging products.

5. Cost and Income Analysis

	2021 €m	2020 €m
Expenses by function:		
Cost of sales	**7,015**	5,656
Distribution costs	**823**	725
Administrative expenses	**1,196**	1,227
Other operating expenses	**–**	31
	9,034	7,639
Exceptional items included in operating profit:		
Reorganisation and restructuring costs	**–**	35
Recognition reward	**–**	11
Past service cost – UK	**–**	(15)
	–	31

There were no exceptional items within operating profit in 2021.

5. Cost and Income Analysis continued

Exceptional items charged within operating profit in 2020 amounted to €31 million of which €35 million related to reorganisation and restructuring costs in both Europe and the Americas and €11 million related to a Group-wide COVID-19 employee recognition reward, partly offset by a €15 million gain on the UK pension scheme as a result of future pension increases being linked to CPIH instead of RPI.

	2021 €m	2020 €m
Expenses by nature:		
Raw materials and consumables	**3,653**	2,697
Employee benefit expense excluding redundancy	**2,294**	2,177
Energy	**657**	420
Maintenance and repairs	**452**	419
Transportation and storage costs	**829**	726
Depreciation, amortisation and depletion	**560**	551
Reorganisation and restructuring costs	**2**	38
Net remeasurement of loss allowance on trade receivables	**(4)**	25
Other expenses	**591**	586
Total	**9,034**	7,639

Included within the expenses by nature above are research and development expenses of €7 million (2020: €8 million). Research and development expenses are included within administrative expenses in the Consolidated Income Statement.

Directors' remuneration is shown in the Remuneration Report and in Note 30.

Auditors' Remuneration

	KPMG Ireland 2021 €m	Other KPMG Network Firms 2021 €m	Total 2021 €m	KPMG Ireland 2020 €m	Other KPMG Network Firms 2020 €m	Total 2020 €m
Audit of entity financial statements	**2.8**	**6.5**	**9.3**	2.5	5.8	8.3
Other assurance services	**–**	**0.1**	**0.1**	–	0.3	0.3
Other non-audit services	**0.1**	**0.2**	**0.3**	–	0.1	0.1
	2.9	**6.8**	**9.7**	2.5	6.2	8.7

The audit fee for the Parent Company was €50,000 which is payable to KPMG, the Statutory Auditor (2020: €50,000).

6. Employee Benefit Expense

	2021 Number	2020 Number
Average number of persons employed by the Group by geographical area (full time equivalents):		
Europe	**30,405**	29,969
The Americas	**17,348**	16,406
	47,753	46,375

	Note	2021 €m	2020 €m
The employee benefit expense comprises:			
Wages and salaries		**1,784**	1,707
Social insurance costs		**346**	335
Share-based payment expense		**69**	37
Defined benefit pension expense	25	**29**	36
Defined contribution pension plan expense	25	**66**	66
Reorganisation and restructuring costs*		**2**	3
Charged to operating profit – pre-exceptional		**2,296**	2,184
Exceptional – reorganisation and restructuring		**–**	35
Exceptional – past service cost UK	25	**–**	(15)
Exceptional – recognition reward		**–**	11
Finance costs	25	**7**	12
Actuarial (gain)/loss on pension schemes recognised in other comprehensive income	25	**(177)**	9
Total employee benefit expense		**2,126**	2,236

* These non-exceptional expenses arise in respect of individually immaterial restructurings across the Group.

7. Finance Costs and Income

	Note	2021 €m	2020 €m
Finance costs:			
Interest payable on bank loans and overdrafts		**25**	29
Interest payable on leases		**10**	10
Interest payable on other borrowings		**86**	89
Exceptional finance costs associated with debt restructuring		**31**	–
Foreign currency translation loss on debt		**15**	36
Fair value loss on derivatives not designated as hedges		**2**	1
Fair value loss on financial assets/liabilities		**–**	2
Net interest cost on net pension liability	25	**7**	12
Non monetary loss – hyperinflation		**3**	–
Total finance costs		**179**	179
Finance income:			
Other interest receivable		**(3)**	(3)
Foreign currency translation gain on debt		**(12)**	(29)
Fair value gain on derivatives not designated as hedges		**–**	(1)
Fair value gain on financial assets/liabilities		**(2)**	(1)
Net monetary gain – hyperinflation		**–**	(1)
Total finance income		**(17)**	(35)
Net finance costs		**162**	144

Exceptional finance costs of €31 million in 2021 represented a redemption premium of €28 million together with the related accelerated write-off of unamortised debt issue costs of €3 million due to the early redemption of bonds.

There were no exceptional finance items in 2020.

8. Income Tax Expense

Income tax expense recognised in the Consolidated Income Statement

	2021 €m	2020 €m
Current tax:		
Europe	**189**	127
The Americas	**76**	49
	265	176
Deferred tax	**(31)**	25
Income tax expense	**234**	201
Current tax is analysed as follows:		
Ireland	**28**	21
Foreign	**237**	155
	265	176

The income tax expense for the financial year 2021 is €33 million higher than in the comparable period in 2020. This mainly arises from higher profitability and other timing items in Europe and the Americas.

The movement in deferred tax from an expense of €25 million in 2020 to a credit of €31 million in 2021 includes the effects of the reversal of timing differences on which deferred tax has been previously recorded, the recognition of tax benefits on losses and other investment tax credits partly offset by the negative impact of increases in tax rates in a number of countries.

In 2021, there is a lower tax credit of €4 million on exceptional items compared to a €9 million tax credit in the prior year.

8. Income Tax Expense continued

Reconciliation of the Effective Tax Rate

The following table reconciles the applicable Republic of Ireland statutory tax rate to the effective tax rate (current and deferred) of the Group:

	2021 €m	2020 €m
Profit before income tax	913	748
Profit before income tax multiplied by the standard rate of tax of 12.5% (2020: 12.5%)	114	93
Effects of:		
Income subject to different rates of tax	130	87
Other items	(4)	22
Adjustment to prior period tax	(1)	(1)
Effect of previously unrecognised losses	(5)	–
	234	201

Income Tax Recognised Within Equity

	2021 €m	2020 €m
Recognised in the Consolidated Statement of Comprehensive Income:		
Arising on defined benefit pension plans	32	(7)
Arising on derivative cash flow hedges	–	1
Total recognised in the Consolidated Statement of Comprehensive Income	32	(6)
Arising on hyperinflation	2	3
Total recognised within equity	34	(3)

Factors That May Affect the Future Tax Expense and Other Disclosure Requirements

Unremitted Earnings in Subsidiaries and Associates

The Group has not made provision for deferred tax in relation to temporary differences applicable to investments in subsidiaries on the basis that the Group can control both the timing of and which temporary timing differences will reverse. The Group is not obliged to remit earnings from subsidiaries. It is probable that the Group would only remit earnings which can benefit from the availability of a participation tax exemption or sufficient tax credits (actual or deemed) to ensure there is no additional tax due. The aggregate amount of this temporary difference is approximately €2,179 million (2020: €1,553 million). Due to the absence of control in the context of associates (significant influence by definition) deferred tax liabilities are recognised where necessary in respect of the Group's investment in these entities.

The total tax expense in future periods will be affected by changes to the corporation tax rates in force and legislative changes that may broaden the tax base or introduce other minimum taxes in the countries in which the Group operates. The tax expense may also be impacted by changes in the geographical mix of earnings.

The current tax expense may also be impacted, inter alia, by changes in the excess of tax depreciation (capital allowances) over accounting depreciation, the use of tax credits and the crystallisation of unrecognised deferred tax assets.

There are no income tax consequences for the Company in respect of dividends which were proposed prior to the issuance of the Consolidated Financial Statements for which a liability has not been recognised.

9. Earnings per Share ('EPS')

Basic

Basic EPS is calculated by dividing the profit attributable to owners of the parent by the weighted average number of ordinary shares in issue during the year less own shares.

	2021	2020
Profit attributable to owners of the parent (€ million)	679	545
Weighted average number of ordinary shares in issue (million)	257	239
Basic EPS (cent)	263.9	227.9

Diluted

Diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. These comprise deferred and performance shares issued under the Group's long-term incentive plans. Details of these plans are set out in Note 26. Where the conditions governing exercisability and vesting of these shares have been satisfied as at the end of the reporting period, they are included in the computation of diluted earnings per ordinary share.

	2021	2020
Profit attributable to owners of the parent (€ million)	679	545
Weighted average number of ordinary shares in issue (million)	257	239
Potential dilutive ordinary shares assumed (million)	3	2
Diluted weighted average ordinary shares (million)	260	241
Diluted EPS (cent)	261.1	225.7

Pre-exceptional

	2021	2020
Profit attributable to owners of the parent (€ million)	679	545
Exceptional items included in profit before income tax (€ million)	31	31
Income tax on exceptional items (€ million)	(4)	(9)
Pre-exceptional profit attributable to owners of the parent (€ million)	706	567
Weighted average number of ordinary shares in issue (million)	257	239
Pre-exceptional basic EPS (cent)	274.5	236.9
Diluted weighted average ordinary shares (million)	260	241
Pre-exceptional diluted EPS (cent)	271.6	234.6

10. Dividends

The following dividends were declared and paid by the Group:

	2021 €m	2020 €m
Final: paid 87.4 cent per ordinary share on 7 May 2021 (2020: no final dividend was paid in 2020)	226	–
Interim: paid 29.3 cent per ordinary share on 22 October 2021 (2020: paid 80.9 cent per ordinary share on 11 September 2020 and a further 27.9 cent on 11 December 2020)	76	260
	302	260

The Board is recommending a final dividend of 96.1 cent per share (approximately €250 million). It is proposed to pay this dividend on 6 May 2022 to all ordinary shareholders on the share register at the close of business on 8 April 2022, subject to the approval of the shareholders at the Annual General Meeting.

11. Property, Plant and Equipment

	Land and Buildings €m	Plant and Equipment €m	Total €m
Financial year ended 31 December 2020			
Opening net book amount	1,106	2,814	3,920
Reclassifications	73	(68)	5
Additions	1	465	466
Acquisitions	2	1	3
Depreciation charge	(56)	(373)	(429)
Retirements and disposals	(1)	(2)	(3)
Hyperinflation adjustment	2	6	8
Foreign currency translation adjustment	(37)	(94)	(131)
At 31 December 2020	1,090	2,749	3,839
At 31 December 2020			
Cost or deemed cost	1,874	6,942	8,816
Accumulated depreciation and impairment losses	(784)	(4,193)	(4,977)
Net book amount	1,090	2,749	3,839
Financial year ended 31 December 2021			
Opening net book amount	**1,090**	**2,749**	**3,839**
Reclassifications	**63**	**(64)**	**(1)**
Additions	**1**	**570**	**571**
Acquisitions	**73**	**186**	**259**
Depreciation charge	**(56)**	**(369)**	**(425)**
Retirements and disposals	**(9)**	**(17)**	**(26)**
Hyperinflation adjustment	**4**	**10**	**14**
Foreign currency translation adjustment	**9**	**25**	**34**
At 31 December 2021	**1,175**	**3,090**	**4,265**
At 31 December 2021			
Cost or deemed cost	**2,089**	**7,667**	**9,756**
Accumulated depreciation and impairment losses	**(914)**	**(4,577)**	**(5,491)**
Net book amount	**1,175**	**3,090**	**4,265**

Land and Buildings
Included in land and buildings is an amount for land of €387 million (2020: €377 million).

Construction in Progress
Included in land and buildings and plant and equipment are amounts of €72 million (2020: €29 million) and €350 million (2020: €232 million) respectively, for construction in progress.

Assets Pledged as Security
Assets with a carrying value of €12 million (2020: €9 million) are pledged as security for loans held by the Group.

Capital Commitments
The following capital commitments in relation to property, plant and equipment were authorised by the Directors, but have not been provided for in the Consolidated Financial Statements:

	2021 €m	2020 €m
Contracted for	**498**	168
Not contracted for	**649**	235
	1,147	403

11. Property, Plant and Equipment continued

Impairments

Impairment tests for items of property, plant and equipment are performed on a cash-generating unit basis when impairment triggers arise. The recoverable amounts of property, plant and equipment are based on the higher of fair value less costs to sell and value-in-use. Value-in-use calculations are based on cash flow projections and discount rates for items of property, plant and equipment. The Group considered the impact of the COVID-19 pandemic when assessing property, plant and equipment for indicators of impairment. No impairment triggers were identified. Impairment charges are recognised within cost of sales in the Consolidated Income Statement. In 2021, the Group's impairment charge was nil (2020: nil).

Capitalised Borrowing Costs

In 2021, the Group capitalised borrowing costs of €2 million (2020: €1 million) on qualifying assets. Borrowing costs were capitalised at an average rate of 3.0% (2020: 2.9%).

12. Right-of-use Assets/Lease Obligations

Amounts Recognised in the Consolidated Balance Sheet

	2021 €m	2020 €m
Right-of-use assets:		
Land and buildings	**235**	218
Vehicles	**65**	64
Plant and equipment	**46**	29
	346	311

The Group presents lease liabilities in borrowings in the Consolidated Balance Sheet. The amounts included within borrowings are as follows:

	2021 €m	2020 €m
Lease liabilities:		
Current	**91**	83
Non-current	**289**	263
	380	346

Additions to right-of-use assets during 2021 were €98 million (2020: €79 million), of which €6 million (2020: nil) related to acquired right-of-use assets.

Amounts Recognised in the Consolidated Income Statement

The Consolidated Income Statement includes the following amounts relating to leases:

	2021 €m	2020 €m
Depreciation charge of right-of-use assets:		
Land and buildings	**46**	45
Vehicles	**31**	31
Plant and equipment	**11**	9
	88	85

	2021 €m	2020 €m
Interest expense on lease liabilities	**10**	10
Expenses relating to short-term leases	**14**	11
Expenses relating to leases of low-value assets	**7**	5
Expenses relating to variable lease payments not included in the lease liabilities	**7**	9

Lease commitments for short-term leases are similar to the portfolio of short-term leases for which the costs were expensed to the Consolidated Income Statement.

Amounts Recognised in the Consolidated Statement of Cash Flows

	2021 €m	2020 €m
Total cash outflow for leases	**126**	126

Leasing Activities

The Group enters into leases for a range of assets, principally relating to property. These property leases, which consist of office buildings, warehouses and manufacturing facilities, have varying terms, renewal rights, including periodic rent reviews linked with indices. The Group also leases vehicles which include motor vehicles for management and sales functions and trucks for distribution.

12. Right-of-use Assets/Lease Obligations continued

Leasing Activities continued

The effect of excluding future cash outflows arising from variable lease payments, termination options, residual value guarantees, and leases not yet commenced from lease liabilities was not material for the Group. Income from subleasing and gains/losses on sale and leaseback transactions were not material for the Group. The terms and conditions of these leases do not impose significant financial restrictions on the Group.

Extension and Termination Options

Extension and termination options are included in a number of property, equipment and vehicle leases throughout the Group. They are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

In determining whether or not a renewal or termination option will be taken, the following factors are normally the most relevant:
- If there are significant penalties to terminate (or not to extend), the Group is typically reasonably certain to extend (or not terminate).
- If leasehold improvements are expected to have a significant remaining value, when the option becomes exercisable, the Group is typically reasonably certain to extend (or not to terminate).
- Strategic importance of the asset to the Group.
- Climate related considerations.
- Past practice.
- Costs and business disruption to replace the asset.

The lease term is reassessed if an option is actually exercised (or not exercised) and this decision has not already been reflected in the lease term as part of a previous determination. The assessment of reasonable certainty is revised only if a significant change in circumstances occurs, which affects this assessment, and this is within the control of the lessee.

Impairments

Impairment tests for right-of-use assets are performed on a cash-generating unit basis when impairment triggers arise. The recoverable amounts of right-of-use assets are based on the higher of fair value less costs to sell and value-in-use. Value-in-use calculations are based on cash flow projections and discount rates for right-of-use assets. The Group considered the impact of the COVID-19 pandemic and climate related considerations when assessing right-of-use assets for indicators of impairment. No impairment triggers were identified. In 2021, the Group's impairment charge was nil (2020: nil).

13. Goodwill and Intangible Assets

	Goodwill €m	Intangible Assets Marketing Related €m	Intangible Assets Customer Related €m	Intangible Assets Software Assets €m	Total €m
Financial year ended 31 December 2020					
Opening net book amount	2,383	6	167	60	2,616
Additions	–	–	–	21	21
Acquisitions	7	–	–	–	7
Amortisation charge	–	(2)	(26)	(15)	(43)
Reclassifications	–	–	–	6	6
Hyperinflation adjustment	9	–	–	–	9
Foreign currency translation adjustment	(55)	–	(5)	(4)	(64)
At 31 December 2020	2,344	4	136	68	2,552
At 31 December 2020					
Cost or deemed cost	2,566	16	288	226	3,096
Accumulated amortisation and impairment losses	(222)	(12)	(152)	(158)	(544)
Net book amount	2,344	4	136	68	2,552
Financial year ended 31 December 2021					
Opening net book amount	**2,344**	**4**	**136**	**68**	**2,552**
Additions	**–**	**–**	**–**	**21**	**21**
Acquisitions	**152**	**8**	**11**	**–**	**171**
Amortisation charge	**–**	**(2)**	**(23)**	**(15)**	**(40)**
Disposals	**(14)**	**–**	**–**	**–**	**(14)**
Hyperinflation adjustment	**13**	**–**	**–**	**–**	**13**
Foreign currency translation adjustment	**16**	**–**	**2**	**1**	**19**
At 31 December 2021	**2,511**	**10**	**126**	**75**	**2,722**
At 31 December 2021					
Cost or deemed cost	**2,734**	**26**	**308**	**241**	**3,309**
Accumulated amortisation and impairment losses	**(223)**	**(16)**	**(182)**	**(166)**	**(587)**
Net book amount	**2,511**	**10**	**126**	**75**	**2,722**

The useful lives of intangible assets other than goodwill are finite and range from two to twenty years. Amortisation is recognised as an expense within cost of sales and administrative expenses in the Consolidated Income Statement.

13. Goodwill and Intangible Assets continued

Marketing related intangible assets relate mainly to trade names and non-compete agreements which arise from business combinations and are amortised over their estimated useful lives of two to ten years. Customer related intangible assets relate mainly to acquisitions and to customer relationships which arise from business combinations. They are amortised over their estimated useful lives of four to twenty years with a weighted average useful life of 12 years. Software assets relate to computer software, other than software for items of machinery that cannot operate without it; such software is regarded as an integral part of the related hardware and is classified as property, plant and equipment. Computer software assets have estimated useful lives of three to eight years for amortisation purposes.

In 2021, goodwill of €119 million arose on the acquisition of Verzuolo, a containerboard mill in Northern Italy. This amount will be revised following the completion of a fair value exercise on the identifiable net assets in 2022. Goodwill of €24 million and intangible assets of €12 million arose on the acquisition of Cartonbox, a folding carton company in Mexico. Goodwill of €9 million and intangible assets of €7 million arose on the acquisition of Cartones del Pacifico, a paper-based packaging company in Peru.

In 2020, goodwill of €5 million arose on the acquisition of a former associate in Colombia (Note 15) and €2 million arose on the 2019 acquisition of plants in Bulgaria.

Impairment Testing of Intangible Assets

The Group assesses whether there is an indication that an intangible asset may be impaired. In 2021, such an assessment did not give rise to an impairment charge (2020: nil).

Impairment Testing of Goodwill

Goodwill arising as part of a business combination is allocated to groups of cash-generating units ('CGUs') for the purpose of impairment testing based on the Group's existing business segments or, where appropriate, by recognition of a new CGU. The CGU groups represent the lowest level at which goodwill is monitored for internal management purposes and are not larger than the operating segments determined in accordance with IFRS 8, *Operating Segments*. A total of 16 groups (2020: 15) of CGUs have been identified and these are analysed between the two operating segments as follows:

	2021 Number	2020 Number
Eurozone	**5**	5
Eastern Europe	**1**	1
Scandinavia	**1**	1
United Kingdom	**1**	1
Bag-in-box	**1**	1
Europe	**9**	9
The Americas	**7**	6
	16	15

A summary of the allocation of the carrying value of goodwill by operating segment is as follows:

	2021 €m	2020 €m
Europe	**2,170**	2,055
The Americas	**341**	289
	2,511	2,344

No impairment arose in 2021 in any CGU as the recoverable amount of the groups of CGUs, based on value-in-use and estimated using the methodology outlined below, exceeded the carrying amount.

Impairment Testing Methodology and Results

The recoverable amount of each CGU is based on a value-in-use calculation. The cash flow forecasts for the purposes of these calculations are based on a nine-year plan approved by senior management. The impact of COVID-19 was considered when preparing cash flow forecasts for each CGU. The potential impact of climate change, which is a principal risk in the long-term for the Group, was also considered when preparing cash flow forecasts for each CGU, with none of the CGUs determined to be at risk of being significantly impacted in the forecast period. As a result, no adjustments were applied to the assumptions to specifically incorporate the effect of climate-related risks. Cash flow forecasts use growth factors consistent with historical growth rates as adjusted for the cyclical nature of the business and are validated by reference to external data where available. The terminal value is estimated by applying an appropriate earnings multiple to the average cash flows for years one to nine. The Group believes a nine-year forecast is appropriate to use for the impairment test, due to the cyclical nature of the business in which the Group operates and the long-term lives of its assets.

Forecasts are derived from a combination of internal and external factors based on historical experience and take into account the cyclicality of cash flows typically associated with these groups of CGUs. The cash flows, including terminal value estimations, are discounted using appropriate pre-tax discount rates.

13. Goodwill and Intangible Assets continued

Impairment Testing Methodology and Results continued

Key assumptions include management's estimates of future profitability, replacement capital expenditure requirements, trade working capital investment needs and discount rates. Key assumptions in determining terminal value include earnings multiples.

Of the goodwill allocated to each of the 16 groups of CGUs, three units individually account for between 10% and 20% of the total carrying amount of €2,511 million and are summarised in the table below. All other units account individually for less than 10% of the total carrying amount and are not regarded as individually significant. The additional disclosures required under IAS 36, *Impairment of Assets* in relation to significant goodwill amounts arising in each of the three groups of CGUs are as follows:

	Europe France		Europe Benelux		Europe Germany, Austria and Switzerland	
	2021	2020	**2021**	2020	**2021**	2020
Carrying amount of goodwill (€ million)	**307**	307	**408**	408	**427**	427
Basis of recoverable amount	**Value-in-use**	Value-in-use	**Value-in-use**	Value-in-use	**Value-in-use**	Value-in-use
Discount rate applied (pre-tax)	**9.6%**	9.2%	**9.3%**	9.4%	**9.9%**	9.6%
Earnings multiple used for terminal value	**7.1**	7.1	**7.1**	7.1	**7.1**	7.1
Excess of value-in-use (€ million)	**562**	368	**192**	267	**736**	357

The key assumptions used for these three CGUs are consistent with those addressed above. The values applied to each of the key assumptions are derived from a combination of internal and external factors based on historical experience and take into account the cyclicality of cash flows typically associated with these groups of CGUs.

The recoverable amount of the Argentina and Chile CGU is estimated to exceed the carrying value of the CGU by €2 million (2020: €2 million). The goodwill relating to our operations in Argentina and Chile represents 1% of the Group's total goodwill. We will continue to monitor the CGU throughout 2022. For the other CGUs, any reasonably possible movement in the assumptions used in the impairment test would not result in an impairment.

14. Financial Assets

Other Investments – Group

	2021 €m	2020 €m
Listed* and unlisted debt instruments – FVPL	**11**	11
At 31 December	**11**	11

* Listed on a recognised stock exchange.

Listed and Unlisted Debt Instruments

The Group designates listed and unlisted debt instruments as FVPL as they do not qualify for measurement at either amortised cost or FVOCI based on the business model.

In 2021, fair value gains of nil (2020: €1 million gain) on debt instruments were recognised in finance income.

Information about the Group's fair value measurement of its investments is included in Note 29.

Investment in Subsidiaries – Company

	2021 €m	2020 €m
At 1 January	**2,872**	2,100
Investment in the year	**43**	772
At 31 December	**2,915**	2,872

In November 2020, the Company raised gross proceeds of €660 million following the pricing of the non-pre-emptive placing of new ordinary shares. The Company made a capital contribution to subsidiary undertakings of €669 million, primarily financed by the proceeds from the placing. In addition the Company made a further investment in Smurfit Kappa Investments Limited for new shares of €103 million.

The carrying value of the financial asset held by the Company was considered in the context of the COVID-19 pandemic and no impairment trigger was identified based on the performance and market capitalisation of the Group.

15. Investment in Associates

	2021 €m	2020 €m
At 1 January	**12**	16
Share of profit for the year	**2**	1
Dividends received from associates	**(1)**	(1)
Foreign currency translation adjustment	**–**	(2)
Fair value uplift on associate investment	**–**	4
Associate becoming a subsidiary	**–**	(6)
At 31 December	**13**	12

On 1 April 2020, the Group acquired 50.2% of Occidental de Empaques S.A. ('Odempa'), a paper sack plant in Colombia. This increased the Group's interest in Odempa from 49.8% to 100%, and resulted in the previously held associate becoming a subsidiary. In accordance with IFRS, the Group's previously held 49.8% associate interest was remeasured from its carrying value of €2 million to a fair value of €6 million resulting in a fair value gain of €4 million. This gain, together with the recycling of €1 million of currency translation losses from the currency translation reserve, resulted in a net gain of €3 million in the Consolidated Income Statement. The fair value of €6 million formed part of the acquisition accounting for the consolidation of Odempa on 1 April 2020.

16. Biological Assets

	2021 €m	2020 €m
At 1 January	**118**	117
Increases due to new plantations	**9**	9
Harvested timber transferred to inventories	**(10)**	(11)
Change in fair value less estimated costs to sell	**3**	17
Foreign currency translation adjustment	**(7)**	(14)
At 31 December	**113**	118
Current	**10**	11
Non-current	**103**	107
At 31 December	**113**	118
Approximate harvest by volume (tonnes '000)	**640**	834

At 31 December 2021, the Group's biological assets consist of 68,000 (2020: 67,000) hectares of forest plantations which are held for the production of paper and packaging products or sale to third parties. In Colombia, the plantations provide the Group's mills with a significant proportion of their total wood fibre needs.

Measurement of Fair Values

Fair Value Hierarchy

The Group's biological assets are measured at fair value and have been categorised within level 2 of the fair value hierarchy. There were no transfers between any levels during the year.

Valuation Techniques

The Group's biological assets comprise two species of forest plantations, pine and eucalyptus which are categorised as young or adult plantations for the purpose of determining the measurement of fair value.

The age threshold for young pine plantations is 96 months and for young eucalyptus plantations is 48 months. As young plantations are not available to sell or harvest, the cost approach is used to measure their fair value. The cost approach is based on the annually published index by the Colombian government which details the cost of establishing and maintaining a hectare for each species across various age brackets. The number of hectares planted is recorded in the Group's Forestry Information System. The value of young plantations at 31 December 2021 was €11 million (2020: €11 million).

The fair value of adult plantations is calculated using third party market prices in active markets adjusted for estimated costs to sell with eucalyptus based on the 12-month moving average of third party purchases and pine based on third party selling prices. Volumes are determined using an internally developed statistical model which contains data from the last 25 years. The statistical model applies growing equations using historical yields to provide an approximation of the yield of a particular plantation area at a point in time, based on a number of factors including the particular species of the tree, age and location of the plantation. The parameters used in the model are subject to continual refinement based on periodic measurements of a sample of growing trees and actual yields. Pine trees are further classified by use, as either pulpwood or timber wood based upon historical experience. This classification determines the market price used in the fair value measurement of the pine plantations. In 2020, the proportion of pine trees classified as timber wood increased following a reassessment of the volumes used for timber wood purposes based on historical data. This resulted in a fair value gain of €9 million. There has been no change in the proportion of pine trees classified as timber wood in 2021.

16. Biological Assets continued

Risk Management Strategy

The Group is exposed to a number of risks related to its plantations:

Regulatory and Environmental Risks

The Group is subject to laws and regulations in various countries in which it operates. The Group has established environmental policies and procedures aimed at ensuring compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage those risks.

Supply and Demand Risk

The Group is exposed to risks arising from market fluctuations in the price and sales volume of similar wood. Where possible the Group manages this risk by aligning its harvest volume to demand for its manufactured products. Management performs regular industry trend analysis to ensure that the Group's pricing structure is in line with the market and to ensure that projected harvest volumes are consistent with the expected demand.

Climate and Other Risks

The Group's forests are exposed to the risk of damage from climatic changes, diseases, fires and other natural forces. Changes in global climate conditions could intensify one or more of these events. Periods of drought and associated high temperatures may increase the risk of forest fires and insect outbreaks. In addition to their effects on forest yields, extreme weather events may also increase the cost of operations. The Group has extensive processes in place aimed at monitoring and mitigating these risks through proactive management and early detection, including regular forest health inspections and industry pest and disease surveys.

17. Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where they relate to income taxes levied by the same tax authority on either a taxable entity or different taxable entities where their intention is to settle the balances on a net basis. This is set out below:

	2021 €m	2020 €m
Deferred tax assets	**394**	391
Deferred tax assets/liabilities available for offset	**(245)**	(219)
	149	172
Deferred tax liabilities	**420**	410
Deferred tax assets/liabilities available for offset	**(245)**	(219)
	175	191

Deferred tax assets have been recognised in respect of deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised.

Deferred tax assets have been recognised in respect of tax losses available for carry forward when the Group considers it is probable that future taxable profit will be available against which the unused tax losses can be utilised. Where the Group considers that the recovery of such losses is not probable no asset is recognised.

The movement in net deferred tax balances during the year was as follows:

	Note	**2021 €m**	2020 €m
At 1 January		**(19)**	10
Movement recognised in the Consolidated Income Statement	8	**31**	(25)
Movement recognised in the Consolidated Statement of Comprehensive Income		**(38)**	6
Acquisitions and disposals		**(5)**	(2)
Transfer between current and deferred tax		**2**	–
Hyperinflation adjustment – recognised in equity	8	**(2)**	(3)
Foreign currency translation adjustment		**5**	(5)
At 31 December		**(26)**	(19)

17. Deferred Tax Assets and Liabilities continued

The movements in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same jurisdiction, were as follows:

	Retirement Benefit Obligations €m	Tax Losses €m	Derivative Fair Values €m	Other €m	Total €m
Deferred tax assets					
At 1 January 2020	111	98	4	167	380
Recognised in the Consolidated Income Statement	(10)	(11)	–	41	20
Recognised in the Consolidated Statement of Comprehensive Income	7	–	(1)	–	6
Foreign currency translation adjustment	(2)	(4)	(2)	(7)	(15)
At 31 December 2020	**106**	**83**	**1**	**201**	**391**
Reclassifications	**–**	**–**	**–**	**2**	**2**
Recognised in the Consolidated Income Statement	**(11)**	**(12)**	**–**	**58**	**35**
Recognised in the Consolidated Statement of Comprehensive Income	**(38)**	**–**	**–**	**–**	**(38)**
Foreign currency translation adjustment	**1**	**1**	**–**	**2**	**4**
At 31 December 2021	**58**	**72**	**1**	**263**	**394**

	Accelerated Tax Depreciation €m	Intangible Assets Fair Values €m	Biological Assets Fair Values €m	Other €m	Total €m
Deferred tax liabilities					
At 1 January 2020	304	9	3	54	370
Recognised in the Consolidated Income Statement	31	–	–	14	45
Acquisitions and disposals	–	–	–	2	2
Hyperinflation	1	–	–	2	3
Foreign currency translation adjustment	2	–	–	(12)	(10)
At 31 December 2020	**338**	**9**	**3**	**60**	**410**
Reclassifications	**(18)**	**18**	**–**	**–**	**–**
Recognised in the Consolidated Income Statement	**(15)**	**–**	**1**	**18**	**4**
Acquisitions and disposals	**2**	**3**	**–**	**–**	**5**
Hyperinflation	**1**	**–**	**–**	**1**	**2**
Foreign currency translation adjustment	**(1)**	**–**	**–**	**–**	**(1)**
At 31 December 2021	**307**	**30**	**4**	**79**	**420**

Deferred tax assets have not been recognised in respect of the following (tax effects):

	2021 €m	2020 €m
Tax losses	**14**	19

No deferred tax asset is recognised in respect of the above assets on the grounds that there is insufficient evidence that the assets will be recoverable. In the event that sufficient profits are generated in the relevant jurisdictions in the future these assets may be recovered.

No deferred tax assets have been recognised in respect of gross tax losses amounting to €57 million (2020: €85 million) that can be carried forward against future taxable income. The expiry dates in respect of these losses are as follows:

Expiry dates	Tax Losses 2021 €m
1 January 2022 to 31 December 2022	**2**
1 January 2023 to 31 December 2023	**1**
Greater than 4 years	**2**
Indefinite	**52**
	57

18. Inventories

	2021 €m	2020 €m
Raw materials	**301**	178
Work in progress	**47**	33
Finished goods	**471**	347
Consumables and spare parts	**227**	215
	1,046	773

19. Trade and Other Receivables

	Group 2021 €m	Group 2020 €m	Company 2021 €m	Company 2020 €m
Amounts falling due within one financial year:				
Trade receivables	**1,830**	1,387	**–**	–
Less: loss allowance	**(44)**	(53)	**–**	–
Trade receivables – net	**1,786**	1,334	**–**	–
Amounts receivable from associates	**2**	3	**–**	–
Other receivables	**248**	118	**–**	–
Prepayments	**101**	80	**–**	–
Amounts due from Group companies	**–**	–	**233**	256
	2,137	1,535	**233**	256
Amounts falling due after more than one financial year:				
Other receivables	**26**	28	**–**	–
	2,163	1,563	**233**	256

The carrying amount of trade and other receivables equate to their fair values due to their short-term maturities.

The Group has securitised €765 million (2020: €610 million) of its trade receivables. The securitised receivables have not been derecognised as the Group remains exposed to certain related credit risk. As a result, both the underlying trade receivables and the associated borrowings are shown in the Consolidated Balance Sheet.

Amounts due from Group companies are unsecured and repayable on demand. There were no past due or impaired receivables from Group companies at 31 December 2021 (2020: nil) and any expected credit loss is not material.

Impairment Losses

The movement in the allowance for impairment in respect of trade receivables was as follows;

	2021 €m	2020 €m
At 1 January	**53**	32
Net remeasurement of loss allowance	**(4)**	25
Trade receivables written off as uncollectable	**(5)**	(3)
Foreign currency translation adjustment	**–**	(1)
At 31 December	**44**	53

Trade debtors arise from a wide and varied customer base spread throughout the Group's operations and as such there is no significant concentration of credit risk. Credit evaluations are performed on all customers over certain thresholds and all customers are subject to continued monitoring at operating company level. Credit limits are reviewed on a regular basis. Many of the Group's customers have been transacting with the Group over an extended period and the incidence of bad debts has been low.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics, such as, current relationship with the customer, industry in which the customer operates, geographical location of customers, historical information on payment patterns, terms of payment and the days past due.

19. Trade and Other Receivables continued

Impairment Losses continued

The expected loss rates are based on the historical payment profiles of sales and the corresponding historical credit losses experienced. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors if there is evidence to suggest that these factors affect the ability of the customers to settle the receivables. The global financial uncertainty surrounding the COVID-19 pandemic has now lessened as many countries begin to emerge from the pandemic and government restrictions are being lifted across the many jurisdictions in which the Group's customers operate. The Group's customers primarily operate in the FMCG sector, which has proved resilient during the pandemic and to date. There has been no significant deterioration in the aging of trade receivables or extension of debtor days in the year. This has resulted in a decrease in the expected credit loss rate, and consequently the impairment loss allowance, compared to the prior year. The adjustment to the loss rate was determined having regard to various factors, including but not limited to, GDP and the Group's experience of bad debts during previous economic downturns. Reflecting past experience and the reduced economic risk to the Group relating to the COVID-19 pandemic, the credit loss allowance recognised in the Consolidated Income Statement as at 31 December 2021 is a credit of €4 million (2020: €25 million charge). The total provision for impairment loss at 31 December 2021 represents 2.4% (2020: 3.8%) of gross trade receivables.

On that basis, the loss allowance as at 31 December 2021 was determined as follows for trade receivables:

	2021				2020			
	Current €m	**1 to 90 Days Past Due €m**	**More Than 90 Days Past Due €m**	**Total €m**	Current €m	1 to 90 Days Past Due €m	More Than 90 Days Past Due €m	Total €m
Gross carrying amount	**1,586**	**222**	**22**	**1,830**	1,196	165	26	1,387
Loss allowance	**6**	**16**	**22**	**44**	8	19	26	53

Impairment losses in respect of trade receivables are included in administrative expenses in the Consolidated Income Statement. Trade receivables written off as uncollectable are generally eliminated from trade receivables and the loss allowance when there is no expectation of recovering additional cash. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group and a pattern of failure to make contractual payments.

Trade receivables with a contractual amount of €5 million (2020: €3 million) written off during the period are still subject to enforcement activity.

20. Net Movement in Working Capital

	2021 €m	2020 €m
Change in inventories	**(246)**	14
Change in trade and other receivables	**(492)**	22
Change in trade and other payables	**624**	59
Net movement in working capital	**(114)**	95

21. Movements of Liabilities Within Cash Flows Arising from Financing Activities and Net Debt Reconciliation

	Liabilities from Financing Activities					**Adjustments**			
	Short-term Borrowings €m	**Long & Medium-term Borrowings €m**	**Lease Liabilities €m**	**Derivatives Held to Hedge Long-term Borrowings €m**	**Changes in Liabilities Arising from Financing Activities €m**	**Derivatives Held to Hedge Long-term Borrowings €m**	**Cash and Cash Equivalents €m**	**Restricted Cash €m**	**Net Debt €m**
At 1 January 2020	(90)	(3,202)	(377)	(3)	(3,672)	3	172	14	(3,483)
Cash flows	34	298	91	(9)	414	9	685	(4)	1,104
Acquired	(1)	–	–	–	(1)	–	–	–	(1)
Currency translation adjustment	11	41	14	1	67	(1)	19	–	85
Other non-cash movements	(10)	4	(74)	6	(74)	(6)	–	–	(80)
At 31 December 2020	**(56)**	**(2,859)**	**(346)**	**(5)**	**(3,266)**	**5**	**876**	**10**	**(2,375)**
Cash flows*	**25**	**(405)**	**88**	**(9)**	**(301)**	**9**	**(37)**	**4**	**(325)**
Acquired	**(13)**	**(8)**	**(5)**	**–**	**(26)**	**–**	**–**	**–**	**(26)**
Disposed	**3**	**–**	**–**	**–**	**3**	**–**	**–**	**–**	**3**
Currency translation adjustment	**3**	**(29)**	**(12)**	**10**	**(28)**	**(10)**	**(12)**	**–**	**(50)**
Other non-cash movements	**(7)**	**–**	**(105)**	**(1)**	**(113)**	**1**	**–**	**–**	**(112)**
At 31 December 2021	**(45)**	**(3,301)**	**(380)**	**(5)**	**(3,731)**	**5**	**827**	**14**	**(2,885)**

* In 2021, €9 million of cash flows pertaining to the redemption of debt was classified as an operating cash flow within interest paid.

22. Cash and Cash Equivalents and Restricted Cash

Cash and Cash Equivalents

	2021 €m	2020 €m
Cash and current accounts	**100**	67
Short-term deposits	**755**	824
Cash and cash equivalents	**855**	891
Cash and cash equivalents for the purposes of the Consolidated Statement of Cash Flows		
Cash and cash equivalents	**855**	891
Bank overdrafts and demand loans used for cash management purposes	**(28)**	(15)
Cash and cash equivalents in the Consolidated Statement of Cash Flows	**827**	876
Restricted cash	**14**	10

At 31 December 2021, cash of €6 million (2020: €3 million) was held in restricted securitisation bank accounts which were not available for transfer to other Group subsidiaries or for use outside the Group. A further €8 million (2020: €7 million) of restricted cash was held in other Group subsidiaries and by a trust which facilitates the operation of the Group's long-term incentive plans.

23. Capital and Reserves

Share Capital

The authorised share capital of the Company comprises ordinary shares and various classes of convertible shares.

Restriction on Transfer of Shares

The Directors, at their absolute discretion and without assigning any reason therefore, may decline to register any transfer of a share which is not fully paid or any transfer to or by a minor or person of unsound mind but this shall not apply to a transfer of such a share resulting from a sale of the share through a stock exchange on which the share is listed.

Subject to certain exceptions, the Directors may also refuse to register any instrument of transfer (whether or not it is in respect of a fully paid share) unless it is: a) lodged at the Registered Office or at such other place as the Directors may appoint; b) accompanied by the certificate for the shares to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer; c) in respect of only one class of shares; and d) in favour of not more than four transferees.

All convertible shares (classes B, C, D convertible shares) are subject to restrictions as to their transferability. Generally they are not transferable either at all or without consent of the Directors, save by transmission on the death of a holder.

Ordinary Shares

Subject to the Articles of Association of SKG plc, the holders of ordinary shares are entitled to share in any dividends in proportion to the number of shares held by them and are entitled to one vote for every share held by them at a general meeting. On a return of capital (whether on repayment of capital, liquidation or otherwise) the assets and/or capital legally available to be distributed shall firstly be distributed amongst the holders of ordinary shares, in proportion to the number of ordinary shares held by them, of the nominal value of their ordinary shares, secondly (to the extent available) distributed amongst the holders of convertible shares, in proportion to the number of convertible shares held by them, of the nominal value of their convertible shares and the balance (if any) shall be distributed amongst the holders of ordinary shares in proportion to the number of ordinary shares held by them.

Convertible Shares

The holders of convertible shares have no right to participate in the profits of SKG plc and are not entitled to receive notice of, attend or vote at general meetings or to vote on any members' resolution (save for any resolution with regard to the rights of convertible shares). On return of capital (whether on repayment of capital, liquidation or otherwise) the assets and/or capital legally available to be distributed shall, subject first to the rights of the holders of ordinary shares be distributed amongst the holders of convertible shares, in proportion to the number of convertible shares held by them, of the nominal value of their convertible shares. At 31 December 2020, all exercisable convertible shares had lapsed and are no longer convertible into ordinary shares.

Restriction of Rights

If the Directors determine that a Specified Event as defined in the Articles of Association of SKG plc has occurred in relation to any share or shares, the Directors may serve a notice to such effect on the holder or holders thereof. Upon the expiry of fourteen days from the service of any such notice, for so long as such notice shall remain in force no holder or holders of the share or shares specified in such notice shall, in relation to such specified shares, be entitled to attend, speak or vote either personally, by representative or by proxy at any general meeting of the Company or at any separate general meeting of the class of shares concerned or to exercise any other right conferred by membership in relation to any such meeting.

The Directors shall, where the shares specified in such notice represent not less than 0.25 per cent of the class of shares concerned, be entitled: to withhold payment of any dividend or other amount payable (including shares issuable in lieu of dividend) in respect of the shares specified in such notice; and/or to refuse to register any transfer of the shares specified in such notice or any renunciation of any allotment of new shares or debentures made in respect thereof unless such transfer or renunciation is shown to the satisfaction of the Directors to be a bona fide transfer or renunciation to another beneficial owner unconnected with the holder or holders or any person appearing to have an interest in respect of which a notice has been served.

23. Capital and Reserves continued

Restriction of Rights continued

	2021 €m	2020 €m
Authorised		
Ordinary shares		
9,910,931,085 Ordinary shares of €0.001 each	10	10
Convertible shares of €0.001 each		
2,356,472 Class A1	–	–
2,356,471 Class A2	–	–
2,355,972 Class A3	–	–
30,000,000 Class B	–	–
30,000,000 Class C	–	–
75,000,000 Class D	–	–
	10	10

Called Up, Issued and Fully Paid Share Capital of the Company

	Numbers of Shares of €0.001 Each						
	Convertible Shares						
	Class B	Class C	Class D	Total	Ordinary Shares	Total Shares	€m
At 1 January 2020	2,089,514	2,089,514	835,500	5,014,528	237,888,327	242,902,855	–
Class D shares converted to ordinary shares	–	–	(49,014)	(49,014)	49,014	–	–
Issue of Deferred Annual Bonus Plan Matching Shares	–	–	–	–	630,591	630,591	–
Issue of new shares	–	–	–	–	19,411,765	19,411,765	–
At 31 December 2020	2,089,514	2,089,514	786,486	4,965,514	257,979,697	262,945,211	–
At 1 January 2021	2,089,514	2,089,514	786,486	4,965,514	257,979,697	262,945,211	–
Issue of Performance Share Plan shares	–	–	–	–	1,054,062	1,054,062	–
At 31 December 2021	2,089,514	2,089,514	786,486	4,965,514	259,033,759	263,999,273	–

At 31 December 2021, ordinary shares represented 98.1% and convertible shares represented 1.9% of issued share capital (2020: 98.1% and 1.9% respectively). The called up, issued and fully paid share capital of the Company at 31 December 2021 was €263,999 (2020: €262,945).

The exercisable period of Class D convertible shares ended on 31 December 2020, any shares not converted into ordinary shares at that date have lapsed.

The Company completed the placing of 19,411,765 shares in November 2020. The placing shares represented 8.1% of the Company's issued ordinary share capital immediately prior to the placing and raised gross proceeds of €660 million. Transaction costs of €12 million in relation to the placing were deducted from retained earnings.

Share Premium

Share premium of €2,646 million (2020: €2,646 million) relates to the share premium arising on share issues.

Other Reserves

Other reserves included in the Consolidated Statement of Changes in Equity are comprised of the following:

	Reverse Acquisition Reserve €m	Cash Flow Hedging Reserve €m	Cost of Hedging Reserve €m	Foreign Currency Translation Reserve €m	Share-based Payment Reserve €m	Own Shares €m	FVOCI Reserve €m	Total €m
At 1 January 2021	575	4	2	(556)	241	(49)	(10)	207
Other comprehensive income								
Foreign currency translation adjustments	–	–	–	15	–	–	–	15
Effective portion of changes in fair value of cash flow hedges	–	(3)	–	–	–	–	–	(3)
Changes in fair value of cost of hedging	–	–	(1)	–	–	–	–	(1)
Total other comprehensive (expense)/income	–	(3)	(1)	15	–	–	–	11
Share-based payment	–	–	–	–	64	–	–	64
Net shares acquired by SKG Employee Trust	–	–	–	–	–	(22)	–	(22)
Shares distributed by SKG Employee Trust	–	–	–	–	(12)	12	–	–
At 31 December 2021	575	1	1	(541)	293	(59)	(10)	260

23. Capital and Reserves continued

Other Reserves continued

	Reverse Acquisition Reserve €m	Cash Flow Hedging Reserve €m	Cost of Hedging Reserve €m	Foreign Currency Translation Reserve €m	Share-based Payment Reserve €m	Own Shares €m	FVOCI Reserve €m	Total €m
At 1 January 2020	575	(2)	2	(387)	215	(42)	(10)	351
Other comprehensive income								
Foreign currency translation adjustments	–	–	–	(161)	–	–	–	(161)
Effective portion of changes in fair value of cash flow hedges	–	6	–	–	–	–	–	6
Total other comprehensive income/(expense)	–	6	–	(161)	–	–	–	(155)
Purchase of non-controlling interest	–	–	–	(8)	–	–	–	(8)
Share-based payment	–	–	–	–	35	–	–	35
Net shares acquired by SKG Employee Trust	–	–	–	–	–	(16)	–	(16)
Shares distributed by SKG Employee Trust	–	–	–	–	(9)	9	–	–
At 31 December 2020	575	4	2	(556)	241	(49)	(10)	207

Reverse Acquisition Reserve
This reserve arose on the creation of a new parent of the Group prior to listing.

Cash Flow Hedging Reserve
This reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments (net of tax) related to hedged transactions that have not yet occurred.

Cost of Hedging Reserve
The cost of hedging reserve reflects the gain or loss on the portion excluded from the designated hedging instrument that relates to the currency basis spread on foreign exchange contracts. It is initially recognised in other comprehensive income and accounted for similarly to gains or losses in the cash flow hedging reserve.

Foreign Currency Translation Reserve
This reserve comprises all foreign currency translation adjustments arising from the translation of the Group's net investment in foreign operations as well as from the translation of liabilities that hedge those net assets.

Share-based Payment Reserve
This reserve represents the amounts credited to equity in relation to the share-based payment expense recognised in the Consolidated Income Statement, net of deferred shares distributed by the SKG Employee Trust to participants of the Deferred Annual Bonus Plan.

Own Shares
This represents ordinary shares acquired by the SKG Employee Trust under the terms of the Deferred Annual Bonus Plan and the Deferred Bonus Plan.

	Numbers of Shares of €0.001 Each	
	2021	2020
At 1 January	**1,734,281**	1,592,024
Shares acquired by SKG Employee Trust	**534,005**	494,288
Shares distributed by SKG Employee Trust	**(293,810)**	(352,031)
At 31 December	**1,974,476**	1,734,281

As at 31 December 2021, the nominal value of own shares held was €1,974 (2020: €1,734). In 2021, own shares were purchased at an average price of €40.24 (2020: €33.91) per share. The number of own shares held represents 0.7% (2020: 0.7%) of the total called up share capital of the Company. Each of these have the same nominal value as the ordinary shares.

FVOCI Reserve
Equity instruments are measured at fair value with fair value gains and losses recognised in other comprehensive income. These changes are accumulated within the FVOCI reserve within equity. The Group transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

24. Borrowings

Analysis of Total Borrowings

	2021 €m	2020 €m
Revolving credit facility – interest at relevant interbank rate (interest rate floor of 0%) + 0.65%[1,2]	2	89
US$292.3 million 7.5% senior debentures due 2025 (including accrued interest)	260	240
Bank loans and overdrafts	101	83
€100 million receivables securitisation variable funding notes due 2026 (including accrued interest)[3,5]	4	4
€230 million receivables securitisation variable funding notes due 2026[4,5]	11	11
€500 million 2.375% senior notes due 2024 (including accrued interest)[6]	–	501
€250 million 2.75% senior notes due 2025 (including accrued interest)[6]	251	251
€1,000 million 2.875% senior notes due 2026 (including accrued interest)[6]	1,007	1,005
€750 million 1.5% senior notes due 2027 (including accrued interest)[6]	747	746
€500 million 0.5% senior green notes due 2029 (including accrued interest)[6]	495	–
€500 million 1.0% senior green notes due 2033 (including accrued interest)[6]	496	–
Leases	380	346
Total borrowings	3,754	3,276
Analysed as follows:		
Current	165	154
Non-current	3,589	3,122
	3,754	3,276

1 The sustainability linked Revolving Credit Facility ('RCF') has a maturity of January 2026. At 31 December 2021, the following amounts were drawn under this facility:
(a) Revolver loans – €7 million.
(b) Drawn under ancillary facilities and facilities supported by letters of credit – nil.
(c) Other operational facilities including letters of credit – nil.
2 Following the upgrade to Baa3 and BBB- by Moody's and Standard & Poor's respectively in February 2021, the margin on the RCF reduced from 0.817% to 0.65%.
3 At 31 December 2021, the amount drawn under this facility was €5 million.
4 At 31 December 2021, the amount drawn under this facility was €13 million.
5 Secured loans and long-term obligations.
6 Unsecured loans and long-term obligations.

Included within the carrying value of borrowings are deferred debt issue costs of €33 million (2020: €32 million), all of which will be recognised in finance costs in the Consolidated Income Statement using the effective interest rate method over the remaining life of the borrowings.

Committed facilities (excluding short-term sundry bank loans and overdrafts) amounted to €5,006 million (2020: €4,584 million) of which €3,351 million (2020: €2,922 million) was utilised at 31 December 2021. The weighted average period until maturity of undrawn committed facilities is 4.2 years (2020: 4.3 years).

Maturity of Undrawn Committed Facilities

	2021 €m	2020 €m
Within 1 year	–	–
Between 1 and 2 years	–	195
More than 2 years	1,655	1,467
	1,655	1,662

The Group's primary sources of liquidity are cash flows from operations and borrowings under the RCF. The Group's primary uses of cash are for funding day to day operations, capital expenditure, debt service, dividends and other investment activity including acquisitions.

The Group's borrowing agreements contain certain covenants that restrict the Group's flexibility in certain areas such as incurrence of additional indebtedness and the incurrence of liens. The Group's borrowing agreements also contain financial covenants, the primary ones being a maximum net borrowings to EBITDA of 3.75 times and a minimum EBITDA to net interest of 3.00 times. The Group is in full compliance with the requirements of its covenant agreements throughout each of the periods presented. At 31 December 2021, as defined in the relevant facility agreement, net borrowings to EBITDA was 1.7 times (2020: 1.7 times) and EBITDA to net interest was 15.3 times (2020: 12.6 times).

In December 2020, the Group aligned its sustainability ambitions and targets into its financing by embedding its sustainability targets via Key Performance Indicators ('KPIs') into its RCF. The RCF incorporates five KPIs spanning the Group's sustainability objectives regarding climate change, forests, water, waste and people, with the level of KPI achievement linked to the pricing on the facility.

In April 2021, the Group amended and extended its €200 million 2022 trade receivables securitisation programme, which utilises the Group's receivables in Austria, Belgium, Italy and the Netherlands. The programme was extended to January 2026 at a reduced facility size of €100 million and with a margin reduction from 1.375% to 1.1%. Receivables generated by certain of the Group's operating companies in Austria, Belgium, Italy and the Netherlands are sold to a special purpose Group subsidiary to support the funding. A conduit of Coöperatieve Rabobank U.A.(trading as Rabobank) provides €77 million of the funding and a conduit of Landesbank Hessen-Thüringen Girozentrale (trading as Helaba Bank) provides €23 million of the funding.

24. Borrowings continued

Maturity of Undrawn Committed Facilities continued

In November 2021, the Group amended and extended its €230 million 2023 trade receivables securitisation programme, which utilises the Group's receivables in France, Germany and the UK. The programme was extended to November 2026, with the facility size remaining at €230 million and with a margin reduction from 1.2% to 1.1%. Receivables generated by certain of the Group's operating companies in the UK, Germany and France are sold to a special purpose entity to support funding provided by Lloyds Bank plc.

As part of the amendment process for each of these programmes, the Group further aligned its sustainability ambitions and targets into its financing by embedding its sustainability targets via KPIs into the amended and extended trade receivables programme. These programmes now incorporate five KPIs spanning the Group's sustainability objectives regarding climate change, forests, water, waste and people, with the level of KPI achievement linked to the pricing on the programme. The amendments to these programmes were not considered to be substantial modifications.

The sale of the securitised receivables under the Group's securitisation programmes is not intended to, and does not, meet the requirements for derecognition under IFRS 9, with the result that the sold receivables continue to be shown on the face of the Consolidated Balance Sheet and the notes issued which fund the purchase of these receivables continue to be shown as liabilities.

The gross amount of receivables collateralising the €100 million 2026 trade receivables securitisation programme at 31 December 2021 was €335 million (2020: €270 million). The gross amount of receivables collateralising the €230 million 2026 trade receivables securitisation programme at 31 December 2021 was €430 million (2020: €340 million). As the Group retains a subordinated interest in the securitised receivables, the Group remains exposed to the credit risk of the underlying securitised receivables. Further details are set out in Note 29. In accordance with the contractual terms, the counterparty has recourse to the securitised debtors only. Given the short-term nature of the securitised debtors and the variable floating notes, the carrying amount of the securitised debtors and the associated liabilities reported on the Consolidated Balance Sheet is estimated to approximate to fair value. At 31 December 2021, cash of €6 million (2020: €3 million) was held in securitisation bank accounts which was not available for transfer to other Group subsidiaries or outside entities.

The following table sets out the average interest rates at 31 December 2021 and 2020 for the Group's drawings under the RCF.

	Currency	**2021 Interest Rate**	2020 Interest Rate
RCF	EUR	**n/a**	0.82%
RCF	US$	**0.75%**	1.05%

Borrowings under the RCF are available to fund the Group's working capital requirements, capital expenditure and other general requirements.

Following the launch of the Group's Green Finance Framework in September 2021, the Group issued a €1 billion dual tranche inaugural green bond comprising €500 million 0.5% notes maturing 2029 and €500 million 1.0% notes maturing 2033.

The net proceeds from these bonds will be used to finance and/or refinance a portfolio of eligible assets and expenditures ("Eligible Green Projects") in accordance with the Group's Green Finance Framework. This framework, which received an independent second party opinion from ISS ESG, is aligned with the Green Bond and Green Loan Principles.

Under the Group's Green Finance Framework, Eligible Green Projects include circular economy adapted products, production technologies and processes and/or certified eco-efficient products, such as: (i) reclamation of used fibres; (ii) recycling of used fibres; (iii) paper milling; and (iv) packaging conversion. In addition, Eligible Green Projects include the environmentally sustainable management of living natural resources and land use, such as the procurement of responsibly-sourced raw materials or ingredients (like wood, pulp, paper and recovered paper) and the utilisation of forests and raw materials certified in accordance with (i) Forest Stewardship Council ('FSC') standards; (ii) Sustainable Forestry Initiative ('SFI'); and (iii) Programme for the Endorsement of Forest Certification ('PEFC').

Additionally, in September 2021, the Group redeemed €500 million 2.375% senior notes due 2024.

Certain other maturity, interest rate repricing and key terms relating to the Group's borrowings have been set out in Note 29.

25. Employee Benefits

The Group operates both defined benefit and defined contribution pension plans throughout its operations in accordance with local requirements and practices. These plans have broadly similar regulatory frameworks. The major plans are of the defined benefit type and are funded by payments to separately administered funds. In these defined benefit plans, the level of benefits available to members depends on length of service and their average salary over their period of employment or their salary in the final years leading up to retirement or leaving. While the majority of the defined benefit plans are funded, in certain countries, such as Germany, Austria and France, plan liabilities are for the most part unfunded and recognised as liabilities in the Consolidated Balance Sheet. In these countries, a full actuarial valuation of the unfunded liabilities is undertaken by independent actuaries on an annual basis. Responsibility for governance of the plans, including investment decisions and contribution schedules, lies with the company and the boards of trustees.

The most significant defined benefit plans are in the United Kingdom, the Netherlands, Ireland and Germany. They represent respectively 34%, 31%, 12% and 12% of the obligation thereby totalling more than 89% of the obligation.

25. Employee Benefits continued

The most recent valuation of the significant funded plans are as follows:

Ireland	1 January 2019
Netherlands	31 December 2021
United Kingdom	31 March 2020

In accordance with statutory and minimum funding requirements, additional annual contributions are required to be made to the schemes in place in Ireland, the United Kingdom and the Netherlands. The funding requirements are agreed between the company, the trustees and the relevant regulator. The contributions in respect of these schemes are included in the expected contributions for the year ending 31 December 2022 outlined on page 168.

The expense for defined contribution pension plans for the year ended 31 December 2021 was €66 million (2020: €66 million).

The following is a summary of the Group's employee benefit obligations and their related funding status:

	2021 €m	2020 €m
Present value of funded or partially funded obligations	**(2,384)**	(2,529)
Fair value of plan assets	**2,276**	2,224
Deficit in funded or partially funded plans	**(108)**	(305)
Present value of wholly unfunded obligations	**(520)**	(546)
Amounts not recognised as assets due to asset ceiling	**(2)**	(2)
Net pension liability	**(630)**	(853)

In determining the defined benefit costs and obligations, all valuations are performed by independent actuaries using the projected unit credit method.

Financial Assumptions

The main actuarial assumptions used to calculate liabilities under IAS 19, *Employee Benefits* at 31 December 2021 and 31 December 2020 are as follows:

	Eurozone		**Rest of Europe**		**The Americas**	
	2021 %	2020 %	**2021 %**	2020 %	**2021 %**	2020 %
Rate of increase in salaries	**0.25 – 3.05**	0.25 – 2.50	**2.50 – 4.50**	2.50 – 4.50	**0.99 – 5.50**	0.69 – 5.50
Rate of increase to pensions in payment	**Nil – 2.00**	Nil – 1.50	**Nil – 2.52**	Nil – 2.49	**Nil – 4.59**	Nil – 3.37
Discount rate for plan liabilities	**1.15**	0.60	**1.15 – 4.00**	0.60 – 4.20	**2.22 – 11.50**	1.91 – 9.25
Inflation	**2.00**	1.35	**2.00 – 2.60**	1.50 – 2.50	**0.49 – 4.59**	0.19 – 4.00

Mortality Assumptions

In assessing the Group's post retirement liabilities, the mortality assumptions chosen for the principal plans above are based on the country's population mortality experience, large pension scheme mortality experience and the plan's own mortality experience. The mortality assumption adopted in the United Kingdom for 2021 allows for the most recent projection model factors. The effect is a minor decrease in life expectancy compared to 2020. In the Netherlands, the mortality improvement factors were aligned with those set by the pension fund in 2021 following the mortality table update in 2020. In Ireland, the assumptions used were unchanged from the 2019 actuarial valuation. In Germany, the mortality table, which was updated in 2018, is that laid down by statutory authorities. Note that in all cases described here, the mortality tables used allow for future improvements in life expectancy.

The current life expectancies underlying the valuation of the plan liabilities for the significant plans are as follows:

	Ireland		**United Kingdom**		**Germany**		**Netherlands**	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
Longevity at age 65 for current pensioners (years)								
Male	**21.9**	21.8	**20.3**	20.3	**20.5**	20.4	**20.7**	20.6
Female	**24.3**	24.2	**22.7**	22.7	**24.0**	23.8	**23.4**	23.3
Longevity at age 65 for current member aged 45 (years)								
Male	**24.2**	24.1	**21.2**	21.4	**23.3**	23.1	**22.8**	22.7
Female	**26.3**	26.2	**23.9**	23.9	**26.2**	26.1	**25.3**	25.2

The mortality assumptions for other plans are based on relevant standard mortality tables in each country.

Sensitivity Analysis

The following table illustrates the key sensitivities to the amounts included in the Consolidated Balance Sheet which would arise from adjusting certain key actuarial assumptions. The sensitivity of the defined benefit obligation to changes in actuarial assumptions has been calculated using the projected unit credit method, which is the same method used to calculate the pension liability in the Consolidated Balance Sheet. The methods and assumptions used in preparing the sensitivity analysis have not changed compared to the prior year. In each case all the other assumptions remain unchanged:

25. Employee Benefits continued

Sensitivity Analysis continued

Change in Assumption	Increase/(Decrease) in Pension Liabilities 2021 €m	Increase/(Decrease) in Pension Liabilities 2020 €m
Increase discount rate by 0.25%	**(117)**	(128)
Decrease discount rate by 0.25%	**124**	137
Increase inflation rate by 0.25%	**45**	47
Decrease inflation rate by 0.25%	**(44)**	(45)
Increase in life expectancy by one year	**120**	136

The sensitivity information shown above has been determined by performing calculations of the liabilities using different assumptions.

Analysis of Plan Assets and Liabilities

Plan assets are comprised as follows:

	2021			2020		
	Quoted €m	Unquoted €m	Total €m	Quoted €m	Unquoted €m	Total €m
Equities	**794**	**–**	**794**	703	–	703
Corporate bonds	**423**	**–**	**423**	457	–	457
Government bonds	**488**	**–**	**488**	514	–	514
Property	**105**	**4**	**109**	57	4	61
Cash	**166**	**–**	**166**	41	–	41
Insurance contracts	**–**	**37**	**37**	127	38	165
Liability driven investment	**116**	**–**	**116**	119	–	119
Other	**121**	**22**	**143**	149	15	164
	2,213	**63**	**2,276**	2,167	57	2,224

Included in plan assets at 31 December 2021 under Property is an amount of €3.7 million (2020: €3.5 million) relating to the Gosport plant in the United Kingdom. This is the only self-investment in the Group by the defined benefit plans.

The remeasurement gain on plan assets for the year ended 31 December 2021 was €110 million (2020: €170 million).

An analysis of the assets held by the plans is as follows:

31 December 2021	Eurozone €m	Rest of Europe €m	The Americas €m	Total €m
Equities	**463**	**318**	**13**	**794**
Corporate bonds	**201**	**190**	**32**	**423**
Government bonds	**324**	**159**	**5**	**488**
Property	**65**	**43**	**1**	**109**
Cash	**(9)**	**169**	**6**	**166**
Insurance contracts	**33**	**4**	**–**	**37**
Liability driven investment	**79**	**29**	**8**	**116**
Other	**69**	**71**	**3**	**143**
Fair value of plan assets	**1,225**	**983**	**68**	**2,276**
Present value of plan liabilities	**(1,757)**	**(1,052)**	**(95)**	**(2,904)**
Amounts not recognised as assets due to asset ceiling	**–**	**(2)**	**–**	**(2)**
Net pension liability	**(532)**	**(71)**	**(27)**	**(630)**

31 December 2020	Eurozone €m	Rest of Europe €m	The Americas €m	Total €m
Equities	426	250	27	703
Corporate bonds	203	223	31	457
Government bonds	276	233	5	514
Property	36	24	1	61
Cash	24	16	1	41
Insurance contracts	161	4	–	165
Liability driven investment	59	60	–	119
Other	94	70	–	164
Fair value of plan assets	1,279	880	65	2,224
Present value of plan liabilities	(1,906)	(1,068)	(101)	(3,075)
Amounts not recognised as assets due to asset ceiling	–	(2)	–	(2)
Net pension liability	(627)	(190)	(36)	(853)

25. Employee Benefits continued

Analysis of the Amount Charged in the Consolidated Income Statement

The following tables set out the components of the defined benefit cost:

	2021 €m	2020 €m
Current service cost	33	29
Administrative expenses	4	5
Past service cost – exceptional UK*	–	(15)
Past service cost – other	(4)	3
Gain on settlement	(3)	(2)
Actuarial (gain)/loss arising on other long-term employee benefits	(1)	1
Charged to operating profit	29	21
Net interest cost on net pension liability	7	12
	36	33

* Future pension increase are now linked to CPIH instead of RPI in the UK which resulted in an exceptional income in past service cost for the Group of €15 million in 2020.

The defined benefit cost for 2021 includes a defined benefit cost of €4 million (2020: €7 million) which relates to other long-term employee benefits.

The expense recognised in the Consolidated Income Statement is charged to the following line items:

	2021 €m	2020 €m
Cost of sales	12	20
Distribution costs and administrative expenses	17	16
Other operating expenses	–	(15)
Finance costs	7	12
	36	33

Analysis of Actuarial Gains/(Losses) Recognised in the Consolidated Statement of Comprehensive Income

	2021 €m	2020 €m
Return on plan assets (excluding interest income)	110	170
Actuarial gain due to experience adjustments	6	34
Actuarial gain/(loss) due to changes in financial assumptions	54	(224)
Actuarial gain due to changes in demographic assumptions	7	11
	177	(9)

Movement in Present Value of Defined Benefit Obligation

	2021 €m	2020 €m
At 1 January	(3,075)	(3,007)
Current service cost	(33)	(29)
Contributions by plan participants	(5)	(5)
Interest cost	(29)	(42)
Actuarial gains and losses	68	(180)
Disposals	–	1
Benefits paid by plans	109	104
Past service cost	4	12
Acquisitions	(4)	–
Decrease arising on settlement	135	8
Foreign currency translation adjustment	(74)	63
At 31 December	(2,904)	(3,075)

Movement in Fair Value of Plan Assets

	2021 €m	2020 €m
At 1 January	2,224	2,109
Interest income on plan assets	22	30
Return on plan assets (excluding interest income)	110	170
Administrative expenses	(4)	(5)
Contributions by employer	93	75
Contributions by plan participants	5	5
Disposals	–	(1)
Benefits paid by plans	(109)	(104)
Decrease arising on settlements	(132)	(6)
Foreign currency translation adjustment	67	(49)
At 31 December	2,276	2,224

25. Employee Benefits continued

Movement in Asset Ceiling

	2021 €m	2020 €m
At 1 January	**(2)**	(1)
Variations of the effect of the asset ceiling limit	**–**	(1)
At 31 December	**(2)**	(2)

Employee Benefit Plan Risks

The employee benefit plans expose the Group to a number of risks, the most significant of which are:

Asset Volatility	The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. If assets underperform this yield, this will create a deficit. The plans hold a significant proportion of equities which, though expected to outperform corporate bonds in the long-term, create volatility and risk in the short-term. The allocation to equities is monitored to ensure it remains appropriate given the plans' long-term objectives.
Changes in Bond Yields	A decrease in corporate bond yields will increase the value placed on the plans' liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.
Inflation Risk	The plans' benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect against extreme inflation). The majority of the assets are either unaffected by or only loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit.
Life Expectancy	The majority of the plans' obligations are to provide benefits based on the life of the member, so increases in life expectancy will result in an increase in the liabilities.

In the case of the funded plans, the Group ensures that the investment positions are managed with an asset-liability matching ('ALM') framework that has been developed to achieve long-term investments that are in line with the obligations under the pension schemes. Within this framework, the Group's ALM objective is to match assets to the pension obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due and in the appropriate currency.

Maturity Analysis

The expected maturity analysis is set out in the table below:

Expected benefit payments:	United Kingdom Projected Amounts €m	Netherlands Projected Amounts €m	Germany Projected Amounts €m	Ireland Projected Amounts €m	Other Projected Amounts €m
Financial year 2022	**47**	**13**	**18**	**10**	**16**
Financial year 2023	**48**	**19**	**18**	**10**	**17**
Financial years 2024 – 2026	**151**	**61**	**54**	**32**	**61**
Financial years 2027 – 2031	**272**	**123**	**80**	**62**	**116**

The weighted average duration of the defined benefit obligation at 31 December 2021 is 16.90 years (2020: 17.36 years).

Most of the plans are closed to new entrants and therefore, under the projected unit credit method, the current service cost is expected to increase (all other elements remaining equal) as the members approach retirement and to decrease as members retire or leave service. With plans in Ireland and the UK being frozen for future service, this risk no longer applies for these countries.

The expected employee and employer contributions for the year ending 31 December 2022 for the funded schemes are €6 million and €68 million respectively. The expected employer contributions for unfunded schemes for the year ending 31 December 2022 are €25 million and the expected benefit payments made directly by the employer in respect of funded plans for the year ending 31 December 2022 are €1 million.

26. Share-based Payment

Share-based Payment Expense Recognised in the Consolidated Income Statement

	2021 €m	2020 €m
Charge arising from the Deferred Annual Bonus Plan & Deferred Bonus Plan	**21**	16
Charge arising from the Performance Share Plan	**43**	19
	64	35

Social charges relating to equity settled share-based payments in 2021 are €5 million (2020: €2 million).

The Group grants equity settled share-based payments to employees as part of their remuneration. The accounting for share-based payment expense falls under IFRS 2, *Share-based Payment*. Under IFRS 2, when share awards are subject to vesting conditions, the related expense is recognised in profit or loss over the vesting period.

In 2021, awards were made under the two active plans; the Deferred Bonus Plan ('DBP') and the Performance Share Plan ('PSP'). No awards were granted under the legacy plans; the Deferred Annual Bonus Plan ('DABP') and the 2007 Share Incentive Plan ('2007 SIP').

26. Share-based Payment continued

Deferred Bonus Plan

In May 2018, the SKG plc Annual General Meeting approved the adoption of the DBP which replaced the deferred element of the existing long-term incentive plan, the DABP.

Participants may be granted an award up to 150% of salary (other than a recruitment award). The actual bonus earned in any financial year is based on the achievement of clearly defined stretching annual financial targets for some of the Group's Key Performance Indicators ('KPIs'). For 2021, these were Earnings before Interest and Tax ('EBIT'), Free Cash Flow ('FCF'), together with targets for Health and Safety, People and ESG and personal/strategic targets for the executive Directors.

The structure of the plan is that 50% of any annual bonus earned for a financial year will be deferred into SKG plc shares ('Deferred Shares') to be granted in the form of a Deferred Share Award. The Deferred Shares will vest (i.e. become unconditional) after a three-year holding period based on a service condition of continuity of employment or in certain circumstances, based on normal good leaver provisions.

Deferred Share Awards were granted in 2021 to eligible employees in respect of the financial year ended 31 December 2020. The fair value of the Deferred Share Awards granted in 2021 was €40.24 (2020: €33.91) which was the market value of the deferred shares granted. At 31 December 2021, there were 1,940,041 outstanding shares (2020: 1,423,365 shares). During 2021, 528,447 shares were granted under the DBP scheme (2020: 492,464 shares).

The total DBP charge for the year comprises a charge pertaining to the Deferred Share Awards granted in respect of 2018, 2019, 2020 and to be granted in respect of 2021.

Performance Share Plan

In May 2018, the SKG plc Annual General Meeting approved the adoption of the PSP, which replaced the existing long-term incentive plan, the matching element of the DABP.

Participants may be granted an award up to 250% of salary (other than a recruitment award). Awards may vest after a three-year performance period to the extent to which the performance conditions have been met. Awards may also be subject to an additional holding period following vesting (of up to two years). At the end of the relevant holding period, the PSP awards will be released (i.e. become unconditional) to the participant.

The performance targets assigned to the PSP awards are set by the Remuneration Committee on the granting of awards at the start of each three-year cycle and are set out in the Remuneration Report.

The actual number of shares that will vest under the PSP is dependent on the performance conditions of the Group's EPS, ROCE, Total Shareholder Return ('TSR') (relative to a peer group) and for the 2021 PSP scheme, Sustainability targets measured over the same three-year performance period. PSP performance conditions will be reviewed at the end of the three-year performance period and the PSP shares awarded will vest depending upon the extent to which these performance conditions have been satisfied.

The fair values assigned to the EPS, ROCE and Sustainability components of the PSP are equivalent to the share price on the date of award.

The Monte Carlo simulation approach was used to calculate the fair value of the TSR component of the PSP award at the respective grant dates. The expected volatility rate applied was based upon both the historical and implied share price volatility levels of the Group. For the 2021 award, a rate of 19.13% was used (2020 award: 38.6%). The risk free interest rate used for the 2021 award was (0.468%) (2020 award: (0.305%)).

The total PSP charge for the year comprises a charge pertaining to the awards granted in 2019, 2020 and 2021.

A summary of the PSP schemes is presented below:

				Number of Shares	
	Period to Earliest Release Date	**Fair Value of EPS, ROCE and Sustainability Components**	**Fair Value of TSR Component**	**Initial Award[1]**	**Net Outstanding At 31 December 2021[2]**
Granted in 2019	3 years	€24.66	€12.78	1,883,477	1,898,623
Granted in 2020	3 years	€26.70	€14.85	1,706,648	1,713,110
Granted in 2021	**3 years**	**€40.79[3]**	**€16.11**	**1,113,325**	**1,125,412**

1 Numbers represent the initial awards granted to employees. The Remuneration Committee has determined that dividend equivalents will accrue on awards under the PSP schemes. Subject to satisfaction of the applicable performance criteria, such dividend equivalents will be released to participants in the form of additional shares on vesting.
2 Numbers include dividend equivalent shares accrued less share forfeitures to date.
3 Two grants of performance shares were made to the executive Directors in 2021; the first in March, with a second tranche granted in May to reflect the increased PSP opportunity approved at the AGM as part of the 2021 Remuneration Policy. The share price of performance shares granted in March 2021 was €40.76; the share price of performance shares granted in May 2021 was €43.93.

The PSP awards which were granted in 2019 vested in February 2022 and were distributed to the relevant employees. The market price at the date of vesting was €46.26. Details of the performance targets and results for the three-year period to 31 December 2021 are set out in the Remuneration Report.

26. Share-based Payment continued

Deferred Annual Bonus Plan

In May 2011, the SKG plc Annual General Meeting approved the adoption of the 2011 DABP, which replaced the existing long-term incentive plan, the 2007 SIP.

In 2018, the Group introduced the PSP which replaced the Matching Share Award and the DBP which replaced the deferred element of the DABP.

The Deferred Share Awards which were granted in 2018 in respect of the financial year ended 31 December 2017, vested in February 2021 and were distributed to relevant employees. A total of 293,007 shares vested with a market price at the date of vesting of €39.77.

2007 Share Incentive Plan

This scheme has expired. At 31 December 2020, all exercisable convertible shares had lapsed and are no longer convertible into ordinary shares.

A summary of the activity under the 2007 SIP, as amended, for the period from 1 January 2020 to 31 December 2021 is presented below:

	2021		2020	
	Number of Convertible Shares	Weighted Average Exercise Price (€ per Share)	Number of Convertible Shares	Weighted Average Exercise Price (€ per Share)
Outstanding at the beginning of the year	–	–	63,698	6.33
Lapsed during the year	–	–	(14,684)	5.93
Exercised in the year	–	–	(49,014)	6.44
Outstanding at the end of the year	–	–	–	–
Exercisable at the end of the year	–	–	–	–

There were no share conversions in 2021. The weighted average market price on the dates the convertible shares were exercised in the financial year ended 31 December 2020 was €30.42.

27. Provisions for Liabilities

	2021 €m	2020 €m
Current	58	221
Non-current	35	50
	93	271

	Deferred and Contingent Consideration €m	Restructuring €m	Environmental €m	Legal €m	Other €m	Total €m
At 1 January 2021	47	27	5	154	38	271
Made	–	5	–	1	14	20
Released	–	(3)	(1)	(1)	(2)	(7)
Utilised	(35)	(19)	(1)	(128)	(7)	(190)
Fair value adjustment	(2)	–	–	–	–	(2)
Currency	–	–	–	–	1	1
At 31 December 2021	10	10	3	26	44	93

Deferred and Contingent Consideration

Deferred and contingent consideration represents the deferred and contingent element of acquisition consideration payable. The balance at 31 December 2021 relates to the acquisition of the following:

- Avala Ada and Fabrika Hartije Beograd, Serbia (2019) – deferred consideration of €10 million payable in 2022.

The amount utilised of €35 million mainly relates to the payment of the deferred contingent consideration for the remaining 25% of the Serbian business at a cost of €33 million. The fair value adjustment amount of €2 million relates to the fair value gain on the valuation of the Serbian put option during 2021 (Note 29).

Restructuring

These provisions relate to irrevocable commitments in respect of restructuring programmes throughout the Group.

Environmental

Provisions for environmental costs mainly relate to the reinstatement of landfill sites and other remediation and improvement costs incurred in compliance with either local or national environmental regulations together with constructive obligations stemming from established practice. The timing of settlement of these provisions is not certain particularly where provisions are based on past practice and there is no legal obligation.

27. Provisions for Liabilities continued

Legal

Legal represents provisions for certain legal claims brought against the Group by various parties. In August 2019, the Italian Competition Authority ('ICA') notified a number of paper-packaging producers, of which Smurfit Kappa Italia S.p.A. ('SKI') was one, that an investigation had found the companies to have engaged in anti-competitive practices, in relation to which the ICA levied a fine of €124 million on SKI. We were notified in May 2021 that our appeal against the ICA decision was unsuccessful. The fine was paid in July 2021. We have filed a further appeal to the Council of State in Italy which is still pending. Legal provisions are uncertain as to timing and amount as they are the subject of ongoing cases.

Other

Other comprises a number of provisions including: liabilities arising from dilapidations amounting to €7 million (2020: €6 million); employee compensation in certain countries in which we operate amounting to €15 million (2020: €16 million); and numerous other items which are not individually material and are not readily grouped together.

28. Trade and Other Payables

	Group 2021 €m	Group 2020 €m	Company 2021 €m	Company 2020 €m
Amounts falling due within one financial year:				
Trade payables	**1,419**	978	**–**	–
Payroll taxes	**43**	44	**–**	–
Value added tax	**106**	74	**–**	–
Social insurance	**47**	49	**–**	–
Accruals	**741**	561	**–**	5
Capital payables	**155**	93	**–**	–
Other payables	**52**	36	**–**	–
Amounts payable to Group companies	**–**	–	**3**	5
	2,563	1,835	**3**	10
Amounts falling due after more than one financial year:				
Other payables	**11**	9	**–**	–
	2,574	1,844	**3**	10

The fair values of trade and other payables are not materially different from their carrying amounts.

Amounts owed to Group companies are unsecured, interest free and are repayable on demand.

29. Financial Instruments

Financial Instruments by Category

The accounting policies for financial instruments have been applied to the line items below:

31 December 2021	Assets at Amortised Cost €m	Assets at Fair Value Through Profit or Loss €m	Derivatives Used for Hedging €m	Total €m
Assets per Consolidated Balance Sheet:				
Listed and unlisted debt instruments	–	11	–	11
Derivative financial instruments	–	8	2	10
Trade and other receivables*	2,006	–	–	2,006
Cash and cash equivalents	855	–	–	855
Restricted cash	14	–	–	14
	2,875	19	2	2,896

* Excludes statutory taxes and prepayments.

The financial assets of the Company of €233 million consist of assets at amortised cost.

29. Financial Instruments continued

Financial Instruments by Category continued

31 December 2021	Liabilities at Fair Value Through Profit or Loss €m	Derivatives Used for Hedging €m	Other Financial Liabilities €m	Total €m
Liabilities per Consolidated Balance Sheet:				
Borrowings	–	–	3,754	3,754
Derivative financial instruments	13	8	–	21
Trade and other payables*	–	–	2,082	2,082
Deferred consideration	–	–	10	10
	13	8	5,846	5,867

* Excludes statutory taxes and employee benefits.

The financial liabilities of the Company of €3 million consist of other financial liabilities.

31 December 2020	Assets at Amortised Cost €m	Assets at Fair Value Through Profit or Loss €m	Derivatives Used for Hedging €m	Total €m
Assets per Consolidated Balance Sheet:				
Listed and unlisted debt instruments	–	11	–	11
Derivative financial instruments	–	19	19	38
Trade and other receivables*	1,465	–	–	1,465
Cash and cash equivalents	891	–	–	891
Restricted cash	10	–	–	10
	2,366	30	19	2,415

* Excludes statutory taxes and prepayments.

The financial assets of the Company of €257 million consist of assets at amortised cost.

31 December 2020	Liabilities at Fair Value Through Profit or Loss €m	Derivatives Used for Hedging €m	Other Financial Liabilities €m	Total €m
Liabilities per Consolidated Balance Sheet:				
Borrowings	–	–	3,276	3,276
Derivative financial instruments	9	21	–	30
Trade and other payables*	–	–	1,408	1,408
Deferred contingent consideration	35	–	–	35
Deferred consideration	–	–	12	12
	44	21	4,696	4,761

* Excludes statutory taxes and employee benefits.

The financial liabilities of the Company of €10 million consist of other financial liabilities.

Exposure to credit, interest rate, liquidity, energy and currency risks arise in the normal course of the Group's business. Derivatives are generally used to economically hedge exposure to fluctuations in these risks.

Key Financial Risks and Financial Risk Management Resulting from the Use of Financial Instruments and Related Sensitivity Analysis

Financial and Credit Risk Management

The operating parameters and policies of the Group's treasury management function are established under formal Board authority. The Treasury Policy covers the areas of funding, counterparty risk, foreign exchange, controls and derivatives. Risk arising on counterparty default is controlled within a framework of dealing with high quality institutions and, by policy, limiting the amount of credit exposure to any one bank or institution. The Group uses financial instruments, including fixed and variable rate debt to finance operations, for capital spending programs and for general corporate purposes. Additionally, financial instruments, including derivative instruments are used to hedge exposure to interest rate, commodity and foreign currency risks. Where all relevant criteria are met, hedge accounting is applied to remove the accounting mismatch between the hedging instrument and the hedged item. The Group does not use financial instruments for trading purposes. The Group mitigates the risk that counterparties to derivatives will fail to perform by contracting with major financial institutions having high credit ratings and considers the likelihood of counterparty failure to be low. Trade debtors arise from a wide and varied customer base. There is no significant concentration of credit risk amongst any of the Group's most significant financial assets. The Group also holds no collateral in respect of its principal credit exposures.

29. Financial Instruments continued

Key Financial Risks and Financial Risk Management Resulting from the Use of Financial Instruments and Related Sensitivity Analysis continued

The successful management of the Group's currency and interest rate exposure depends on a variety of factors, some of which are outside its control. The Group is exposed to the impact of interest rate changes and foreign currency fluctuations due to its investing and funding activities and its operations in foreign currencies. The Group manages interest rate exposure to achieve what management considers to be an appropriate balance of fixed and variable rate funding. To achieve this objective the Group enters into interest rate swaps, options and forward rate agreements. Interest rate swap agreements are primarily used to change the interest payable on its underlying borrowings from variable to fixed rate. Tables detailing the impact of any such swaps on the Group's financial instruments have been set out elsewhere in this note.

The Group manages its balance sheet having regard to the currency exposures arising from its assets being denominated in a wide range of currencies. To this end, where foreign currency assets are funded by local borrowing, such borrowing is generally sourced in the currency of the related assets. The Group also hedges currency exposure through the use of currency swaps, options and forward contracts. Tables detailing the impact of these derivatives on the currency profile of the Group's financial instruments have been set out elsewhere in this note.

Further details on certain specific financial risks encountered have been set out below.

Interest Rate Risk

The Group is exposed to changes in interest rates, primarily changes in Euribor. The revolving credit facility ('RCF') is variable rate debt, as are the Group's securitisation facilities. Interest rate changes therefore generally do not affect the market value of such debt but do impact the amount of the Group's interest payments and, therefore, its future earnings and cash flows, assuming other factors are held constant. At 31 December 2021, the Group had fixed an average of 97% (2020: 94%) of its interest cost on borrowings over the following 12 months. Holding all other variables constant, if interest rates for these borrowings increased by one percent, the Group's interest expense would increase, and income before taxes would decrease, by approximately €2 million over the following twelve months. Interest income on the Group's cash balances would increase by approximately €9 million assuming a one percent increase in interest rates earned on such balances over the following twelve months.

The Group has entered into one or more interest rate protection agreements (principally interest rate swaps and cross currency interest rate swaps), which establish a fixed interest rate with respect to certain of its borrowings. Tables detailing the fixed and floating variable rate debt together with the impact of the related interest rate and cross currency swaps have been set out elsewhere in this note.

Currency Sensitivity

The Group operates in the following principal currency areas (other than euro): Swedish Krona, Sterling, Latin America (comprising mainly Mexican Peso, Colombian Peso and Brazilian Real), US Dollar and Eastern Europe (comprising mainly the Polish Zloty, the Czech Koruna, the Russian Rouble and the Serbian Dinar). At the end of 2021, approximately 99% (2020: 99%) of its non-euro denominated net assets consisted of the Swedish Krona 19% (2020: 25%), Sterling 17% (2020: 12%), Latin American currencies 40% (2020: 39%), US Dollar 7% (2020: 6%) and Eastern European currencies 16% (2020: 17%). The Group believes that a strengthening of the euro exchange rate by 1% against all other foreign currencies from the 31 December 2021 rate would reduce shareholders' equity by approximately €25 million (2020: €22 million).

Commodity Price Risk

Containerboard

The Group is exposed to commodity price risks through its dependence on recovered paper, the principal raw material used in the manufacture of recycled containerboard. The price of recovered paper is dependent on both demand and supply conditions. Demand conditions include the production of recycled containerboard in Europe and the demand for recovered paper for the production of recycled containerboard outside of Europe, principally in Asia. Supply conditions include the rate of recovery of recovered paper, itself dependant on historic pricing related to the cost of recovery, and some slight seasonal variations.

Just over 1.05 metric tonnes of recovered paper are required to manufacture 1.0 metric tonne of recycled containerboard. Consequently, an increase in the price of recovered paper of, for example, €20 per tonne would increase the cost of production of recycled containerboard by approximately €21 per tonne. Historically, increases in the cost of recovered paper, if sustained, have led to a rise in the price of recycled containerboard, with a lag of one to two months.

The price of recovered paper can fluctuate significantly within a given year, affecting the operating results of the Group's paper processing facilities. The Group seeks to manage this risk operationally rather than by entering into financial risk management derivatives. Accordingly, at each of 31 December 2021 and 2020, there were no derivatives held to mitigate such risks.

In addition, developing policy changes in the EU with regard to renewable energy sources have created an additional demand for wood, the principal raw material used in the manufacture of kraftliner. This has the effect of potentially increasing the price of wood and consequently the cost of the Group's raw materials. At each of 31 December 2021 and 2020, the Group held no derivatives to mitigate such risks.

Energy

The cost of producing the Group's products is also sensitive to the price of energy. The Group's main energy exposure is to the cost of gas and electricity. These energy costs have experienced unprecedented price volatility in 2021, with a corresponding effect on Group production costs. Natural gas prices, relevant to the Group, started the year at €20.30 per megawatt-hour, decreased to €17.43 in March 2021 and increased to €110.41 per megawatt-hour in December 2021, giving an average price of €48.10 for 2021 (2020: average price of €9.33). The Group has entered into a limited level of energy derivative contracts to economically hedge a portion of its energy costs in Sweden. The Group has also fixed a certain level of its energy costs through contractual arrangements directly with its energy suppliers.

Carbon prices were also hit by the COVID-19 pandemic but increased significantly at the end of 2020 and this increase continued into 2021, with prices rising significantly again towards the end of 2021.

29. Financial Instruments continued

Key Financial Risks and Financial Risk Management Resulting from the Use of Financial Instruments and Related Sensitivity Analysis continued

The Group's overall energy costs increased by approximately 56% when compared to 2020 mainly due to higher energy market prices and increased usage due to the acquisition of the Verzuolo mill.

Tables detailing the Group's energy derivatives have been set out elsewhere in this note.

Liquidity Risk

The Group is exposed to liquidity risk which arises primarily from the maturing of short-term and long-term debt obligations and derivative transactions. The Group's policy is to ensure that sufficient resources are available either from cash balances, cash flows or undrawn committed bank facilities, to ensure all obligations can be met as they fall due. To achieve this objective, the Group:

- Maintains cash balances and liquid investments with highly rated counterparties;
- Limits the maturity of cash balances; and
- Borrows the bulk of its debt needs under committed bank lines or other term financing and by policy maintains a minimum level of undrawn committed facilities.

The Group has entered into a series of borrowing arrangements in order to facilitate its liquidity needs in this regard and the key terms of those arrangements are described within Note 24 and within certain tables set out below. At each year-end, the Group's rolling liquidity reserve (which comprises cash and undrawn committed facilities and which represents the amount of available cash headroom in the Group's funding structure) was as follows:

	2021 €m	2020 €m
Cash and cash equivalents	**855**	891
Committed undrawn facilities	**1,655**	1,662
Liquidity reserve	**2,510**	2,553
Borrowings due within one year – contractual undiscounted cash flows	**(237)**	(261)
Net position	**2,273**	2,292

Management monitors rolling cash flow forecasts on an ongoing basis to determine the adequacy of the liquidity position of the Group. This process also incorporates a longer term liquidity review to ensure refinancing risks are adequately catered for as part of the Group's strategic planning. The Group continues to benefit from its existing financing package and debt profile. In addition, the Group's operating activities are cash generative and expect to be so over the foreseeable future; the Group has committed undrawn facilities of €1,655 million at 31 December 2021; and the Group has cash and cash equivalents of €855 million at 31 December 2021.

The maturity dates of the Group's main borrowing facilities as set out in Note 24, together with the liquidity analysis as set out in this note, more fully describes the Group's longer term financing risks.

Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the overall cost of capital.

In managing its capital structure, the primary focus of the Group is the ratio of net debt as a multiple of EBITDA (earnings before exceptional items, share-based payment expense, share of associates' profit (after tax), net finance costs, income tax expense, depreciation and depletion (net) and intangible asset amortisation). Maximum levels for this ratio are set under Board approved policy. At 31 December 2021, the net debt to EBITDA ratio of the Group was 1.7 times (net debt of €2,885 million) which compares to 1.6 times (net debt of €2,375 million) at the end of 2020. This gives the Group continuing headroom compared to the actual covenant level at 31 December 2021 of 3.75 times.

On the basis of pre-exceptional operating profit, the Group's return on capital employed was 16.0% compared to 14.6% in 2020. The return on capital employed comprises pre-exceptional operating profit plus share of associates' profit (after tax) as a percentage of average capital employed (where average capital employed is the average of total equity and net debt at the current and prior year-end). Capital employed at 31 December 2021 was €7,277 million, (2020: €6,158 million). The post-exceptional return on capital employed was 16.0% in 2021 (2020: 14.1%).

The capital employed of the Company at 31 December 2021 was €2,915 million (2020: €2,872 million).

Credit Risk

Credit risk arises from credit exposure to trade debtors, cash and cash equivalents including deposits with banks and financial institutions, derivative financial instruments and investments. The Group has no sovereign exposures and no material debtors with Government agencies. The maximum exposure to credit risk is represented by the carrying amount of each asset.

Trade debtors arise from a wide and varied customer base spread throughout the Group's operations and as such there is no significant concentration of credit risk. Credit evaluations are performed on all customers over certain thresholds and all customers are subject to continued monitoring at operating company level. Further information on the Group approach to providing for expected credit losses is set out in Note 19.

Risk of counterparty default arising on cash and cash equivalents and derivative financial instruments is controlled within a framework of dealing with high quality institutions and, by policy, limiting the amount of credit exposure to any one bank or institution. Of the Group's total cash and cash equivalents (including restricted cash) at 31 December 2021 of €869 million, 43% was with financial institutions in the A rating category of Standard & Poor's or Moody's and 49% was with financial institutions in the AA/Aa or higher rating category.

29. Financial Instruments continued

Key Financial Risks and Financial Risk Management Resulting from the Use of Financial Instruments and Related Sensitivity Analysis continued

The remaining 8% was largely represented by cash held with banks in Latin America which fell outside the A or higher ratings categories. At 31 December 2021, derivative transactions were with counterparties with ratings ranging from BB- to AA- with Standard & Poor's or Ba1 to Aa2 with Moody's.

At each reporting date, there were no significant concentrations of credit risk which individually represented more than 10% of the Group's financial assets. A geographical analysis of the Group's segment assets has been provided in Note 4.

Market Risk – Listed and Unlisted Debt Instruments

The Group's listed and unlisted debt instruments principally comprise investments held relating to unfunded pension liabilities. These investments are being carried at their estimated fair value and the Group's maximum exposure to risks associated with these investments is represented by their carrying amounts.

Further details on listed and unlisted debt instruments are set out in Note 14.

Derivative Positions

Derivative financial instruments recognised as assets and liabilities in the Consolidated Balance Sheet both as part of cash flow hedges and other economic hedges which do not meet the criteria for hedge accounting under IFRS 9, have been set out below:

	2021 €m	2020 €m
Non-current derivative assets		
Cash flow hedges:		
Cross currency swaps	**2**	–
Total non-current derivative assets	**2**	–
Current derivative assets		
Cash flow hedges:		
Foreign currency forwards	**–**	3
Cross currency swaps	**–**	16
Not designated as hedges:		
Foreign currency forwards	**1**	1
Cross currency swaps	**2**	15
Energy hedging contracts	**5**	3
Total current derivative assets	**8**	38
Total derivative assets	**10**	38
Non-current derivative liabilities		
Cash flow hedges:		
Cross currency swaps	**(7)**	(17)
Total non-current derivative liabilities	**(7)**	(17)
Current derivative liabilities		
Cash flow hedges:		
Foreign currency forwards	**(1)**	–
Cross currency swaps	**–**	(4)
Not designated as hedges:		
Foreign currency forwards	**–**	(1)
Cross currency swaps	**(6)**	(4)
Energy hedging contracts	**(7)**	(4)
Total current derivative liabilities	**(14)**	(13)
Total derivative liabilities	**(21)**	(30)
Net (liability)/asset on derivative financial instruments	**(11)**	8

29. Financial Instruments continued

Fair Value Hierarchy

Fair value measurement at 31 December 2021	Level 1 €m	Level 2 €m	Level 3 €m	Total €m
Other investments:				
Listed	2	–	–	2
Unlisted	–	9	–	9
Derivative financial instruments:				
Assets at fair value through profit or loss	–	8	–	8
Derivatives used for hedging	–	2	–	2
Derivative financial instruments:				
Liabilities at fair value through profit or loss	–	(13)	–	(13)
Derivatives used for hedging	–	(8)	–	(8)
	2	(2)	–	–

Fair value measurement at 31 December 2020	Level 1 €m	Level 2 €m	Level 3 €m	Total €m
Other investments:				
Listed	2	–	–	2
Unlisted	–	9	–	9
Derivative financial instruments:				
Assets at fair value through profit or loss	–	19	–	19
Derivatives used for hedging	–	19	–	19
Derivative financial instruments:				
Liabilities at fair value through profit or loss	–	(9)	–	(9)
Derivatives used for hedging	–	(21)	–	(21)
Deferred contingent consideration	–	–	(35)	(35)
	2	17	(35)	(16)

The fair value of listed investments is determined by reference to their bid price at the reporting date. Unlisted investments are valued using recognised valuation techniques for the underlying security including discounted cash flows and similar unlisted equity valuation models.

The fair value of the derivative financial instruments set out above has been measured in accordance with level 2 of the fair value hierarchy. All are plain derivative instruments, valued with reference to observable foreign exchange rates, interest rates or broker prices.

Financial Instruments in Level 3

The following table presents the changes in level 3 instruments for the years ended 31 December 2021 and 31 December 2020:

	Deferred Contingent Consideration €m
Balance at 1 January 2020	(33)
Loss included in finance costs – net change in fair value	(2)
Balance at 31 December 2020	(35)
Balance at 1 January 2021	**(35)**
Gain included in finance income – net change in fair value	**2**
Paid during the year	**33**
Balance at 31 December 2021	**–**

In 2019, as part of its acquisition in Serbia, the Group put in place put and call options over the remaining 25% non-controlling interest in the acquired business. The Group recognised deferred contingent consideration in respect of the put option under the anticipated-acquisition method of accounting; with the call option being classified as a derivative. The valuation model for the deferred contingent consideration was measured in accordance with level 3 of the fair value hierarchy and was based on the present value of the expected payment discounted using a risk-adjusted discount rate. The unobservable input in determining the fair value was the underlying profitability of the business unit to which the consideration relates.

During the year, the Group exercised its call option to purchase the remaining 25% of the Serbian business at a cost of €33 million.

There were no reclassifications or transfers between the levels of the fair value hierarchy during the period.

29. Financial Instruments continued

Cash Flow Hedging

As more fully set out in this note, the Group principally utilises interest rate swaps to swap its variable rate debt into fixed rates. The Group has also designated a number of cross currency swaps which swap fixed US dollar debt into fixed euro debt as cash flow hedges where permitted. These swaps are designated as cash flow hedges and are set so as to closely match the critical terms of the underlying debt being hedged.

Hedge ineffectiveness is determined at the inception of the hedge relationship and through periodic prospective hedge effectiveness assessments to ensure that an economic relationship exists between the hedged item and the hedging instrument. The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, tenors, repricing dates and maturities and notional amounts. The Group does not hedge 100% of its loans, therefore the hedged item is identified as a proportion of the outstanding loans up to the notional amount of the swaps. As the Group enters into hedge relationships where the critical terms of the hedging instrument materially match the terms of the hedged item, a qualitative assessment of effectiveness is performed. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Group uses the hypothetical derivative method to assess effectiveness.

Hedge ineffectiveness for interest rate swaps and cross currency swaps may occur due to:

- The effect of the counterparty's and the Group's own credit risk on the fair value of the swaps which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in the hedged risk;
- Changes in the contractual terms or timing of the payments on the hedged item; or
- The fair value of the hedging instrument on the hedge relationship designation date (if not zero).

There was no material ineffectiveness in hedged risk in relation to these hedges in 2021 and 2020. Amounts accounted for in the cash flow hedging reserve in respect of these swaps during the current and preceding periods have been set out in the Consolidated Statement of Comprehensive Income. These fair value gains and losses are expected to impact on profit and loss over the period from 2022 to 2023, in line with the underlying debt being hedged.

The Group has also entered into a limited number of bunker fuel swaps to hedge against variability in the cost of bunker fuel included in certain of its shipping contracts. Hedge effectiveness is assessed using the same principles as those used for designated interest rate and cross currency swaps. In hedges of bunker fuel costs, ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated or if there are changes in the credit risk of the Group or the counterparty. These hedges have been highly effective in achieving offsetting cash flows with no ineffectiveness recorded. These fair value gains and losses are expected to impact on profit and loss over the period from 2022 to 2024.

In addition, certain subsidiaries use foreign currency forward contracts to hedge forecast foreign currency sales and purchases. Such forward contracts are designated as cash flow hedges and are set so as to closely match the critical terms of the underlying cash flows. Hedge effectiveness is assessed using the same principles as those used for designated interest rate, cross currency and bunker fuel swaps. In hedges of foreign currency sales and purchases, ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated or if there are changes in the credit risk of the Group or the counterparty. These hedges have been highly effective in achieving offsetting cash flows with no ineffectiveness recorded. These fair value gains and losses are expected to impact on profit and loss during 2022.

The Group's hedging reserves disclosed in Note 23 relate to the following hedging instruments:

	Cost of Hedging Reserve €m	**Interest Rate Swaps €m**	**Cross Currency Swaps €m**	**Foreign Currency Forwards €m**	**Total Hedge Reserves €m**
At 1 January 2021	**2**	**–**	**1**	**3**	**6**
Change in fair value of hedging instrument recognised in OCI	**–**	**–**	**1**	**(1)**	**–**
Reclassified from OCI to profit or loss – included in finance costs	**(1)**	**–**	**–**	**–**	**(1)**
Reclassified from OCI to profit or loss – included in revenue	**–**	**–**	**–**	**(3)**	**(3)**
At 31 December 2021	**1**	**–**	**2**	**(1)**	**2**

	Cost of Hedging Reserve €m	Interest Rate Swaps €m	Cross Currency Swaps €m	Foreign Currency Forwards €m	Total Hedge Reserves €m
At 1 January 2020	2	(2)	(2)	2	–
Costs of hedging deferred and recognised in OCI	1	–	–	–	1
Change in fair value of hedging instrument recognised in OCI	–	–	3	3	6
Reclassified from OCI to profit or loss – included in finance costs	(1)	2	1	–	2
Reclassified from OCI to profit or loss – included in revenue	–	–	–	(2)	(2)
Movement in deferred tax	–	–	(1)	–	(1)
At 31 December 2020	2	–	1	3	6

29. Financial Instruments continued

Derivatives not Designated as Hedges

The Group utilises a combination of foreign currency forward contracts and cross currency swaps in order to economically hedge on balance sheet debtor, creditor and borrowing exposures which are denominated in currencies other than the euro. Formal hedge accounting as permitted by IFRS 9 is not applied to these derivative instruments because a natural offset is effectively already achieved through fair valuing the derivatives through the profit or loss as required by IFRS 9, while also retranslating the related balance sheet foreign currency denominated monetary assets or liabilities at appropriate closing rates at each balance sheet date, as required by IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

The Group has also entered into certain energy hedging contracts to mitigate the associated price risks which occur as a result of the Group's normal operations. These have not been designated as hedges in accordance with IFRS 9 and are recognised at fair value through the profit or loss as required by that standard.

The principal terms of the Group's material derivative contracts have been set out further below.

Interest Rate Risk Management

The Group adopts a policy of maintaining between 55% and 90% of its interest rate risk exposure at fixed rates over the next twelve months. This is achieved by entering into fixed rate instruments. In addition, at 31 December 2020, the Group had interest rate swaps as hedges of the variability in cash flows attributable to movements in interest rates, as outlined below. The Group had no interest rate swap agreements outstanding at 31 December 2021.

The proceeds of the Group's November 2020 equity issuance were initially allocated to repaying variable rate debt under the RCF and securitisation programmes, which reduced the level of variable rate debt comprised in the Group's gross debt balance. These funds will be fully utilised in the coming years (along with ongoing cash flows) to fund investment. Consequently, the Group is temporarily over its maximum fixed rate levels at 31 December 2021 and 31 December 2020. The Group expects to return to a level of fixed rate debt within policy parameters over the medium-term.

Outstanding interest rate swap agreements at 31 December 2020 are summarised as follows:

Currency	Notional Principal (million)	Termination Dates	% Fixed Payable	% Variable Receivable
EUR	100	2021	1.314-1.508	Euribor

The effects of the designated interest rate swaps on the Group's financial position and performance are as follows:

	2021 €m	2020 €m
Carrying amount – liability	**n/a**	–
Notional amount	**n/a**	100
Line item in balance sheet – hedging instrument	**n/a**	Derivative financial instruments
Line item in balance sheet – hedged item	**n/a**	Borrowings
Maturity dates	**n/a**	January 2021
Hedge ratio	**n/a**	1:1
Change in fair value of outstanding hedging instrument recognised in OCI	**n/a**	–
Change in fair value of hedged item used to determine hedge effectiveness	**n/a**	–
Weighted average hedged rate	**n/a**	1.4%

Global reform, discontinuation and replacement of certain benchmark interest rates such as the London Interbank Offered Rate ('LIBOR') is underway. The publication of GBP, EUR, CHF and JPY LIBOR settings, and the 1-week and 2-month USD LIBOR settings, ceased immediately following publication on 31 December 2021 and they were replaced with alternative Risk Free Rates ('RFR'). The remaining USD LIBOR settings will cease immediately following publication on 30 June 2023.

The Group's borrowings are substantially fixed rate and the Group has no hedge accounting relationships that reference LIBOR. The Group's floating rate RCF references, amongst others, USD LIBOR. Euro denominated borrowings under the RCF are indexed to the Euro Interbank Offered Rate ('EURIBOR') which is expected to continue for now since its reform from the previous quote-based methodology to a new hybrid methodology.

At 31 December 2021, the Group has one loan drawn under the RCF of USD$8 million. The Group's contracts which reference those benchmark interest rates subject to reform and replacement adequately provide for an alternative calculation of interest in the event that they are unavailable. It is intended that the Secured Overnight Financing Rate ('SOFR') will be the replacement for USD LIBOR for USD borrowings under the RCF, with SOFR plus a credit adjustment spread expected to be economically equivalent to the existing USD LIBOR rates. The Group is well placed to manage the discontinuation, reform or replacement of these important benchmark rates and the impact on the Group and its ability to manage its interest rate risk is immaterial.

29. Financial Instruments continued

Foreign Exchange Risk Management

The Group manages its balance sheet having regard to the currency exposures arising from its assets being denominated in a wide range of currencies. To this end, where foreign currency assets are funded by local borrowing, such borrowing is generally sourced in the currency of the related assets. Additionally, the Group has a number of long-term foreign currency intra-group loans for which settlement is neither planned nor likely to happen in the foreseeable future, and as a consequence of which are deemed quasi-equity in nature and therefore part of the Group's net investment in its foreign operations. The Group also hedges a portion of its currency exposure through the use of currency swaps and forward contracts. At 31 December 2021 the Group had entered into €347 million (2020: €208 million) currency equivalent of forward contracts and there were no option contracts outstanding in respect of its day to day trading. At 31 December 2021 the Group had also entered into further short-term currency swaps of €893 million equivalent (2020: €916 million) as part of its short-term liquidity management.

The Group is exposed to transactional foreign exchange currency risk to the extent that there is a mismatch between the currencies in which sales, purchases, receivables and borrowings are denominated and the respective functional currencies of the Group companies. The Group's risk management policy allows the hedging of estimated foreign currency exposure in respect of highly probable forecast sales, primarily in Sweden, and purchases. As such, certain subsidiaries enter into foreign currency forward contracts to hedge highly probable forecast foreign currency sales and purchases for which hedge accounting under IFRS 9 is applied. As a consequence, therefore, the Group does not have any material transactional exposures.

The effects of these designated foreign currency forwards on the Group's financial position and performance are as follows:

	2021 €m	2020 €m
Foreign currency forwards – sales:		
Carrying amount – asset	–	3
Carrying amount – liability	(1)	–
Notional amount	107	95
Line item in balance sheet – hedging instrument	Derivative financial instruments	Derivative financial instruments
Line item in balance sheet – hedged item	Trade and other receivables	Trade and other receivables
Maturity dates	January 2022 – December 2022	January 2021 – December 2021
Hedge ratio	1:1	1:1
Change in fair value of outstanding hedging instrument recognised in OCI	(1)	3
Change in fair value of hedged item used to determine hedge effectiveness	1	(3)
Weighted average EUR:SEK forward contract rate	10.30	10.41
Weighted average GBP:SEK forward contract rate	12.03	11.44

The Group uses a portion of its foreign currency borrowings to hedge the net investment in certain of its foreign entities. The carrying amount of borrowings which are designated as net investment hedges at the year-end amounted to €43 million (2020: €40 million). The gains or losses on the effective portions of such borrowings are recognised in other comprehensive income. Ineffective portions of the gains and losses on such borrowings are recognised in the income statement. There has been no ineffectiveness recognised in relation to these hedges in the current or prior financial year.

The Group also enters into longer term cross currency swap arrangements in respect of its US dollar debt, which are set out in more detail in the tables below. In addition, the Group entered into a number of cross currency swaps in respect of the funding of its acquisition in Brazil, which are set out in more detail in the table below.

Outstanding currency swap agreements at 31 December 2021 are summarised as follows:

Currency Swapped (million)	Currency Received (million)	Maturity Date	Interest Rate Paid	Interest Rate Received
US$ 154	EUR 144	2023	5.30%	7.50%
EUR 25	BRL 153	2024	CDI + 2.15%	Euribor +2.05%
EUR 13	BRL 76	2024	CDI + 2.17%	Euribor +2.05%
EUR 5	BRL 28	2024	CDI + 1.84%	Euribor +2.05%

29. Financial Instruments continued

Foreign Exchange Risk Management continued

Outstanding currency swap agreements at 31 December 2020 are summarised as follows:

Currency Swapped (million)	Currency Received (million)	Maturity Date	Interest Rate Paid	Interest Rate Received
EUR 38	BRL 150	2021	129.22% CDI	Euribor +2.50%
EUR 5	BRL 25	2021	CDI + 1.27%	Euribor +1.80%
EUR 5	BRL 27	2021	CDI + 1.65%	Euribor +1.80%
EUR 6	BRL 39	2021	CDI + 1.49%	Euribor +1.80%
US$ 56	EUR 50	2021	Euribor +0.79%	US$ Libor +0.90%
US$ 154	EUR 144	2023	5.30%	7.50%

The effects of the cross currency swaps designated as cash flow hedges on the Group's financial position and performance are as follows:

	2021 €m	2020 €m
Hedge of US$ debt:		
Carrying amount – liability	**(7)**	(21)
Notional amount – EUR	**144**	194
Line item in balance sheet – hedging instrument	**Derivative financial instruments**	Derivative financial instruments
Line item in balance sheet – hedged item	**Borrowings**	Borrowings
Maturity dates	**November 2023**	January 2021 & November 2023
Hedge ratio	**1:1**	1:1
Change in fair value of outstanding hedging instrument recognised in OCI	**–**	3
Change in fair value of hedged item used to determine hedge effectiveness	**–**	(3)
Weighted average EUR:USD hedged rate	**1.07**	1.08
Hedge – Brazil acquisition funding:		
Carrying amount – asset	**2**	16
Notional amount – BRL	**257**	241
Line item in balance sheet – hedging instrument	**Derivative financial instruments**	Derivative financial instruments
Line item in balance sheet – hedged item	**Borrowings**	Borrowings
Maturity dates	**June 2024**	June, July & September 2021
Hedge ratio	**1:1**	1:1
Change in fair value of outstanding hedging instrument recognised in OCI	**1**	–
Change in fair value of hedged item used to determine hedge effectiveness	**(1)**	–
Weighted average EUR:BRL hedged rate	**5.99**	4.50

Energy Risk Management

The Group had the following energy hedging contracts outstanding at the end of 31 December 2021 and 2020. Gains and losses recorded in respect of these contracts have been set out elsewhere in this note.

	2021		2020	
	Notional	**Maturity**	Notional	Maturity
Energy contracts	**€7 million**	**Q1 2022 – Q4 2024**	€6 million	Q1 2021 – Q4 2024

29. Financial Instruments continued

Effective Interest Rates and Repricing Analysis

In respect of income earning financial assets and interest bearing financial liabilities, the following tables indicate their average effective interest rates at the reporting date and the periods in which they reprice:

31 December 2021	Average Effective Interest Rate	6 Months or Less €m	6-12 Months €m	1-2 Years €m	2-5 Years €m	More Than 5 Years €m	Total €m
Fixed rate instruments							
Liabilities:							
2025 debentures	7.56%	–	–	–	260	–	260
2025 notes	2.97%	–	–	–	251	–	251
2026 notes	3.05%	–	–	–	1,007	–	1,007
2027 notes	1.66%	–	–	–	–	747	747
2029 green notes	0.64%	–	–	–	–	495	495
2033 green notes	1.10%	–	–	–	–	496	496
Bank loans/overdrafts	3.84%	–	1	1	5	–	7
Total		–	1	1	1,523	1,738	3,263
Leases	2.84%	11	8	28	122	211	380
Total fixed rate liabilities		11	9	29	1,645	1,949	3,643
Floating rate instruments							
Assets:							
Cash and cash equivalents	(0.36)%	855	–	–	–	–	855
Restricted cash	0.01%	14	–	–	–	–	14
Total floating rate assets		869	–	–	–	–	869
Liabilities:							
Revolving credit facility*	66.05%	2	–	–	–	–	2
2026 €100 million receivables securitisation	6.36%	4	–	–	–	–	4
2026 €230 million receivables securitisation	3.80%	11	–	–	–	–	11
Bank loans/overdrafts	8.10%	94	–	–	–	–	94
Total floating rate liabilities		111	–	–	–	–	111
Total net position		747	(9)	(29)	(1,645)	(1,949)	(2,885)

* At the end of the financial year, the carrying amount of the revolving credit facility was €7 million compared to €95 million at 31 December 2020. If the drawn amount had been unchanged year-on-year, the average effective interest rate would be 2.21% (2020: 2.43%) due to the relative impact of deferred debt issue costs recognised in finance costs in the Consolidated Income Statement, using the effective interest method over the remaining life of the programme.

29. Financial Instruments continued

Effective Interest Rates and Repricing Analysis continued

31 December 2020	Average Effective Interest Rate	6 Months or Less €m	6-12 Months €m	1-2 Years €m	2-5 Years €m	More Than 5 Years €m	Total €m
Fixed rate instruments							
Liabilities:							
2025 debentures	7.56%	–	–	–	240	–	240
2024 notes	2.64%	–	–	–	501	–	501
2025 notes	2.98%	–	–	–	251	–	251
2026 notes	3.05%	–	–	–	–	1,005	1,005
2027 notes	1.67%	–	–	–	–	746	746
Bank loans/overdrafts	3.75%	2	2	2	6	–	12
Effect of interest rate swaps		100	–	–	–	–	100
Total		102	2	2	998	1,751	2,855
Leases	3.07%	9	7	26	117	187	346
Total fixed rate liabilities		111	9	28	1,115	1,938	3,201
Floating rate instruments							
Assets:							
Cash and cash equivalents	(0.44)%	891	–	–	–	–	891
Restricted cash	0.00%	10	–	–	–	–	10
Total floating rate assets		901	–	–	–	–	901
Liabilities:							
Revolving credit facility	2.43%	89	–	–	–	–	89
2022 receivables securitisation	17.60%	4	–	–	–	–	4
2023 receivables securitisation	8.08%	11	–	–	–	–	11
Bank loans/overdrafts	6.96%	71	–	–	–	–	71
Effect of interest rate swaps	1.91%	(100)	–	–	–	–	(100)
Total floating rate liabilities		75	–	–	–	–	75
Total net position		715	(9)	(28)	(1,115)	(1,938)	(2,375)

Liquidity Analysis

The following table sets out the maturity or liquidity analysis of the Group's financial liabilities and net settled derivative financial liabilities into the relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows:

31 December 2021	**Weighted Average Period Until Maturity (Years)**	**No Fixed Term €m**	**Less Than 1 Year €m**	**1-2 Years €m**	**2-5 Years €m**	**More Than 5 Years €m**	**Total €m**
Liabilities:							
Trade and other payables		**–**	**2,082**	**–**	**–**	**–**	**2,082**
Revolving credit facility	**4.1**	**–**	**–**	**–**	**7**	**–**	**7**
2026 €100 million receivables securitisation	**4.1**	**–**	**–**	**–**	**5**	**–**	**5**
2026 €230 million receivables securitisation	**4.9**	**–**	**–**	**–**	**13**	**–**	**13**
Bank loans/overdrafts	**1.1**	**28**	**29**	**33**	**10**	**1**	**101**
2025 debentures	**3.9**	**–**	**19**	**19**	**297**	**–**	**335**
2025 notes	**3.1**	**–**	**7**	**7**	**260**	**–**	**274**
2026 notes	**4.0**	**–**	**29**	**29**	**1,072**	**–**	**1,130**
2027 notes	**5.7**	**–**	**11**	**11**	**34**	**761**	**817**
2029 green notes	**7.7**	**–**	**3**	**3**	**7**	**507**	**520**
2033 green notes	**11.7**	**–**	**5**	**5**	**15**	**535**	**560**
		28	**2,185**	**107**	**1,720**	**1,804**	**5,844**
Leases	**4.9**	**–**	**98**	**76**	**135**	**128**	**437**
		28	**2,283**	**183**	**1,855**	**1,932**	**6,281**
Derivative liabilities		**–**	**6**	**1**	**–**	**–**	**7**
Deferred consideration		**–**	**10**	**–**	**–**	**–**	**10**
Total liabilities		**28**	**2,299**	**184**	**1,855**	**1,932**	**6,298**

29. Financial Instruments continued
Liquidity Analysis continued

31 December 2020	Weighted Average Period Until Maturity (Years)	No Fixed Term €m	Less Than 1 Year €m	1-2 Years €m	2-5 Years €m	More Than 5 Years €m	Total €m
Liabilities:							
Trade and other payables		–	1,408	–	–	–	1,408
Revolving credit facility	5.1	–	1	1	3	95	100
2022 receivables securitisation	1.1	–	–	5	–	–	5
2023 receivables securitisation	2.5	–	–	–	13	–	13
Bank loans/overdrafts	1.3	15	41	11	19	2	88
2025 debentures	4.9	–	18	18	292	–	328
2024 notes	3.1	–	12	12	518	–	542
2025 notes	4.1	–	7	7	267	–	281
2026 notes	5.0	–	29	29	86	1,014	1,158
2027 notes	6.7	–	11	11	34	773	829
		15	1,527	94	1,232	1,884	4,752
Leases	4.6	–	90	66	121	116	393
		15	1,617	160	1,353	2,000	5,145
Derivative liabilities		–	1	–	–	–	1
Deferred consideration		–	1	11	–	–	12
Deferred contingent consideration		–	35	–	–	–	35
Total liabilities		15	1,654	171	1,353	2,000	5,193

The financial liabilities of the Company of €3 million (2020: €10 million) are repayable on demand.

The following table sets out the liquidity analysis with regard to derivatives which do not net settle in the normal course of business (primarily foreign exchange contracts and currency swaps). The table shows the estimated timing of gross contractual cash flows exchanged on an undiscounted basis:

31 December 2021	**Less Than 1 Year €m**	**1-2 Years €m**	**2-5 Years €m**	**More Than 5 Years €m**	**Total €m**
Liabilities:					
Cross currency swaps	**(911)**	**(156)**	**(33)**	**–**	**(1,100)**
Foreign currency forwards	**(341)**	**(6)**	**–**	**–**	**(347)**
Total outflow	**(1,252)**	**(162)**	**(33)**	**–**	**(1,447)**
Assets:					
Cross currency swaps	**904**	**144**	**43**	**–**	**1,091**
Foreign currency forwards	**341**	**6**	**–**	**–**	**347**
Total inflow	**1,245**	**150**	**43**	**–**	**1,438**

31 December 2020	Less Than 1 Year €m	1-2 Years €m	2-5 Years €m	More Than 5 Years €m	Total €m
Liabilities:					
Cross currency swaps	(1,002)	(8)	(152)	–	(1,162)
Foreign currency forwards	(204)	(1)	–	–	(205)
Total outflow	(1,206)	(9)	(152)	–	(1,367)
Assets:					
Cross currency swaps	1,025	9	132	–	1,166
Foreign currency forwards	207	1	–	–	208
Total inflow	1,232	10	132	–	1,374

29. Financial Instruments continued

Currency Analysis

The table below sets out the Group's financial assets and liabilities according to their principal currencies. Currency risk related to financial assets and liabilities denominated in currencies other than the Group's presentation currency (euro) represents both transactional and translation risk. As at 31 December 2021 and 2020 the Company had no material financial assets or liabilities denominated in foreign currencies.

31 December 2021	Euro €m	Sterling €m	Latin America* €m	US Dollar €m	Other €m	Total €m
Trade and other receivables	1,106	171	253	247	229	2,006
Listed and unlisted debt instruments	11	–	–	–	–	11
Cash and cash equivalents	673	51	35	73	23	855
Restricted cash	12	–	1	1	–	14
Total assets	1,802	222	289	321	252	2,886
Trade and other payables	1,360	131	165	234	192	2,082
Revolving credit facility	(5)	–	–	7	–	2
2026 €100 million receivables securitisation	4	–	–	–	–	4
2026 €230 million receivables securitisation	11	–	–	–	–	11
Bank loans/overdrafts	24	–	56	19	2	101
2025 debentures	–	–	–	260	–	260
2025 notes	251	–	–	–	–	251
2026 notes	1,007	–	–	–	–	1,007
2027 notes	747	–	–	–	–	747
2029 green notes	495	–	–	–	–	495
2033 green notes	496	–	–	–	–	496
	4,390	131	221	520	194	5,456
Leases	169	52	13	132	14	380
Deferred consideration	10	–	–	–	–	10
Total liabilities	4,569	183	234	652	208	5,846
Impact of foreign exchange contracts	(305)	170	79	86	(21)	9
Total (liabilities)/assets	(2,462)	(131)	(24)	(417)	65	(2,969)

* Latin America includes currencies such as the Mexican Peso, Colombian Peso and Brazilian Real. These have been grouped together principally owing to their size and impact on the currency analysis tables within this note.

31 December 2020	Euro €m	Sterling €m	Latin America* €m	US Dollar €m	Other €m	Total €m
Trade and other receivables	815	129	208	163	150	1,465
Listed and unlisted debt instruments	11	–	–	–	–	11
Cash and cash equivalents	721	76	15	57	22	891
Restricted cash	8	–	1	–	1	10
Total assets	1,555	205	224	220	173	2,377
Trade and other payables	888	93	145	139	143	1,408
Revolving credit facility	44	–	–	45	–	89
2022 receivables securitisation	4	–	–	–	–	4
2023 receivables securitisation	11	–	–	–	–	11
Bank loans/overdrafts	12	–	56	13	2	83
2025 debentures	–	–	–	240	–	240
2024 notes	501	–	–	–	–	501
2025 notes	251	–	–	–	–	251
2026 notes	1,005	–	–	–	–	1,005
2027 notes	746	–	–	–	–	746
	3,462	93	201	437	145	4,338
Leases	153	48	10	127	8	346
Deferred consideration	12	–	–	–	–	12
Deferred contingent consideration	35	–	–	–	–	35
Total liabilities	3,662	141	211	564	153	4,731
Impact of foreign exchange contracts	(14)	199	32	(6)	(218)	(7)
Total (liabilities)/assets	(2,093)	(135)	(19)	(338)	238	(2,347)

* Latin America includes currencies such as the Mexican Peso, Colombian Peso and Brazilian Real. These have been grouped together principally owing to their size and impact on the currency analysis tables within this note.

29. Financial Instruments continued

Fair Value

	2021		2020	
	Carrying Value €m	**Fair Value €m**	Carrying Value €m	Fair Value €m
Trade and other receivables[1]	**2,006**	**2,006**	1,465	1,465
Listed and unlisted debt instruments[2]	**11**	**11**	11	11
Cash and cash equivalents[3]	**855**	**855**	891	891
Derivative assets[4]	**10**	**10**	38	38
Restricted cash[3]	**14**	**14**	10	10
	2,896	**2,896**	2,415	2,415
Trade and other payables[1]	**2,082**	**2,082**	1,408	1,408
Revolving credit facility[5]	**2**	**2**	89	89
2026 €100 million receivables securitisation[3]	**4**	**4**	4	4
2026 €230 million receivables securitisation[3]	**11**	**11**	11	11
Bank overdrafts[3]	**101**	**101**	83	83
2025 debentures[6]	**260**	**318**	240	298
2024 notes[6]	**–**	**–**	501	535
2025 notes[6]	**251**	**270**	251	274
2026 notes[6]	**1,007**	**1,103**	1,005	1,118
2027 notes[6]	**747**	**786**	746	786
2029 green notes[6]	**495**	**489**	–	–
2033 green notes[6]	**496**	**490**	–	–
	5,456	**5,656**	4,338	4,606
Derivative liabilities[4]	**21**	**21**	30	30
Deferred consideration[7]	**10**	**10**	12	12
Deferred contingent consideration[8]	**–**	**–**	35	35
	5,487	**5,687**	4,415	4,683
Total net position	**(2,591)**	**(2,791)**	(2,000)	(2,268)

1 The fair value of trade and other receivables and payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.
2 The fair value of listed financial assets is determined by reference to their bid price at the reporting date. Unlisted financial assets are valued using recognised valuation techniques for the underlying security including discounted cash flows and similar unlisted equity valuation models.
3 The carrying amount reported in the Consolidated Balance Sheet is estimated to approximate to fair value because of the short-term maturity of these instruments and, in the case of the receivables securitisation, the variable nature of the facility and repricing dates.
4 The fair value of forward foreign currency, energy and commodity contracts is based on their listed market price if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds). The fair value of interest rate swaps is based on discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.
5 The fair value (level 2) of the revolving credit facility is based on the present value of its estimated future cash flows discounted at an appropriate market discount rate at the balance sheet date.
6 The fair value (level 2) is based on broker prices at the balance sheet date.
7 The fair value of deferred consideration is based on the present value of the expected payment, discounted using an appropriate market discount rate at the balance sheet date.
8 The fair value of deferred contingent consideration was based on the present value of the expected payment, discounted using a risk-adjusted discount rate.

The fair value of the Company's financial assets and financial liabilities approximates to their carrying values.

30. Related Party Transactions

The principal related party relationships requiring disclosure under IAS 24, *Related Party Disclosures* pertain to the existence of subsidiaries and associates and transactions with these entities entered into by the Group and the identification and compensation of key management personnel as addressed in greater detail below.

Transactions with Subsidiaries

The Consolidated Financial Statements include the Financial Statements of the Company and its subsidiaries and associates as documented in the accounting policies on page 135. A listing of the principal subsidiaries is provided on page 188.

Sales to and purchases from, together with outstanding payables and receivables to and from, subsidiaries are eliminated in the preparation of the consolidated financial information in accordance with IFRS 10, *Consolidated Financial Statements*.

30. Related Party Transactions continued

Transactions with Associates

The Group conducts certain transactions with associates in the normal course of business which are summarised as follows:

Sales and Purchase of Goods and Services

	2021 €m	2020 €m
Sale of goods	**3**	7
Receiving of services	**(2)**	(2)

These transactions are undertaken and settled at normal trading terms. No guarantees are given or received by either party.

The receivables from related parties of €2 million (2020: €3 million) arise mainly from sales transactions and are due two months after the date of sale. The receivables are unsecured in nature and do not bear interest.

The payables to related parties are nil in the current year (2020: nil).

No provision has been made in 2021 or 2020 relating to balances with related parties.

Transactions with Other Related Parties

There were no transactions with other related parties during 2021 or 2020.

Transactions with Key Management Personnel

For the purposes of the disclosure requirements of IAS 24, the term 'key management personnel' (i.e. those persons having authority and responsibility for planning, directing and controlling the activities of the Company) comprises the Board of Directors and Secretary who manage the business and affairs of the Company.

	2021 €m	2020 €m
Short-term employee benefits	**5**	5
Share-based payment expense	**5**	3
	10	8

Information on the Parent Company

The parent Company is an investment holding company and as a result, holds investments in the Group subsidiaries as financial assets. The parent Company also has receivables and payables with its subsidiaries entered into in the normal course of business. These balances are repayable on demand. Details of related party transactions and balances in the financial year ended 31 December 2021 between the Parent Company and its subsidiaries are provided in Note 14, Note 19 and Note 28 to the Consolidated Financial Statements.

31. Business Combinations

The acquisitions completed by the Group during the year, together with percentages acquired and completion dates were as follows:

- Cartones del Pacifico, (100%, 1 June 2021) a paper-based packaging company in Peru;
- Cartonbox, (100%, 5 July 2021), a folding carton company in Mexico; and
- Verzuolo, (100%, 8 October 2021), a containerboard mill in Northern Italy.

The acquisitions in the Americas add to our geographic diversity and enhance our customer offering in these high growth regions. The Verzuolo mill acquisition in Italy increases the containerboard available in our integrated system ensuring we continue to meet our customers' needs and capture future growth.

The table below reflects the provisional fair values of the identifiable net assets acquired in respect of the acquisitions completed during the year. The initial assignment of fair values to identifiable net assets acquired has been performed on a provisional basis in respect of the Verzuolo acquisition given the timing of closure of the transaction. Any amendments to fair values will be made within the twelve month period from the date of acquisition, as permitted by IFRS 3, *Business Combinations* and disclosed in the 2022 Annual Report.

	Verzuolo €m	Other €m	Total €m
Non-current assets			
Property, plant and equipment	**231**	**28**	**259**
Right-of-use assets	**1**	**5**	**6**
Intangible assets	**–**	**19**	**19**
Deferred income tax asset	**2**	**–**	**2**
Current assets			
Inventories	**14**	**8**	**22**
Trade and other receivables	**3**	**14**	**17**
Cash and cash equivalents	**–**	**1**	**1**
Non-current liabilities			
Employee benefits	**(4)**	**–**	**(4)**
Deferred income tax liabilities	**–**	**(7)**	**(7)**
Borrowings	**–**	**(11)**	**(11)**
Current liabilities			
Borrowings	**–**	**(15)**	**(15)**
Trade and other payables	**(9)**	**(18)**	**(27)**
Net assets acquired	**238**	**24**	**262**
Goodwill	**119**	**33**	**152**
Consideration	**357**	**57**	**414**
Settled by:			
Cash	**357**	**57**	**414**

The principal factors contributing to the recognition of goodwill are the realisation of cost savings and other synergies with existing entities in the Group which do not qualify for separate recognition as intangible assets.

None of the goodwill recognised is expected to be deductible for tax purposes.

Net cash outflow arising on acquisition	**€m**
Cash consideration	**414**
Less cash & cash equivalents acquired	**(1)**
Total	**413**

The gross contractual value of trade and other receivables as at the respective dates of acquisition amounted to €17 million. The fair value of these receivables is estimated at €17 million (all of which is expected to be recoverable).

Acquisition-related costs of €1 million were incurred and are included within administrative expenses in the Consolidated Income Statement.

The Group's acquisitions in 2021 have contributed €73 million to revenue and a €7 million loss after tax. The proforma revenue and profit after tax of the Group for the year ended 31 December 2021 would have been €10,358 million and €674 million respectively, had the acquisitions taken place at the start of the reporting period.

There have been no acquisitions completed subsequent to the balance sheet date which would be individually material to the Group, thereby requiring disclosure under either IFRS 3 or IAS 10, *Events after the Balance Sheet Date.*

32. Profit Dealt with in the Parent Company

In accordance with Section 304 of the Companies Act 2014, the Company is availing of the exemption from presenting its individual Income Statement to the Annual General Meeting and from filing it with the Registrar of Companies. A profit after tax of €285 million (2020: a profit after tax of €370 million) has been dealt with in the Income Statement of the Company.

33. Principal Subsidiaries

Each of Smurfit Kappa Group plc, Smurfit Kappa Investments Limited, Smurfit Kappa Holdings Limited and Smurfit Kappa Acquisitions Unlimited Company with an address at Beech Hill, Clonskeagh, Dublin 4, D04 N2R2, is a holding company with no operations of its own. Smurfit Kappa Acquisitions Unlimited Company is a Public Unlimited Company. A listing of the principal subsidiaries is set out as follows:

Subsidiaries[1]	Principal Activities	Country of Incorporation[2]	Holding %
Cartón de Colombia, S.A. Calle 15 No. 18–109 Puerto Isaacs, Yumbo – Valle del Cauca, Colombia	Manufacture and sale of paperboard, paper sacks, writing paper and packaging products	**Colombia**	99.7
Smurfit Carton y Papel de México S.A. de C.V. Miguel de Cervantes Saavedra, 301, Torre B Piso 8. Colonia Ampliación Granada, Alc. Miguel Hidalgo Ciudad de Mexico, c.p. 11520, Mexico	Manufacture and sale of paperboard and packaging products	**Mexico**	100
Smurfit Kappa Nettingsdorf AG & Co KG Nettingsdorfer Straße 40, 4053 Haid bei Ansfelden, Austria	Manufacture and sale of containerboard and holding company for Austrian operations which manufacture corrugated board	**Austria**	100
Smurfit International B.V. Warandelaan 2, 4904 PC Oosterhout, The Netherlands	Principal international holding company	**Netherlands**	100
Smurfit Kappa de Argentina, S.A. Av. Cordoba 838, 9 Floor, of. 18, Ciudad de Buenos Aires, Argentina	Manufacture and sale of paperboard and packaging products	**Argentina**	100
Smurfit Kappa Deutschland GmbH Tilsiter Straße 162, 22047 Hamburg, Germany	Holding company for German operations whose principal activities are the manufacture and sale of paperboard, solidboard and packaging products	**Germany**	100
Smurfit Kappa Europe B.V. Evert van den Beekstraat 1–106, 1118 CL Schiphol, The Netherlands	International holding company	**Netherlands**	100
Smurfit Kappa Italia, S.p.A. Via Vicenzo Monti 12 20123 Milano (MI), Italy	Manufacture and sale of paperboard and packaging products	**Italy**	100
Smurfit Kappa Holdings US Inc. 913 N. Market Street Suite 200, Wilmington, DE 19801 USA	Holding company for North America and certain Mexican operations whose principal activities are the manufacture and sale of paperboard and packaging products	**United States**	100
Smurfit Kappa Ireland Limited Beech Hill, Clonskeagh, Dublin 4, D04 N2R2, Ireland	Manufacture and sale of packaging products	**Ireland**	100
Smurfit Kappa Kraftliner Piteå AB SE – 941 86, Piteå, Sweden	Manufacture and sale of containerboard and holding company for operations in Sweden and Norway which manufacture and sell packaging products	**Sweden**	100
Smurfit Kappa Nederland B.V. Warandelaan 2, 4904 PC Oosterhout, The Netherlands	Holding company for Dutch operations which manufacture paperboard and packaging products	**Netherlands**	100
Smurfit Kappa Nervión, S.A. B Arriandi s/n, 48215 lurreta, Vizcaya, Spain	Manufacture and sale of sack paper and holding company for Spanish and Portuguese operations whose principal activities are the manufacture and sale of paperboard and packaging products	**Spain**	100
Smurfit Kappa Packaging UK Limited Cunard Building, Pier Head, Liverpool, LS3 1SF, United Kingdom	Holding company for operations in the United Kingdom whose principal activities are the manufacture and sale of paperboard and packaging products	**England**	100
Smurfit Kappa do Brasil Indústria de Embalagens S.A Rua Castilho, 392, Cj.162, Brooklin, CEP 04568–010, São Paulo, Brazil	Holding company for operations in Brazil whose principal activities are the manufacture and sale of paperboard and packaging products	**Brazil**	100
Smurfit Kappa Participations SAS 5 Avenue du Général de Gaulle, 94160 Saint Mandé, France	Holding company for French operations whose activities are the manufacture and sale of paperboard and packaging products	**France**	100
Smurfit Kappa Treasury Unlimited Company Beech Hill, Clonskeagh, Dublin 4, D04 N2R2, Ireland	Finance company	**Ireland**	100

1 A full list of subsidiaries and associates will be annexed to the Annual Return of the Company to be filed with the Irish Registrar of Companies.
2 The companies operate principally in their countries of incorporation.

33. Principal Subsidiaries continued

Section 357 Guarantees

Pursuant to the provisions of Section 357, Companies Act 2014, Smurfit Kappa Group plc has irrevocably guaranteed all commitments entered into by certain of its Irish subsidiaries (including amounts shown as liabilities in the statutory financial statements of such subsidiaries) for the financial year ended 31 December 2021 and as a result such subsidiaries have been exempted from the filing provisions of Section 347, Companies Act 2014. These Irish subsidiaries are as follows – Belgray Holdings Unlimited Company, Brenchley Limited, Claystoke Designated Activity Company, Damous Limited, DLRS (Holdings) Limited, Smurfit Kappa Security Concepts Limited, Gorda Limited, Iona Print Limited, iVenus Limited, Jefferson Smurfit & Sons Limited, Margrave Investments Limited, Smurfit International Designated Activity Company, Smurfit Investments (Ireland) Limited, Smurfit Kappa Holdings Limited, Smurfit Kappa Investments Limited, Smurfit Kappa Ireland Limited, Smurfit Kappa Irish Paper Sacks Limited, Smurfit Kappa Leasing Unlimited Company, Smurfit Kappa Packaging Limited, Smurfit Kappa Services Limited, Smurfit Kappa Treasury Funding Designated Activity Company, Smurfit Kappa Treasury Receivables Designated Activity Company, Smurfit Natural Resources Limited, Smurfit Securities Limited.

Article 403 Guarantees

Smurfit Kappa Group plc has, in accordance with Article 403, Book 2 of the Dutch Civil Code, guaranteed the debts of its following Dutch subsidiaries – Adavale (Netherlands) B.V., Smurfit International B.V., Smurfit Holdings B.V., Smurfit Investments B.V., Packaging Investments Netherlands (PIN) B.V., Packaging Investments Holdings (PIH) B.V., Smurfit Kappa Europe B.V., Smurfit Kappa Nederland B.V., Smurfit Kappa Corrugated Benelux B.V., Smurfit Kappa TWINCORR B.V., Smurfit Kappa MNL Golfkarton B.V., Smurfit Kappa Van Dam Golfkarton B.V., Smurfit Kappa Vandra B.V., Smurfit Kappa Orko-Pak B.V., Smurfit Kappa ELCORR B.V., Smurfit Kappa Trobox Kartonnages B.V., Smurfit Kappa Zedek B.V., Smurfit Kappa North East Europe Head Office B.V., Smurfit Kappa Recycling B.V., Smurfit Kappa Development Centre B.V., Smurfit Kappa Paper Services B.V., Smurfit Kappa Roermond Papier B.V., Kappa Holding (Nederland) B.V., Smurfit Kappa RapidCorr Eindhoven B.V., Smurfit Kappa Group IS Nederland B.V., Smurfit Kappa Finance B.V., Smurfit Kappa Hexacomb B.V., Smurfit Kappa Parenco B.V., Parenco Energy B.V., Reparco Nederland B.V.

Non-controlling Interests

	2021 €m	2020 €m
At 1 January	**13**	41
Share of profit for the financial year	**–**	2
Purchase of non-controlling interest	**–**	(27)
Foreign currency translation adjustment	**–**	(3)
At 31 December	**13**	13

Expanding our Footprint into Peru

Acquisition of Cartones del Pacifico

We have completed the acquisition of Cartones del Pacifico, a leading paper-based packaging company in Peru.

The acquisition represents an important milestone as it expands our footprint in the Americas from 12 to 13 countries, and builds on the Group's leadership position as the largest pan-regional supplier in Latin America. As part of the transaction Emusa Group has acquired Smurfit Kappa's flexible packaging business in El Salvador.

Commenting on the acquisition, Smurfit Kappa Group CEO, Tony Smurfit, said: "The acquisition of Cartones del Pacifico further expands our strategic reach and underscores our growing regional capability in Latin America. With a population of over 30 million, we are delighted to expand our footprint into Peru to help drive future growth. We welcome the Cartones del Pacifico employees to our team of talented people, and look forward to their expertise contributing to the success of Smurfit Kappa Group."

Juan G. Castaneda said: "We are very pleased to welcome the 368 employees of Cartones del Pacifico to the Smurfit Kappa family. There is a strong cultural fit between our businesses and we are excited about the potential for Cartones del Pacifico within the Smurfit Kappa integrated system."

The acquisition of Cartones del Pacifico, a leading corrugated packaging business located in Paramonga, in the vicinity of Lima, will open opportunities for us to enhance our business through the Group's best-in-class operating systems, procurement arrangements, and design and innovation capability to help customers, mainly in the fast growing agricultural and industrial sectors. Furthermore, the Group's enlarged global footprint will improve its packaging offering to multinationals operating throughout the Latin American region.

Expanding to

13

countries in the Americas

Supplementary Information

Supplementary Information 190-198

The Group uses certain financial measures as set out below in order to evaluate the Group's financial performance. These Alternative Performance Measures ('APMs') are not defined under IFRS and are presented because we believe that they, and similar measures, provide both SKG management and users of the Consolidated Financial Statements with useful additional financial information when evaluating the Group's operating and financial performance.

These measures may not be comparable to other similarly titled measures used by other companies, and are not measurements under IFRS or other generally accepted accounting principles, and they should not be considered in isolation or as substitutes for the information contained in our Consolidated Financial Statements.

Please note where referenced 'CIS' refers to Consolidated Income Statement, 'CBS' refers to Consolidated Balance Sheet and 'CSCF' refers to Consolidated Statement of Cash Flows.

The principal APMs used by the Group, together with reconciliations where the non-IFRS measures are not readily identifiable from the Consolidated Financial Statements, are as follows:

A. EBITDA

Definition

EBITDA is earnings before exceptional items, share-based payment expense, share of associates' profit (after tax), net finance costs, income tax expense, depreciation and depletion (net) and intangible assets amortisation. It is an appropriate and useful measure used to compare recurring financial performance between periods. A reconciliation of profit to EBITDA is included below:

Reconciliation of Profit to EBITDA

	Reference	2021 €m	2020 €m
Profit for the financial year	CIS	**679**	547
Income tax expense (after exceptional items)	CIS	**234**	201
Exceptional items charged in operating profit	CIS	**–**	31
Net finance costs (after exceptional items)	Note 7	**162**	144
Share of associates' profit (after tax)	CIS	**(2)**	(1)
Share-based payment expense	Note 4	**69**	37
Depreciation, depletion (net) and amortisation	Note 4	**560**	551
EBITDA		**1,702**	1,510

B. EBITDA Margin

Definition

EBITDA margin is a measure of profitability by taking our EBITDA divided by revenue.

	Reference	2021 €m	2020 €m
EBITDA	A	**1,702**	1,510
Revenue	CIS	**10,107**	8,530
EBITDA margin		**16.8%**	17.7%

C. Operating Profit Before Exceptional Items

Definition

Operating profit before exceptional items represents operating profit as reported in the Consolidated Income Statement before exceptional items. Exceptional items are excluded in order to assess the underlying financial performance of our operations.

	Reference	2021 €m	2020 €m
Operating profit	CIS	**1,073**	891
Exceptional items	CIS	**–**	31
Operating profit before exceptional items	CIS	**1,073**	922

D. Pre-exceptional Basic Earnings per Share

Definition

Pre-exceptional basic EPS serves as an effective indicator of our profitability as it excludes exceptional one-off items and, in conjunction with other metrics such as ROCE, is a measure of our financial strength. Pre-exceptional basic EPS is calculated by dividing profit attributable to owners of the parent, adjusted for exceptional items included in profit before income tax and income tax on exceptional items, by the weighted average number of ordinary shares in issue. The calculation of pre-exceptional basic EPS is shown in Note 9.

E. Underlying EBITDA and Revenue

Definition

Underlying EBITDA and revenue are arrived at by excluding the incremental EBITDA and revenue contributions from current and prior year acquisitions and disposals and the impact of currency translation, hyperinflation and any non-recurring items.

The Group uses underlying EBITDA and underlying revenue as additional performance indicators to assess performance on a like-for-like basis each year.

	Europe 2021	The Americas 2021	Total 2021	Europe 2020	The Americas 2020	Total 2020
EBITDA						
Currency	**1%**	**(2%)**	**–**	–	(9%)	(2%)
Acquisitions/disposals	**(1%)**	**1%**	**–**	–	–	–
Underlying EBITDA change	**10%**	**20%**	**13%**	(11%)	12%	(7%)
Reported EBITDA change	**10%**	**19%**	**13%**	(11%)	3%	(9%)
Revenue						
Currency	**–**	**(3%)**	**–**	(1%)	(10%)	(3%)
Hyperinflation	**–**	**1%**	**–**	–	–	–
Acquisitions/disposals	**1%**	**1%**	**–**	–	–	–
Underlying revenue change	**17%**	**21%**	**18%**	(4%)	2%	(3%)
Reported revenue change	**18%**	**20%**	**18%**	(5%)	(8%)	(6%)

F. Net Debt

Definition

Net debt comprises borrowings net of cash and cash equivalents and restricted cash. We believe that this measure highlights the overall movement resulting from our operating and financial performance.

	Reference	2021 €m	2020 €m
Borrowings	Note 24	**3,754**	3,276
Less:			
Restricted cash	CBS	**(14)**	(10)
Cash and cash equivalents	CBS	**(855)**	(891)
Net debt		**2,885**	2,375

G. Net Debt to EBITDA

Definition

Leverage (ratio of net debt to EBITDA) is an important measure of our overall financial position.

	Reference	2021 €m	2020 €m
Net Debt	F	**2,885**	2,375
EBITDA	A	**1,702**	1,510
Net debt to EBITDA (times)		**1.7**	1.6

H. Return on Capital Employed ('ROCE')

Definition

ROCE measures profit from capital employed. It is calculated as operating profit before exceptional items plus share of associates' profit (after tax) divided by the average capital employed (where average capital employed is the average of total equity and net debt at the current and prior year-end).

	Reference	2021 €m	2020 €m
Operating profit before exceptional items	C	**1,073**	922
Share of associates' profit (after tax)	CIS	**2**	1
Operating profit before exceptional items plus share of associates' profit (after tax)		**1,075**	923
Total equity – current year-end	CBS	**4,392**	3,783
Net debt – current year-end	F	**2,885**	2,375
Capital employed – current year-end		**7,277**	6,158
Total equity – prior year-end	CBS	**3,783**	2,993
Net debt – prior year-end	F	**2,375**	3,483
Capital employed – prior year-end		**6,158**	6,476
Average capital employed		**6,718**	6,317
Return on capital employed		**16.0%**	14.6%

I. Working Capital

Definition

Working capital represents total inventories, trade and other receivables and trade and other payables.

	Reference	2021 €m	2020 €m
Inventories	CBS	**1,046**	773
Trade and other receivables (current and non-current)	CBS	**2,163**	1,563
Trade and other payables	CBS	**(2,563)**	(1,835)
Working capital		**646**	501

J. Working Capital as a Percentage of Sales

Definition

Working capital as a percentage of sales represents working capital as defined above shown as a percentage of annualised quarterly revenue.

	Reference	2021 €m	2020 €m
Working capital	I	**646**	501
Annualised quarterly revenue		**11,281**	8,875
Working capital as a percentage of sales		**5.7%**	5.6%

K. Summary Cash Flow

Definition

The summary cash flow is prepared on a different basis to the Consolidated Statement of Cash Flows and as such the reconciling items between EBITDA and (increase)/decrease in net debt may differ from amounts presented in the Consolidated Statement of Cash Flows. The summary cash flow details movements in net debt. The Consolidated Statement of Cash Flows details movements in cash and cash equivalents.

Reconciliation of the Summary Cash Flow to the Consolidated Statement of Cash Flows

	Reference	2021 €m	2020 €m
EBITDA	A	**1,702**	1,510
Exceptional items	K.1	**–**	(18)
Cash interest expense	K.2	**(109)**	(118)
Working capital change	K.3	**(114)**	94
Capital expenditure	K.4	**(693)**	(575)
Change in capital creditors	K.4	**(14)**	(18)
Tax paid	CSCF	**(239)**	(194)
Change in employee benefits and other provisions	K.6	**(81)**	(20)
Other	K.7	**3**	14
Free cash flow	L	**455**	675
Italian Competition Authority fine	CSCF	**(124)**	–
Share issues (net)	CSCF	**–**	648
Purchase of own shares (net)	CSCF	**(22)**	(16)
Sale of businesses and investments	K.8	**37**	–
Purchase of businesses, investments and NCI	K.9	**(449)**	(25)
Dividends	CSCF	**(302)**	(260)
Derivative termination receipts	CSCF	**9**	9
Premium on early repayment of bonds	K.2	**(28)**	–
Net cash (outflow)/inflow		**(424)**	1,031
Acquired net debt	K.10	**(25)**	(1)
Disposed net cash	K.11	**(1)**	–
Deferred debt issue costs amortised	K.12	**(10)**	(7)
Currency translation adjustment	Note 21	**(50)**	85
(Increase)/decrease in net debt		**(510)**	1,108

K.1 Exceptional Items

	Reference	2021 €m	2020 €m
Reorganisation and restructuring costs – paid		**–**	(7)
Recognition reward – paid	Note 5	**–**	(11)
Per summary cash flow		**–**	(18)

K.2 Cash Interest Expense

	Reference	2021 €m	2020 €m
Interest paid	CSCF	**(152)**	(122)
Interest received	CSCF	**3**	3
Move in accrued interest	K.12	**3**	1
Initial cost of bonds repaid	Note 21	**9**	–
Premium on early repayment of bonds	K	**28**	–
Per summary cash flow		**(109)**	(118)

K.3 Working Capital Change

	Reference	2021 €m	2020 €m
Net movement in working capital	CSCF	**(114)**	95
Other		**–**	(1)
Per summary cash flow		**(114)**	94

K. Summary Cash Flow continued

K.4 Capital Expenditure

	Reference	2021 €m	2020 €m
Additions to property, plant and equipment and biological assets	CSCF	**(594)**	(493)
Additions to intangible assets	CSCF	**(21)**	(21)
Additions to right-of-use assets	Note 12	**(92)**	(79)
Change in capital creditors	K	**14**	18
Per summary cash flow		**(693)**	(575)

K.5 Capital Expenditure as a Percentage of Depreciation

	Reference	2021 €m	2020 €m
Capital expenditure	K.4	**693**	575
Depreciation, depletion (net) and amortisation	A	**560**	551
Capital expenditure as a percentage of depreciation		**124%**	104%

K.6 Change in Employee Benefits and Other Provisions

	Reference	2021 €m	2020 €m
Change in employee benefits and other provisions	CSCF	**(81)**	(7)
Reorganisation and restructuring costs – unpaid	K.6.1	**–**	(28)
Past service cost – UK	K.6.2	**–**	15
Per summary cash flow		**(81)**	(20)

K.6.1 Reorganisation and Restructuring Costs

The change in the provision relating to exceptional reorganisation and restructuring costs is not included in the summary cash flow as it is not within EBITDA. Exceptional reorganisation and restructuring costs which were paid in 2020 are shown as a separate line item within 'Exceptional items' in the summary cash flow.

K.6.2 Past Service Cost – UK

The change in employee benefits relating to the exceptional past service cost on the UK pension scheme is not included in the summary cash flow as it is not within EBITDA.

K.7 Other

	Reference	2021 €m	2020 €m
Other within the summary cash flow comprises the following:			
Amortisation of capital grants	CSCF	**(3)**	(2)
Profit on sale of property, plant and equipment	CSCF	**(8)**	(2)
Profit on purchase/disposal of businesses	CSCF	**–**	(4)
Other (primarily hyperinflation adjustments)	CSCF	**5**	6
Receipt of capital grants	CSCF	**5**	5
Disposal of property, plant and equipment	CSCF	**16**	5
Dividends received from associates	CSCF	**1**	1
Lease terminations/modifications	L	**(13)**	5
Per summary cash flow		**3**	14

K.8 Sale of Businesses and Investments

	Reference	2021 €m	2020 €m
Disposal of subsidiaries (net of disposed cash)	CSCF	**33**	–
Disposed cash and cash equivalents	K.11	**4**	–
Per summary cash flow		**37**	–

K. Summary Cash Flow continued

K.9 Purchase of Businesses, Investments and NCI

	Reference	2021 €m	2020 €m
Purchase of subsidiaries (net of acquired cash)	CSCF	**(413)**	(2)
Purchase of non-controlling interests	CSCF	**–**	(23)
Deferred consideration paid	CSCF	**(35)**	–
Acquired cash and cash equivalents	K.10	**(1)**	–
Per summary cash flow		**(449)**	(25)

K.10 Acquired Net Debt

	Reference	2021 €m	2020 €m
Acquired debt	Note 21	**(26)**	(1)
Acquired cash and cash equivalents	K.9	**1**	–
Per summary cash flow		**(25)**	(1)

K.11 Disposed Net Cash

	Reference	2021 €m	2020 €m
Disposed debt	Note 21	**3**	–
Disposed cash and cash equivalents	K.8	**(4)**	–
Per summary cash flow		**(1)**	–

K.12 Reconciliation of Other Non-cash Movements to Note 21

	Reference	2021 €m	2020 €m
Deferred debt issue costs amortised	K	**(10)**	(7)
Additions to right-of-use assets	K.4	**(92)**	(79)
Lease terminations/modifications	L	**(13)**	5
Move in accrued interest	K.2	**3**	1
Other non-cash movements	Note 21	**(112)**	(80)

L. Free Cash Flow ('FCF')

Definition

FCF is the result of the cash inflows and outflows from our operating activities, and is before those arising from acquisition and disposal of businesses. We use FCF to assess and understand the total operating performance of the business and to identify underlying trends.

Reconciliation of Free Cash Flow to Cash Generated from Operations

	Reference	2021 €m	2020 €m
Free cash flow	K	**455**	675
Reconciling items:			
Cash interest expense	K.2	**109**	118
Capital expenditure (net of change in capital creditors)	K.4	**707**	593
Tax payments	CSCF	**239**	194
Disposal of property, plant and equipment	CSCF	**(16)**	(5)
Lease terminations/modifications	K.7	**13**	(5)
Receipt of capital grants	CSCF	**(5)**	(5)
Dividends received from associates	CSCF	**(1)**	(1)
Italian Competition Authority fine	CSCF	**(124)**	–
Non-cash financing activities		**–**	(1)
Cash generated from operations	CSCF	**1,377**	1,563

SHAREHOLDER INFORMATION

Ordinary Shareholdings

On 31 December 2021, the ordinary shares of the Company in issue were held as follows:

Number of Shares	Number of Shareholders	% of Total	Number of Shares Held	% of Total
1 – 1,000	238	76.53	88,259	0.03
1,001 – 5,000	63	20.26	143,134	0.06
5,001 – 10,000	6	1.93	42,415	0.02
10,001 – 100,000	3	0.96	61,830	0.02
100,001 – 500,000	–	–	–	–
Over 500,000	1	0.32	258,698,121	99.87
Total	**311**	**100**	**259,033,759**	**100**

Stock Exchange Listings

The Company's shares are listed on the following exchanges:

Exchange	Type	City	Symbol
LSE	Premium	London	SKG
Euronext Dublin	Secondary	Dublin	SK3

Financial Calendar

AGM	29 April 2022
Interim results announcement	27 July 2022

Website

The Investors section on the Group's website, smurfitkappa.com, provides the full text of the financial results and copies of presentations to analysts and investors. Press releases are also made available in this section of the website immediately after release to the stock exchanges.

Registrars

Enquiries concerning shareholdings should be directed to the Company's Registrars:

Link Registrars Limited,

P.O. Box 1110,
Maynooth,
Co. Kildare
Tel: +353 (0)1 553 0050
Fax: +353 (0)1 224 0700
enquiries@linkgroup.ie
www.signalshares.com

Certificated/Electronic Shareholding

Shares in the Company may be held directly on the register of members of the Company (i.e. in the form of a physical share certificate/certificated form) or electronically through a nominee of Euroclear Bank. A migration of electronic settlement of the Company's shares from CREST to the settlement system operated by Euroclear Bank occurred on 15 March 2021. Those who hold shares electronically hold their interests in the shares as 'Belgian law rights' through the Euroclear Bank system or as CREST depository interests ('CDIs') through the CREST System.

Proxy Voting

The process for appointing a proxy will depend on the manner in which you hold your ordinary shares in the Company. Further details will be contained in the notes to the Notice of Annual General Meeting. Persons who hold their interests in ordinary shares as Belgian law rights through the Euroclear system or as CDIs should consult with their stockbroker or other intermediary for information on the processes and timelines for submitting proxy votes for the Annual General Meeting through the respective systems.

NOTES

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