Smurfit Kappa

Dynamically & Sustainably Delivering



Annual Report 2022

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 €12.8 billion in 2022.



Overview 1-13

Strategic Framework and Financial Highlights of 2022 2
What We Do 4
Where We Operate 6
Our Sustainability Commitments 8
Our Innovative Solutions 10

Strategic Report 14-97

Chair's Statement 16
Group Chief Executive Officer's Statement 20
Our Business Model 24
Our Strategy 26
Key Performance Indicators 28
Risk Report 32
Finance Review 37
Stakeholders 42
Sustainability 50
People 86

Governance 98-147

Board of Directors 100
Corporate Governance Statement 104
Audit Committee Report 113
Remuneration Report 117
Nomination Committee Report 137
Sustainability Committee Report 141
Directors' Report 144
Statement of Directors' Responsibilities 147

Financial Statements 148-223

Independent Auditor's Report 150
Consolidated Income Statement 157
Consolidated Statement of Comprehensive Income 158
Consolidated Balance Sheet 159
Company Balance Sheet 160
Consolidated Statement of Changes in Equity 161
Company Statement of Changes in Equity 162
Consolidated Statement of Cash Flows 163
Company Statement of Cash Flows 164
Notes to the Consolidated Financial Statements 165

Supplementary Information 224-232

Alternative Performance Measures 226
Shareholder Information 232

This report is also available online at www.smurfitkappa.com/investors/reports-and-presentations

* For the purpose of this Annual Report the number of countries in which SKG operates is as at 31 December 2022.



Our Strategic Framework

Our Purpose

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

Our Vision

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

Delivered via

Our Strategy

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

Our Strategic Priorities

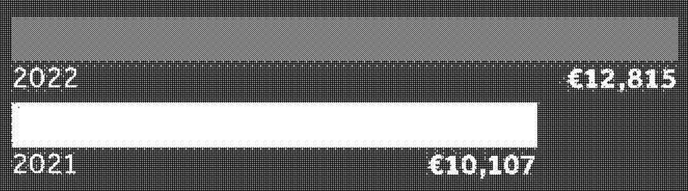
- **Market Position**
- **Partner of Choice**
- **Operational Excellence**
- **Investment in People**
- **Capital Allocation**

Financial Highlights of 2022

Revenue (million)

€12,815

+27%



EBITDA* (million)

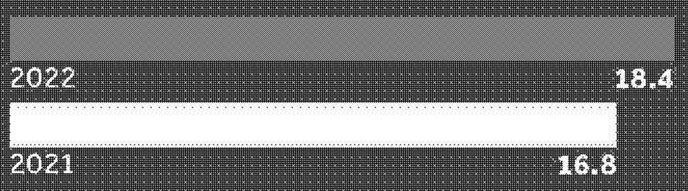
€2,355

+38%



EBITDA Margin* (%)

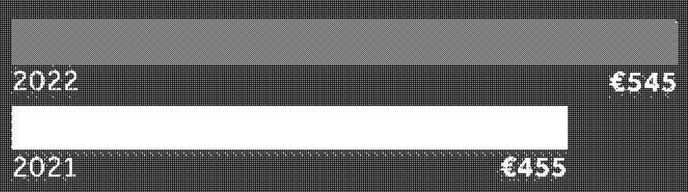
18.4



Free Cash Flow* (million)

€545

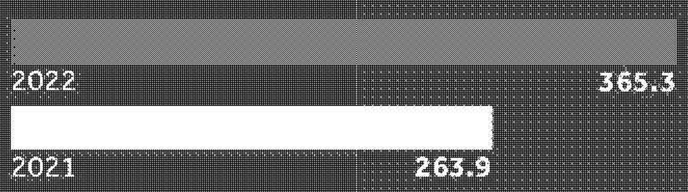
+20%



Basic Earnings per Share (cent)

365.3

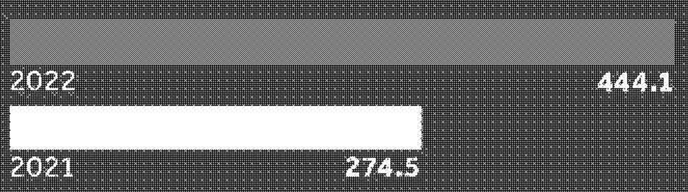
+38%



Pre-exceptional Basic Earnings per Share* (cent)

444.1

+62%



Supported by

Sustainability Strategy

We are committed to being an impactful business, supporting a greener, bluer planet. This means doing the right thing for our people, our communities and the environment, through products and processes that make a real difference for our customers and across our entire value chain.

Read more on **pages 50 to 85**

Supported by

People Strategy

We want to be recognised as a globally admired employer of choice. We believe our employees are at the centre of everything we do.

Read more on **pages 86 to 97**

Underpinned by

Our Values

We have a strong and positive culture based on our values of:

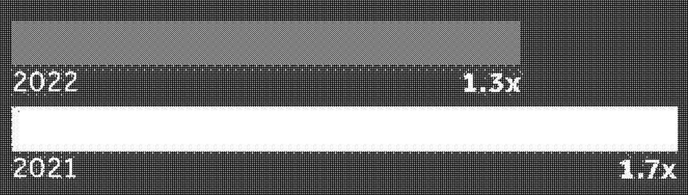
Safety
Loyalty
Integrity
Respect

These values foster the guiding principles by which we operate:

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

Net Debt to EBITDA* (times)

1.3x



Profit Before Income Tax (million)

€1,293

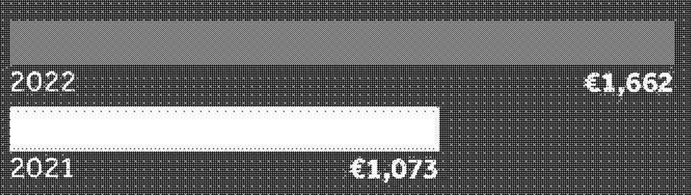
+42%



Operating Profit before Exceptional Items* (million)

€1,662

+55%



Net Debt* (million)

€2,992

+4%



Return on Capital Employed* (%)

21.8

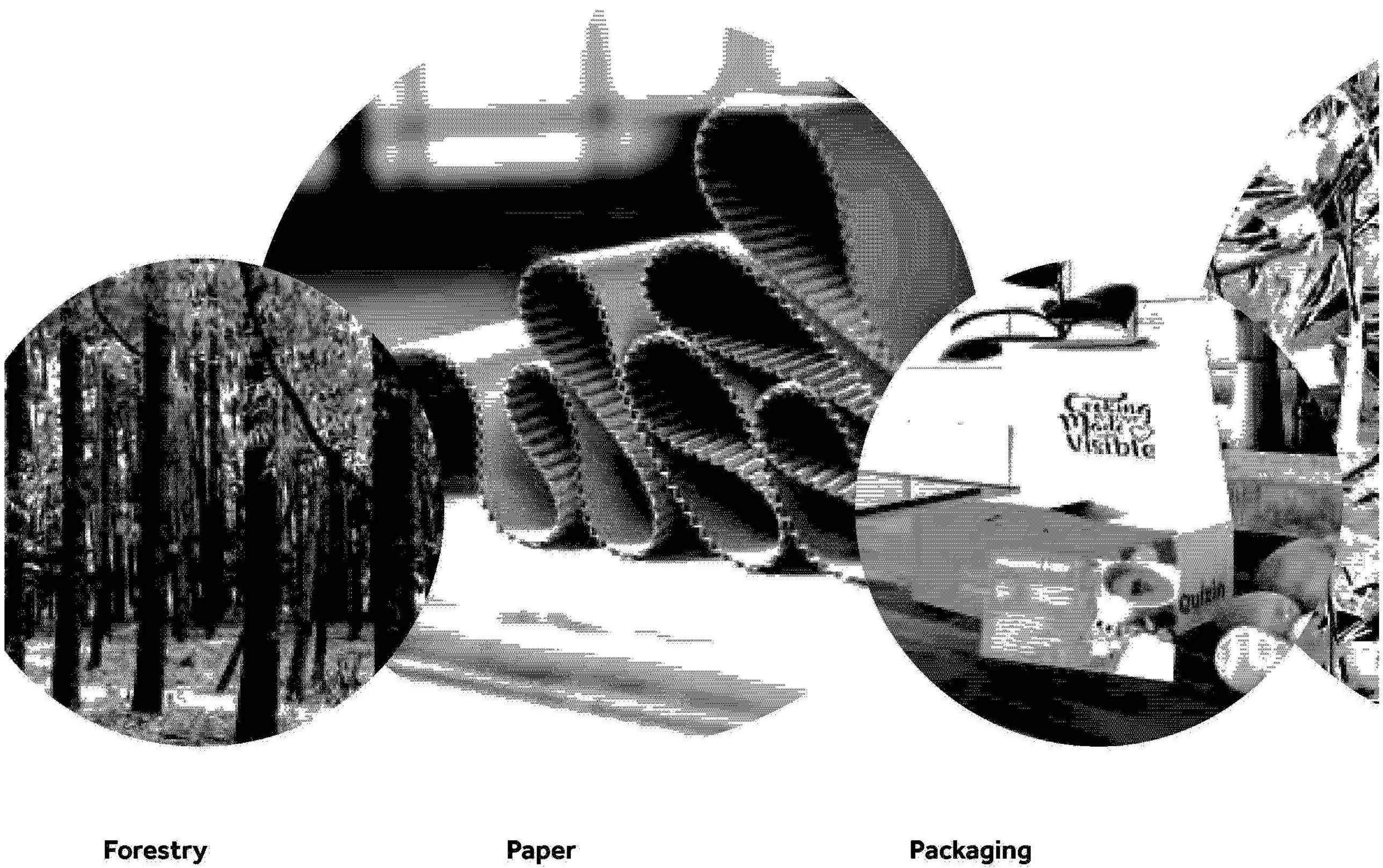


* These financial Key Performance Indicators are not defined under International Financial Reporting Standards. Further information in relation to these Alternative Performance Measures is included in the Supplementary Information section on pages 226 to 231.

What We Do

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.



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.

Paper

We manufacture a wide range of papers mainly used for packaging purposes. Our total global paper and board capacity is approximately 8.4 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 bag-in-box.



Recycling

We provide recycling solutions to ensure our customers' corrugated packaging and paper is recycled responsibly, efficiently and reliably. We handle 8 million tonnes of primarily post consumer recovered paper each year across the globe.

Our Innovative Solutions

We offer an unrivalled portfolio of sustainable packaging solutions in a selection of materials and combine innovative structural design with high-quality print to maximise brand impact and drive increased sales.

At Smurfit Kappa, innovation and impact 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 100,000 supply chains, providing a unique insight and fit-for-purpose solutions for our customers.



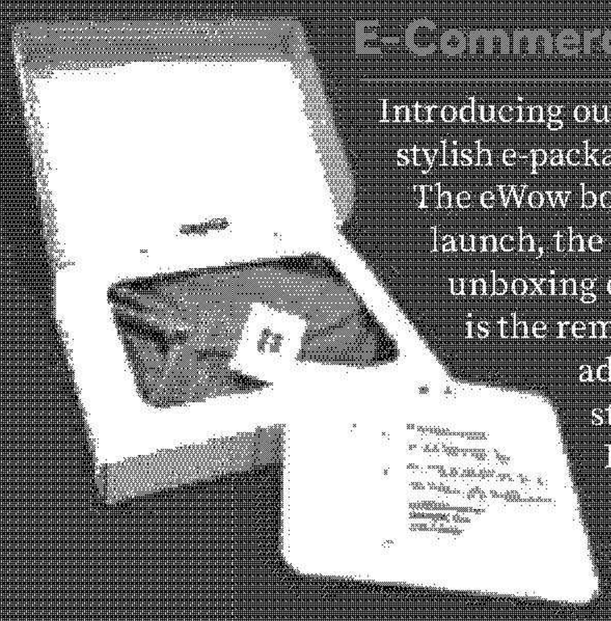
Consumer Packaging

TopLock is a sustainable, child-proof box for detergent pods and capsules. It is one example of how Smurfit Kappa is making it easier for consumers to shop more sustainably.

Industrial Packaging

Our range of corrugated and honeycomb packaging products is designed to provide optimal levels of strength and protection to meet supply chain challenges. Here is an example of a sustainable and cost efficient solution designed by Smurfit Kappa Hexacomb for Scania windscreen packaging.



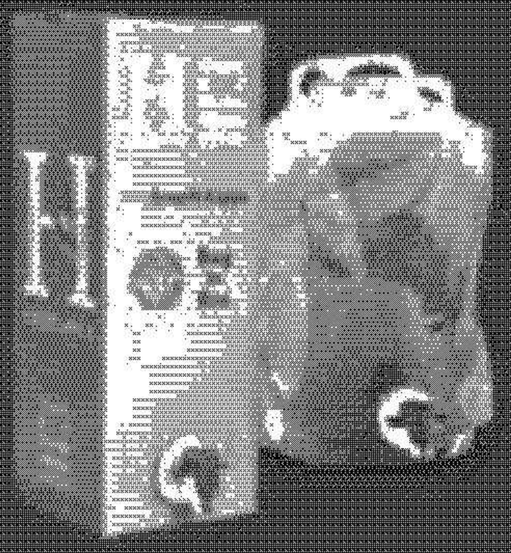


E-Commerce Packaging

Introducing our latest innovation, eWow, a sustainable and stylish e-packaging solution that enhances brand engagement. The eWow box was first designed to promote a new product launch, the design brief focused on a creating a memorable unboxing experience. The stand-out feature of this box is the removable lid inside the box which creates additional printing space to tell the product story or share sustainability information. Easy assembly and closure of the box during the packaging process also contributes to make this a 'wow' box.

Bag-in-Box®

We are proud to be one of just a few providers of complete Bag-in-Box® and Pouch-Up® products. Bag-in-Box® delivers the ideal and full solution, from films and accessories, to bags, taps and boxes, right up to the filling lines. It protects liquid products with a very effective barrier bag inside, a strong and protective paper-based outer packaging and an easy-to-use tap to dispense the liquid product.



Find out more about innovative products on **pages 10 to 13**

Where We Operate

A world leader with global presence

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

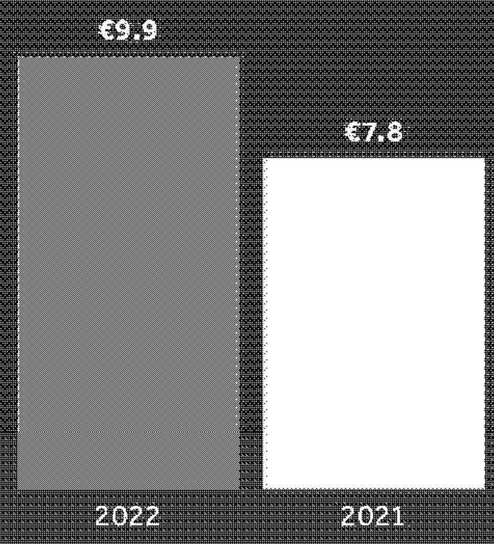
We are the European leader in the production of corrugated packaging, containerboard and bag-in-box. The Europe segment includes mills and plants that primarily produce containerboard that is converted into corrugated containers. In addition, we produce other types of paper, such as solidboard, sack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

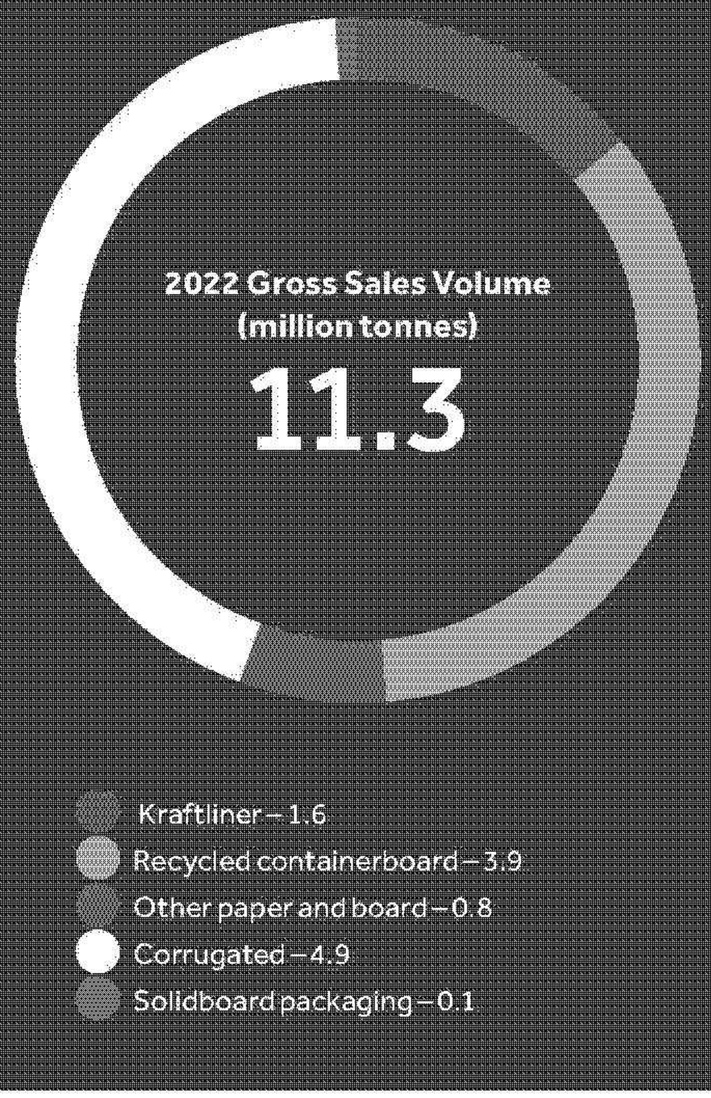
→ Read more on **page 21**



Revenue

€9.9 billion





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.

Converting Plants
243

Other Production Facilities
33

Forestry Plantations (hectares)
68k

Fibre Sourcing
46

Mills
35

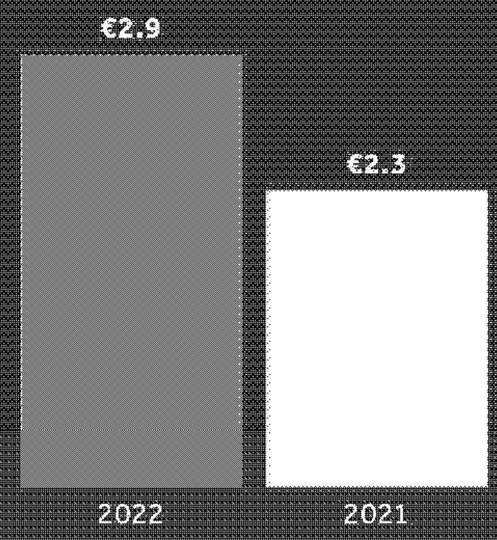


The Americas

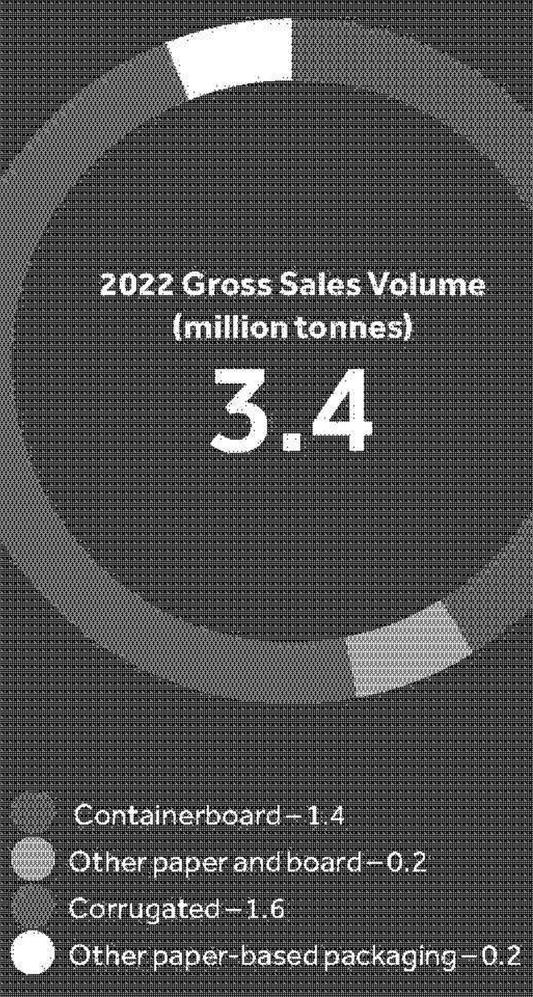
The Group's operations in the Americas comprise of a system of mills and plants that primarily produce containerboard that is converted into corrugated containers. Our operations in the Americas also include forestry; other types of paper, such as boxboard and sack paper; and paper-based packaging, such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

→ Read more on **page 21**

Revenue
€2.9 billion



2022 Gross Sales Volume (million tonnes)
3.4



Our Sustainability Commitments

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.

Better Planet 2050 ('BP2050')

Category	Climate Change	Forest	Water
Targets	**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	**>95%** packaging solutions sold as Chain of Custody certified to customers by 2025	**60%** reduction in Chemical Oxygen Demand intensity by 2025 **1%** reduction of our water usage intensity annually
Progress in 2022*	**43.9%** reduction in CO_2 emissions since 2005	**94.3%** packaging solutions sold as Chain of Custody certified in 2022	**36.9%** reduction in Chemical Oxygen Demand since 2005 **2.1%** reduction of our water usage in 2022
Link to Sustainability Strategy			
Link to Sustainable Development Goals ('SDGs')			

* For more details on our progress, please see our Sustainable Development Report 2022 which will be available on our website from the end of March 2023.

Key for Sustainability Strategic Priorities

Planet **People** **Impactful Business**

Waste

30%
reduction in waste to landfill intensity by 2025

24%
reduction in waste to landfill since 2013

Health and Safety

at least 5%
reduction in Total Recordable Injury Rate annually

13.6%
reduction in Total Recordable Injury Rate in 2022

People

25%
of management positions held by women by 2024

23.5%
of management positions held by women at end of 2022

Communities

€24 million
will be donated between 2020-2025 to support social, environmental and community initiatives

€18.4 million
donated since 2020

We create innovative and sustainable solutions for our customers

Our approach to innovation is both market and data-driven, it focuses on finding impactful solutions that can be delivered at scale. We deliver innovation to our customers in many ways, namely by, designing smarter sustainable packaging solutions, through process improvement, or by optimising supply chain efficiency.

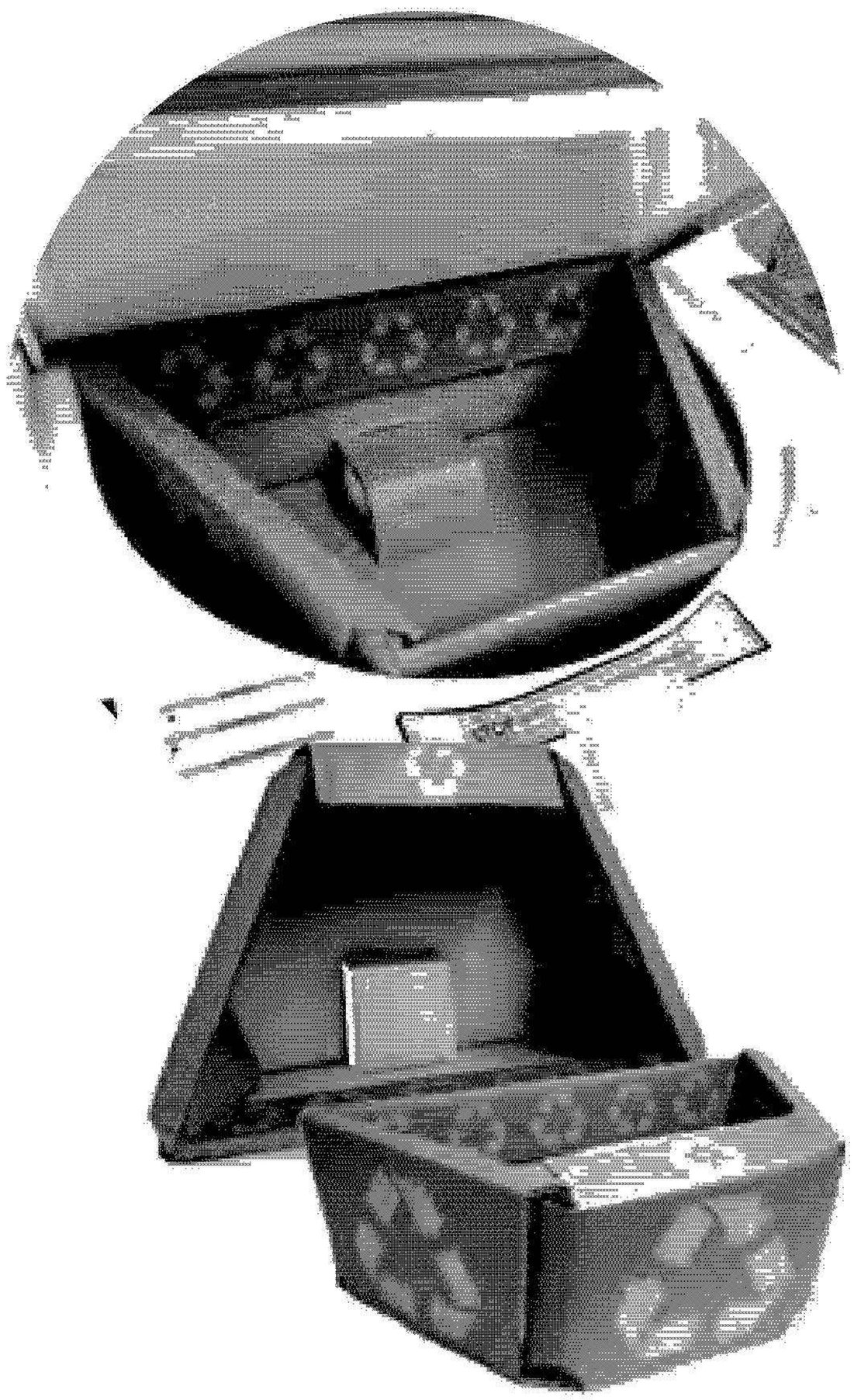
Mabe

Reducing Environmental Impact

Mexico

Mabe, a Mexico-based international appliance company, is focused on developing their products' sustainable features and adding practical solutions. Recently the company launched a series of initiatives to reduce its carbon footprint. Smurfit Kappa partnered with Mabe to develop a holistic packaging solution for their washing machine centre drum product, to replace an unsustainable packaging material, mainly expanded polystyrene, with a paper-based solution.

The Smurfit Kappa team identified the packaging functionality requirements and the most critical components of the product to protect. We designed and developed a packaging solution with 100% recyclable material, capable of containing products of two different sizes. The basket protector holds and protects the tank during transportation. It is a lightweight structure with high resistance which means less packaging is needed, resulting in cost savings in transportation and storage.



Closer Pets

E-commerce Packaging for Amazon

UK

Closer Pets is focused on pet technology to create products that keep people closer to their pets, wherever they are. Designing products for more than 30 years, Closer Pets make products to improve the quality of a pet's life and to help pet parents look after their animal friends. The Closer Pets team were working on a new project developing dog and cat automatic feeding products.

Faced with escalating production costs and shipping prices, they wanted to switch their packaging supplier. One of the main requirements for Closer Pets was for Amazon-certified packaging, so they selected Smurfit Kappa for our expertise in certified testing. The convenience of being able to conduct the testing at the Smurfit Kappa ISTA (International Safe Transfer Association) Lab in Northampton was an additional benefit, along with our experience in Amazon's Frustration-Free Packaging guidelines. The result was high-end packaging that met all of Amazon's requirements, leaving the brand free to sell via the e-commerce giant's platform confidently in the knowledge they were completely compliant.





Zebrah

Sustainable Solution for Vegan Wines

Brazil

Zebrah is a fun brand which sells Brazilian vegan wine in cans and aims to surprise customers with its excellent taste. They were looking for a new pack to hold three cans of wine for their retail channels. Why three? Because, together, the cans hold the same amount of wine as a traditional bottle. The biggest challenge was to create an innovative pack for the point of purchase which portrayed their brand values of authenticity, fun and differentiation.

To meet the customer's requirements, Smurfit Kappa developed a number of different proposals using our unique tools. The sustainable solution delivered increased sales through brand visibility at the point of purchase in retail stores and optimisation throughout the supply chain. The paper-based packaging also reflects the sustainable feel of a vegan product.



Seedlip

Premium Packaging for the World's First Distilled Non-Alcoholic Spirit

UK

Seedlip is the world's first distilled non-alcoholic spirit, that combines farming heritage with the love of nature and design. The brand pioneered a sophisticated non-alcoholic option creating a new segment in the ever-growing no and low alcohol category. Seedlip has two growing brand promises, sustainable packaging and natural ingredients.

Smurfit Kappa was delighted to partner with Seedlip to create sustainable packaging that delivers on its brand promise. Our team worked with Seedlip to create a luxury gift range, a seemingly simple project, but with the delicate design of the packaging, we needed to be creative and therefore called upon the experience of our litho printing specialists.

The collaboration and expertise of the teams was a success. Seedlip's Grove 42 gift box packaging went on to win Gold in the Harpers Design Awards.

Unilever

Our Circular Approach

Italy

Unilever partnered with Smurfit Kappa in Italy to design display solutions for their health and beauty range to be paper-based, FSC certified, 100% recyclable, and to be made with recycled raw materials. The designs also needed to capture the consumers' attention inside the store.

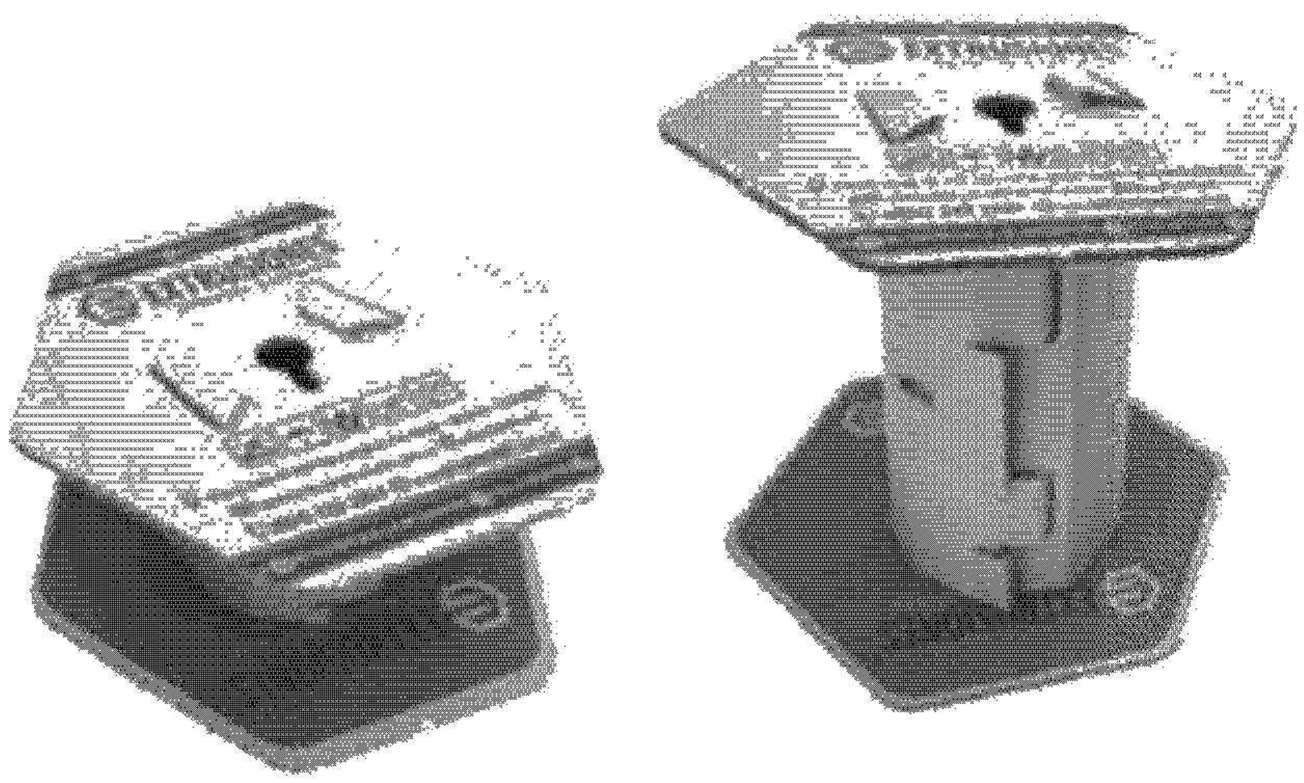
In addition, we designed the solutions to be suitable for multi-brand use, meaning the need for versatility and to be reusable. The result was a mono-material design of corrugated cardboard, comprising three standardised elements that can be combined, with customisable front designs, depending on the product to be displayed.

"With this project, we responded to two needs" explains Fabrizio Beraldi, Sales and Trade Marketing Director Beauty & Personal Care of Unilever Italia.

"On the one hand, sustainability, with the aim of reducing the environmental impact of our processes and products. On the other hand, we wanted to achieve ever greater simplification and efficiency."



"In this process, we have found a partner in Smurfit Kappa Italia who has met our needs, not only as a display supplier but also who has supported a circular approach through the collection and recycling of old display materials."



3,840 tonnes
CO_2 savings per annum

35 tonnes
reduction in plastic consumption

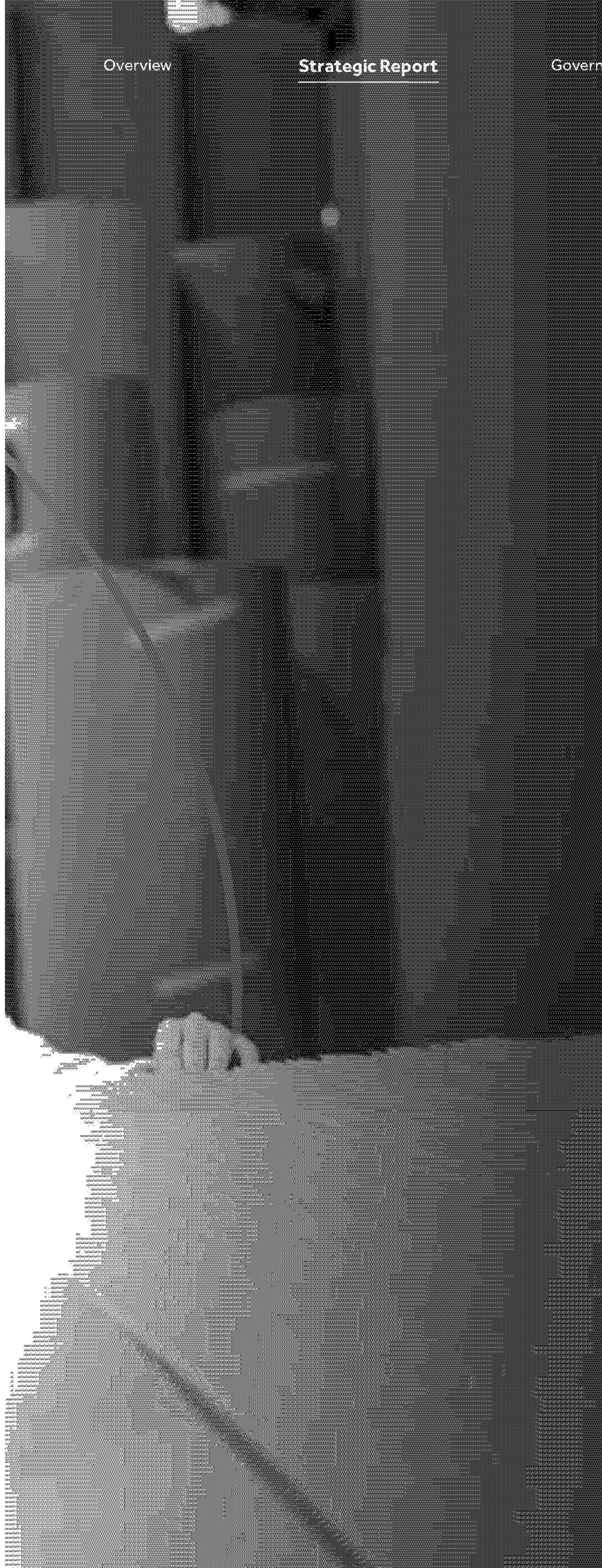
Extrusiones
Engineering a Sustainable Alternative Solution
Colombia

Extrusiones, a Colombian customised engineering solutions company, tasked us with creating a sustainable solution to replace their plastic reels. The new design needed to align with their goal of increasing the use of recyclable materials and also have a unique design to avoid competitors reusing their generic plastic product when discarded, which negatively impacted their brand image.

Our experienced design team developed a robust corrugated cardboard solution which was easy to assemble and met the high demands of the exportation process. The new reel was printed with the company logo to stand out from the competition along with relevant product information to achieve greater differentiation and brand awareness in the market. Plastic consumption was reduced by 35 tonnes, resulting in a reduction of 3,840 tonnes of CO_2 per year. In addition, this new solution delivered warehouse and supply chain savings and the additional warehouse space enabled Extrusiones to increase inventory levels and respond to growing demand.

Strategic Report 14-97

Chair's Statement	16
Group Chief Executive Officer's Statement	20
Our Business Model	24
Our Strategy	26
Key Performance Indicators	28
Risk Report	32
Finance Review	37
Stakeholders	42
Sustainability	50
People	86



Strategic investment in the UK

Smurfit Kappa UK Limited announced the acquisition of Atlas Packaging in May 2022.

Atlas Packaging, based in Barnstaple, North Devon, is well invested with a strong market presence in the UK which allows them to meet the needs of and deliver value to its broad customer base.

With a particularly strong presence in shelf ready packaging, gift boxing and the e-commerce sector, they offer an exciting and broad range of innovative products.

Eddie Fellows, CEO of Smurfit Kappa Corrugated UK & Ireland, commented: "I am delighted with this acquisition and to welcome another strong professional management team into the Smurfit Kappa organisation. The business has an established customer base across several industries and an excellent reputation."

"This acquisition has further strengthened our ability to service the UK market and our customers with innovative and sustainable packaging solutions."

Delivering on our Strategic Priorities

Chair's Statement



2022 was another highly successful year

Irial Finan
Chair

Our performance reflects the ongoing benefits of our investment programme. Together with our customer-led innovation and sustainability initiatives, this demonstrates the continued dedication of our 48,000 employees.

2022 Performance

2022 was another highly successful year for Smurfit Kappa. The Group delivered an excellent performance for 2022 set against a year of extraordinary circumstances. Revenue for the year was up 27% to €12.8 billion with EBITDA of €2,355 million, a 38% increase over 2021. Our performance reflects the ongoing benefits of our investment programme. Together with our customer-led innovation and sustainability initiatives, this demonstrates the continued dedication of our 48,000 employees. On behalf of the Board and management team, I would like to record our sincere appreciation to each and every one of our employees.

Capital Strength

The Group's balance sheet metrics are the strongest in the Group's history, providing SKG with significant strategic and financial flexibility. At the year-end, the net debt to EBITDA of the Group was less than 1.3x.

With sustainability at the core of the Group's operations, it was further embedded into the capital structure with the inaugural €1 billion dual-tranche Green Bond issued in September 2021. Building on our vision to dynamically and sustainably deliver, the Group published its first Green Bond Allocation and Impact Report, which provided details on the use of the proceeds of the 8 and 12 year Green Bonds.

In December 2022, the Group announced and successfully completed a share buyback transaction of almost 1.2 million shares to mitigate the dilution of shares issued on the vesting of awards under our Performance Share Plan earlier in 2022. The shares repurchased as part of the transaction were cancelled.

Sustainability

Sustainability is a key part of SKG's strategy. As a responsible company, operating globally, Smurfit Kappa has a product that is naturally sustainable and a circular process that is increasingly sustainable, driven by a culture with strong values of safety, loyalty, integrity and respect and our purpose to create, protect and care. 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 for the benefit of all our stakeholders based on three pillars: Planet, People and Impactful Business.

The Group delivered many sustainability achievements during 2022. In early 2022 we announced that our climate emission targets received SBTi validation as being consistent with levels required to meet the goals of the Paris Agreement. More recently, the Group was named as an industry top rated company by Sustainalytics. In addition, the evolution of our sustainability reporting continues with the publication date of the annual Sustainability Development Report being aligned with this Annual Report as well as the evolution of our Task Force on Climate-related Financial Disclosures ('TCFD'), EU Taxonomy and net zero transition plan disclosures.

The Group continued to invest in significant sustainable projects during the year. The Board had the opportunity to visit the Cali mill in Colombia before the announcement of an almost US$100 million investment in a sustainable biomass boiler which will reduce Group emissions by approximately 6%.

As the progress made in 2022 outlines, the Group's ambition is 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.

Innovation

We continue to provide innovative, circular and fit-for-purpose packaging solutions for our customers, 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 allow us to help our entire value chain, our customers, and their consumers, to reduce their carbon footprint and avoid packaging waste.

During 2022, Smurfit Kappa launched Design2Market Factory, which is a unique facility created to meet our customers need for speed and flexibility in the development and roll-out of products. This concept ensures that we can work with and respond to customer requirements quickly and at the same time have a seamless development process from packaging design through to market launch. To date this has been a very successful initiative which is redefining how we collaborate with our customers.

Some examples of our recent innovative solutions developed for our customers across Europe and the Americas are outlined on pages 10 to 13.

Board Composition

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, which includes varying perspectives and career experience as well as diversity of gender, ethnicity, nationality and age. The Board welcomed the introduction during 2022 of the new FCA Listing Rules requirement and the FTSE Women's Leader target of 40% representation in relation to gender diversity at Board level. The Board is committed to ensuring that gender diversity continues to be a focus on the Board and senior management agendas and to increasing the representation of women within senior management roles.

The Board and the Nomination Committee considered many aspects of Board refreshment during the year.

In October 2022, Kaisa Hietala was appointed as Senior Independent Director by the Board, succeeding Gonzalo Restrepo.

In December 2022, we announced that John Moloney who has served on the Board since 2013 and Gonzalo Restrepo who has served on the Board since 2015, would not be seeking re-election at the forthcoming Annual General Meeting ('AGM') and will retire from the Board on that date. On behalf of the entire Board, we extend our sincere appreciation to John and Gonzalo for their respective contributions to Smurfit Kappa over the last number of years.

As a result of these changes and to ensure an orderly succession for the Committees of the Board, the following Chair designates have been appointed: Jørgen Buhl Rasmussen will succeed John Moloney as Chair of the Remuneration Committee, Anne Anderson will succeed Gonzalo Restrepo as Chair of the Nomination Committee and Kaisa Hietala will succeed Jørgen as Chair of the Sustainability Committee.

Since the year-end, on 5 January 2023, the Board was delighted to appoint Mary Lynn Ferguson-McHugh as an independent Non-executive Director of the Group. Mary Lynn is a former senior Procter & Gamble executive who retired in 2021 following over 35 years with the company and is also an independent Non-executive Director of Molson Coors Beverage Company since 2015. She brings significant global operational experience and fast-moving consumer goods knowledge to the Board. On her appointment, Mary Lynn joined both the Audit Committee and Remuneration Committee.

At the conclusion of the forthcoming AGM, the Board will be comprised of 11 Directors, subject to shareholder approval of the election and re-election of the Directors. For further details on the election and re-election of Directors, please see page 110. This will include five 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.

Chair's Statement continued

As part of the ongoing development of the Board, for both new and existing Non-executive Directors, a training and development programme continued throughout 2022 with sessions that included specific business areas, innovation, cyber security and governance.

Governance and Oversight

The 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 2022, 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 our stakeholders. Details of this are included throughout this Annual Report 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 Sustainability 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 including details of our high level of employee interaction during the year and commentary from the Chair of the Sustainability Committee, Jørgen Buhl Rasmussen, is included on page 45.

Following the very limited opportunity to travel over the last two years due to the COVID-19 pandemic, I was very pleased to be able to visit many of our operations in Europe and the Americas during 2022, and to report back to the Board on my experiences including my engagement with employees. During the second quarter, I spent time visiting our operations in Spain including our corrugated plants in Madrid, Alicante and Valencia, our mill near Bilbao and our bag-in-box facility in the south of the country. In July 2022, I spent over a week travelling across Colombia visiting our various operations. I was joined for part of the visit by the full Board who had the opportunity to visit our mill in Cali, our corrugated plants in Bogota and Cali, and our sack plant in Palmira. In October 2022, I visited a number of our plants in Northern Italy including the Asti and Vignate corrugated plants, our Orsenigo folding carton plant, as well as our bag-in-box facility. In addition, the full Board travelled to Italy to visit our recent acquisition Verzuolo, a recycled paper mill in Northern Italy. As part of these visits, we were delighted to once again have the opportunity to meet face-to-face with management and employees and to experience first-hand the Group's operations in these countries.

In addition to the plant visits, I attended two in-person regional conferences in Miami and Vienna in September 2022, attended by over 500 people collectively, representing the leadership communities in our Europe and Americas regions. I was delighted to participate in a session on the Group's Chairs, past and present, which included interviews with our former Chairs, Dr Michael Smurfit and Liam O'Mahony. I also participated in a fire-side chat and a Q&A session with all of those in attendance and was delighted to have the opportunity to engage with so many of the leadership team.

We recognise that a central element to our continued success is the quality of our people and therefore supporting and developing the culture and practice of talent management in the organisation is essential. In 2022, we have continued to focus on ensuring that we have the right people in the right place and at the right stages of development to fill critical positions as they become available. Our approach to talent has delivered many leaders for the organisation, who have built successful careers over many years, with an average tenure of 22 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 an important source of development for our people. In addition to our existing well-established programmes, during the year, we expanded our offering with a new programme, SK Rise, to support female talent. We also embarked on a new partnership with Harvard Executive Education in Boston where a select number of senior executives attended an executive development programme in line with their development plans and succession planning requirements. For further details on our development programmes see page 88.

In April 2022, the entire workforce was invited to participate in EveryOne Discovery, a global online confidential employee Inclusion, Diversity and Engagement ('ID&E') Discovery survey. This initiative, which was deployed in

Case Study

Creating a Culture of Learning

Dominican Republic

Villa Agrícolas is a neighbourhood which is known for being one of the most violent areas in Santo Domingo. In the last registered census, which was conducted in 2010, Villa Agrícolas was the most under-resourced urban neighbourhood with the largest population growth. Since then, thousands of people from Haiti have migrated and settled in this area.

When the Smurfit Kappa Foundation considered contributing to creating a suitable learning environment in the Villa Agrícolas neighbourhood, and instilling in children the love of knowledge, we were aware that we would also be protecting a vulnerable population and improving their lives for the long-term.

In 2003, the Abriendo Caminos Foundation in the Dominican Republic was created as a centre where children, young adults and their families could access educational and recreational activities. The objective has always been to reinforce and elevate their talents and knowledge, helping them prepare to begin, or remain within the educational system.

21 languages across the countries we operate in, provided us with real time feedback from employees across our five ID&E communities: Disability; Family & Age; Gender; LGBTQ+ & Allies and Origin, Race & Ethnicity. Participation in the survey was voluntary with almost 8,000 respondents taking part and providing us with over 9,000 comments, which will help drive the Group's ID&E strategy into the future. Read more in the People section on pages 92-93.

Stakeholder Engagement

The Group and the Board have a continued focus on stakeholder engagement to ensure we build a culture that fosters engagement and enables us to develop successful relationships with our stakeholders. In addition to the further enhanced engagement with our workforce as set out above, we continue to work collaboratively with our customers, suppliers, shareholders and the communities in which we operate.

In May, the Group hosted its biggest ever virtual event where we shared Smurfit Kappa's vision for packaging to be truly circular. The purpose of this event was to help our customers understand the steps involved in effectively transitioning to circular packaging and how to align their packaging decisions with specific EU Green Deal packaging commitments.

During the year, we continued to build and maintain transparent and long-term relationships with our suppliers. This partnership approach enables us to work together on sustainability improvement processes and provides the opportunity to carry out audits on compliance with our sustainable supply chain standards and work together to improve sustainability in their business where any shortcomings are identified.

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.

We remained deeply committed to our local communities during 2022, despite another challenging year, our teams across the world continued to donate their time, effort and expertise to make a positive and lasting impact on their local communities. In 2022, 8,700 of our colleagues participated in 173 initiatives across 24 countries. We have committed to continuing this work as part of our Better Planet 2050 targets and have committed to donate €24 million between 2020 and 2025.

The Smurfit Kappa Foundation, a registered charity in Ireland, redefined and expanded its purpose during 2022 to financially support sustainable projects that positively impact the lives of underprivileged people in the areas of health and nutrition, education and basic care, thus helping to reduce the inequalities that exist. In 2022, Lourdes Melgar, one of our Non-executive Directors, became an advisor to the Smurfit Kappa Foundation, bringing her experience from her other charitable and not-for-profit roles.

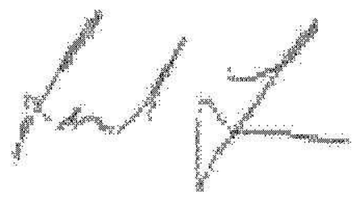
Further details on stakeholder engagement in 2022 is outlined on pages 42 to 49. In the period ahead, my continued focus as Chair will be on the further development of engagement with our key stakeholders.

Dividends

Dividends remain a central component of the Group's objective to deliver value for our shareholders. Our progressive dividend policy recognises the importance of dividends to our shareholders. The Board is recommending a 12% increase in the final dividend to 107.6 cent per share, subject to the approval of shareholders at the AGM in April 2023. This in combination with the interim dividend of 31.6 cent per share paid in October 2022 will deliver a total dividend of 139.2 cent per share for 2022. This further increase in the dividend reflects our confidence in the strength, quality and performance of the Smurfit Kappa business.

Outlook

While there are and always will be challenges, the Group has never been in better shape strategically, financially and operationally. We have put ourselves in a position with the steps that we have taken and continue to take, to deliver high quality performance and to take advantage of the many opportunities we see around us.



Irial Finan
Chair



Over the past five years, the Smurfit Kappa Foundation has contributed to the improvement of the centre's infrastructure and the upgrade of its educational tools. Initially, we worked together on the remodelling of their library and in 2022, a robotics laboratory was installed for the vocational training of young people. Over 100 children will work with an expert facilitator who will provide technical professional training courses, creating an interest in technology and developing new skills which will help facilitate their continued education, and pave the way for their bright futures. Smurfit Kappa Dominican Republic will continue to co-partner with the Abriendo Caminos Foundation in the development of integral education programmes.

Group Chief Executive Officer's Statement



SKG has never been in better shape strategically, financially and operationally

Tony Smurfit
Group Chief Executive Officer

Set against a year of extraordinary circumstances, 2022 was another highly successful year for the Smurfit Kappa Group. SKG's integrated model together with our geographic spread continue to deliver for all stakeholders.

2022 Overview

Revenue for the year increased by 27% to €12.8 billion. EBITDA for the full year was €2,355 million, a 38% increase over 2021, with an EBITDA margin of 18.4%, ROCE of 21.8% and a net debt to EBITDA of less than 1.3x. Our balance sheet metrics are the strongest in the Group's history, providing SKG with significant strategic and financial flexibility.

For the full year, box volumes for the Group were down less than 2%. The rate and pace of inflation clearly had a negative effect on the demand environment in 2022. This coincided with the partial reversal of the unsustainably high demand levels seen through the pandemic period. This slowdown was particularly evidenced in the latter part of the year, especially in the month of December, where we saw stock reductions and downtime taken by customers. In our European business, box volumes were down 2% year-on-year. While two of our larger countries, Germany and the UK, performed below our expectations, others such as France and Spain, were less affected. Box volumes in the Americas for the full year were broadly flat year-on-year, excluding acquisitions, with growth in Mexico, Colombia, Brazil and Argentina offset by a weaker performance in our North American business.

The year was characterised by unprecedented cost inflation, especially in energy, which moderated in the latter part of the year. As illustrated by our performance in 2022, the Group has successfully navigated this environment.

In 2022, we invested close to €1 billion to support our customers and capitalise on the long-term demand growth drivers. We also continue to make progress towards our sustainability goals with investments to reduce our carbon footprint, reduce our impact on the environment and help our customers achieve their own carbon reduction and sustainability goals.

The Group continued to expand its geographic footprint and product portfolio through acquisitions in 2022. In Europe, we purchased operations in Spain and the UK while in the Americas, we acquired operations in Argentina and Brazil.

Europe

The Europe segment is the larger of the Group's two segments, accounting for 77% of its revenue and 78% of its EBITDA in 2022. 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, machine glazed ('MG') and graphic paper; and other paper-based packaging, such as honeycomb, solidboard packaging and 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), 184 converting plants (the majority of which produce corrugated packaging products) and 28 other production facilities carrying out related activities. The mills are supported by 19 recovered fibre collection facilities, three other conversion 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 sold approximately 1.6 million tonnes of brown and white kraftliner in 2022, while our 15 recycled containerboard mills sold over 3.9 million tonnes of paper in 2022.

We also have two virgin fibre-based mills in Spain, which in 2022 sold approximately 146,000 tonnes of sack kraft paper and approximately 84,000 tonnes of MG paper. In 2022, our three recycled containerboard mills in Germany together sold approximately 326,000 tonnes of solidboard and boxboard and approximately 74,000 tonnes of graphicboard. The Parenco containerboard mill, in the Netherlands, sold 208,000 tonnes of graphic paper in the year.

On the conversion side, the operations comprise 44 sheet plants and 109 corrugated plants which sold approximately 9.6 billion square metres (4.9 million tonnes) in 2022. In addition, we have 31 plants which produce high-end innovative 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 nine plants located in Europe, Argentina, Canada, Mexico and the United States.

Our European business delivered a strong performance with a 42% increase in EBITDA to €1,846 million for the year. The EBITDA margin was 18.6%, up from 16.6% in 2021, reflecting the impact of higher paper and corrugated prices partly offset by higher energy, recovered fibre and other raw material costs. Corrugated box volumes were down 2% in 2022 against a strong prior year comparative, with a slowdown in our German and UK markets in particular being partly offset by a more robust performance in countries such as France and Spain.

Our European business continued to build on its strong operating platform in 2022 with a number of projects across our paper and corrugated divisions. We have approved projects in our Facture, Nettingsdorf, Parenco, Piteå and Verzuolo mills which will reduce cost, increase efficiencies and improve the Group's sustainability footprint. In our corrugated division, we are investing across the region in the latest high-tech and energy efficient machinery, including new corrugators, converting machines and facility expansion projects, which will allow us to increase production, reduce our environmental footprint and expand the range of high-value, innovative and sustainable packaging solutions that we offer our customers.

The Group also announced an investment in its first Moroccan facility, along with the acquisition of a corrugated business in the UK and a bag-in-box plant in Spain.

On 1 April 2022 the Group announced that it would exit the Russian market in an orderly manner and subsequently announced that it had entered an agreement to sell its Russian operations to local management. The completion of the transaction is conditional on regulatory approval being obtained from the Russian authorities which remains outstanding.

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, the United States and Canada, also comprises forestry; other types of paper, such as boxboard and sack paper; and paper-based packaging, such as folding cartons, honeycomb and paper sacks.

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 sales volume of 1.6 million tonnes in 2022. The mills are

Further information in relation to Alternative Performance Measures referenced in this Statement is included in the Supplementary Information section on pages 226 to 231.

supported by 25 recovered fibre facilities in seven countries and forestry operations in Colombia. We have 42 corrugated plants in ten countries, including the plants acquired in Argentina and Brazil during the year, with 2022 sales volume of approximately 2.7 billion square metres (1.6 million tonnes).

We also have 14 other converting plants in six countries, producing mainly paper sacks or folding cartons, a preprint facility and three foam packaging plants in Mexico and a packaging solutions facility in North America. The Group's Americas business continues to be a region of geographic diversification, high growth and significant opportunity.

EBITDA increased by 25% on 2021 to €553 million. The EBITDA margin was marginally lower at 19.0% in 2022, compared to 19.5% in 2021 with Colombia, Mexico and the US accounting for over 80% of the region's earnings. Box volumes in the Americas, excluding acquisitions, were broadly flat year-on-year, again compared with a very strong prior year comparative.

The Group continued to invest in its Americas business in 2022 with significant capacity and sustainability related investments in the corrugated, containerboard and speciality businesses in Central America, Argentina, Colombia, Mexico and the US, along with many smaller projects spread across the region. During the year, we also acquired corrugated packaging plants in Argentina and Brazil, expanding both our footprint and customer offering in these attractive growth markets.

Capital Structure

Net debt was €2,992 million at the end of December 2022, resulting in a net debt to EBITDA ratio of 1.3 times compared to 1.7 times at the end of December 2021. With net debt to EBITDA at 1.3 times, the lowest in the Group's history, the strength of the Group's balance sheet continues to secure long-term strategic and financial flexibility.

During the year, the Group published its first Green Bond Allocation and Impact Report, which provides details on the use of proceeds of its inaugural €1 billion dual-tranche Green Bond issued in September 2021. With interest rates of 0.5% and 1.0% respectively for 8 and 12 year maturities, these coupons were not only the lowest in the Group's history but also the lowest achieved for a corporate issuer in our rating category.

Sustainability

The Group began 2022 strongly with the announcement of SBTi validation of its emissions reduction targets being consistent with levels required to meet the goals of the Paris Agreement and we continued to make strong progress across our sustainability targets throughout the year. The progress made was built upon the achievements outlined in our 2021 annual Sustainable Development Report published in April 2022 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 June 2022, the Group reached another important milestone with the completion of a large-scale sustainability project in our Zülpich mill in Germany, which significantly reduces the mill's CO_2 emissions by 55,000 tonnes or 2% of the Group's emissions annually. The Group also invested US$23.5 million to upgrade its Nuevo Laredo sheet plant in Mexico to become a fully integrated corrugated plant. The investment includes a state-of-the-art corrugator and extension of the building. The new machine will double production capacity while also reducing CO_2 emissions by up to 40% at the plant.

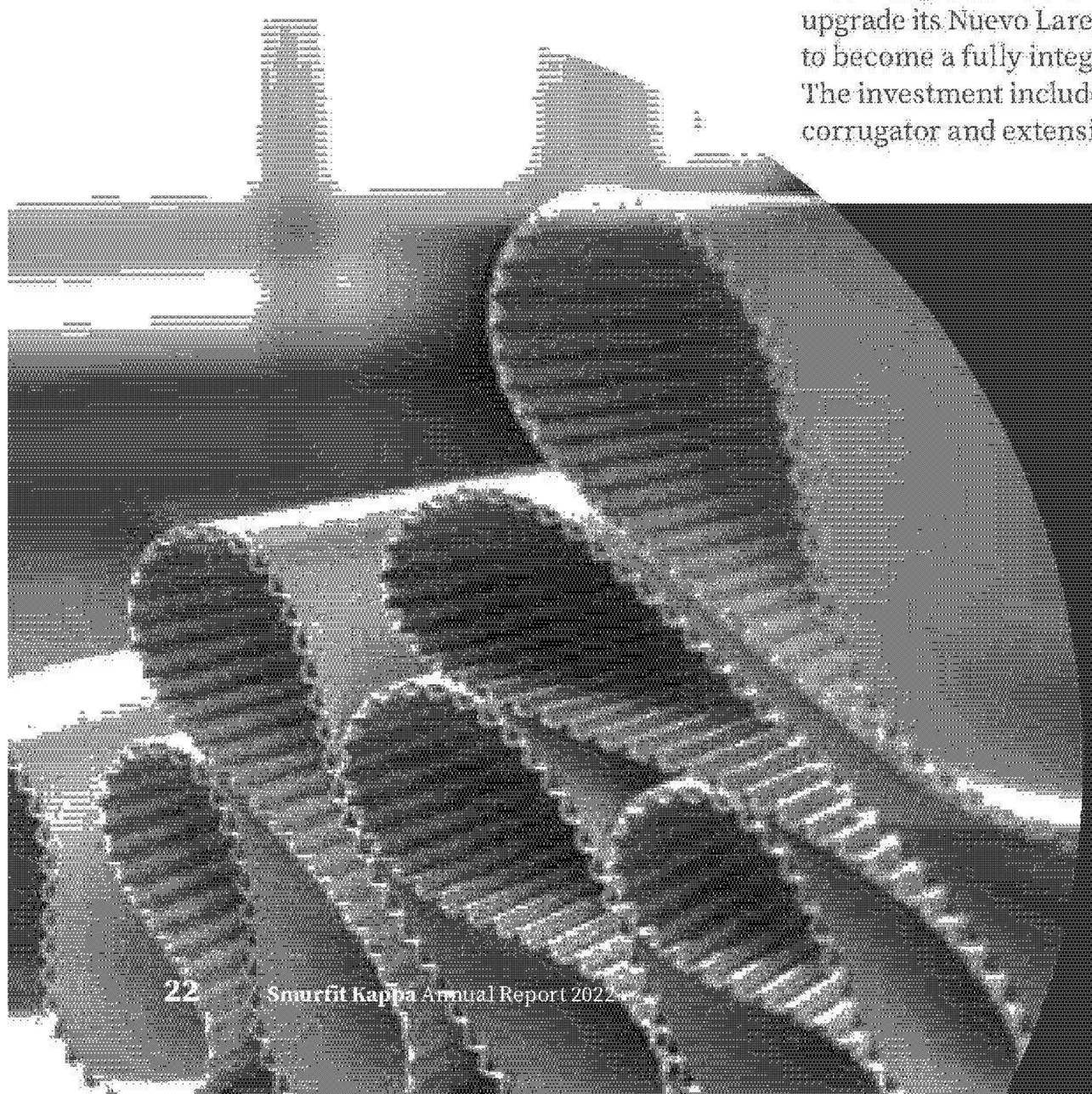
In August 2022, following on from the €134 million installation of a heat recovery boiler at the Group's Nettingsdorf paper mill in Austria, which reduced emissions by 40,000 tonnes, the mill launched a sustainable district heating project. The production process will generate up to 25 megawatts of heat that will save approximately 21,000 tonnes of CO_2 while also providing heat to local businesses and schools and benefit 20,000 homes across three communities.

In October 2022, the Group announced an almost US$100 million investment in a sustainable biomass boiler at our paper mill in Cali, Colombia, which will reduce our global Scope 1 and Scope 2 CO_2 emissions by approximately 6%. This ambitious project is the latest example of the circularity that permeates every aspect of the Group's operations as we find another use for our own organic waste and transition away from fossil fuels.

Throughout 2022, we have continued to focus our efforts on delivering a positive impact for our customers and other stakeholders and on 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. Further details on the progress, developments and investments in sustainability in 2022 are outlined throughout this Annual Report and in the Sustainability section on pages 50 to 85.

Commercial Offering and Innovation

The Group's leadership in innovation and unrivalled market offering is a defining characteristic of our business. With over 1,000 designers across the Group, supported by a network of laboratories, design facilities and unique applications, we continued to deliver the most innovative and sustainable



Case Study

Investing in Morocco

Smurfit Kappa is investing €35 million for the construction of a new packaging plant in Morocco. Located in Rabat and covering an area of 25,000m², it will enable us to supply innovative and sustainable packaging solutions quickly and efficiently to local customers.

Construction of the state-of-the-art plant began in May 2022 when the first stone of the foundations was laid at an official ceremony.

The plant will create packaging for sectors including industrial, agriculture, FMCG, automotive, pharma and ceramics and serve both local customers and multinationals based in Morocco. In a market where the demand for corrugated packaging currently exceeds supply, the new plant will play an important and strategic role.

packaging solutions for our customers, helping them to increase sales, reduce costs, eliminate plastics and other less sustainable substrates, protect their brand and mitigate risk in their supply chains.

The Group demonstrated this leadership by winning eight WorldStar awards across a host of categories including e-commerce solutions, bag-in-box, transport packaging with plastic protection replacement and innovative food and beverage packaging with the winning products originating from the Czech Republic, Poland and Spain.

During the year, the Group launched our new Design2Market Factory, which provides customers with a tangible packaging prototype that can be tested with consumers and subsequently refined and honed before moving to large-scale production.

Continuing to innovate for our customers, the Group developed and launched AquaStop™, a sustainable water-resistant paper. Designed to withstand exposure to water without being damaged, it is suitable for the more complex and demanding supply chains and can be recycled in the same way as standard paper-based packaging. The Group also launched the child-proof TopLock Box for detergent pods and capsules, offering a 40% carbon footprint reduction compared to the traditional rigid plastic alternative.

Additionally, the Group launched two unique e-commerce portfolios to capitalise on the growth of the online sale of flowers and wine. The eFlower portfolio is a fully customisable collection of nine packaging solutions ideal for shipping bouquets and potted plants, offering full protection for the delicate contents and a unique unboxing experience. The wine sector has also seen a significant increase in online sales since the beginning of the pandemic in 2020. SKG's new wine multi-pack solution which holds Amazon's coveted 'Frustration-Free Packaging' certification, was introduced to reduce over-packing, improve the consumer experience and enhance sustainability.

The Group won 21 awards for its creative and innovative packaging solutions at the year's Flexographic Industry Association ('FIA') UK awards. Since 2013, Smurfit Kappa has received over 130 FIA awards, consolidating its industry-leading position in the packaging sector.

Furthermore, the Group was recognised as a top employer again in 2022 and achieved various honours for its environmental credentials alongside awards for packaging design, innovation and sustainability, with 74 awards in total in 2022.

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

Our People

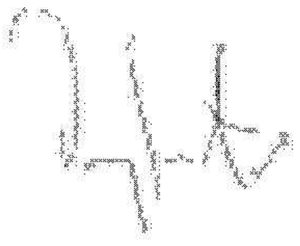
Our people are, and always will be, at the heart of our performance. In 2022, we have again delivered against all key performance measures. This is due to our dedicated and loyal employees who strive to deliver successfully for all our stakeholders. The commitment of our people to our core values of safety, loyalty, integrity and respect is what we believe truly differentiates our Company from all others in the sector.

The average tenure amongst our senior management team is 22 years, which demonstrates their experience and commitment to the Group, but this is a two-way commitment. We continue to put in place the most advanced bespoke programmes for training and development to ensure that our people become part of the culture that differentiates us. As a company, we are passionate about maintaining our culture through openness and meritocracy.

We are immensely proud of the work of the Group and its employees in supporting many different social programmes across the world. This includes our support for the Ukrainian people both within and outside of Ukraine. When the war in Ukraine began in early 2022, we immediately focused our attention on helping colleagues directly impacted by the conflict, as well as the wider population affected in Ukraine. We donated almost €2.4 million to fund various local initiatives including re-location and accommodation of our employees who are Ukrainian and their families. We also supported local charities involved in the humanitarian efforts and provided funds to the International Red Cross. Additionally, we continue to invest in the communities in which we operate through programmes in health, education and environmental protection while our employees devote time and energy to social projects.

I would like to acknowledge the effort and commitment of all our employees in the 36 countries in which we operate for their significant contribution to the results achieved in 2022. We look forward to continuing our efforts to make SKG the safest and most customer-focused company in which to work in our industry and to delivering for all our stakeholders.

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



Tony Smurfit
Group Chief Executive Officer

Saverio Mayer, CEO of Smurfit Kappa Europe, said: "We are very proud to announce the construction of this advanced new facility, the first of its kind owned by the company in Morocco. It will be located in an area with significant growth potential and create 300 direct and indirect jobs in the region."

Ignacio Sevillano, CEO of Smurfit Kappa Spain, Portugal and Morocco, added: "We are delighted that the first stone has been laid – an important milestone for the project. This investment is a reflection of our 'think global, act local' approach which combines our global scale and expertise with our local team's best-in-class knowledge to understand and satisfy our Moroccan customers' needs.

"The new plant will also incorporate an Experience Centre, our 30th worldwide, which will foster enhanced collaboration with our customers and provide creative ideas and insights."

The new facility is expected to be operational in early 2023.

We are a packaging leader in a growth industry

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

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.

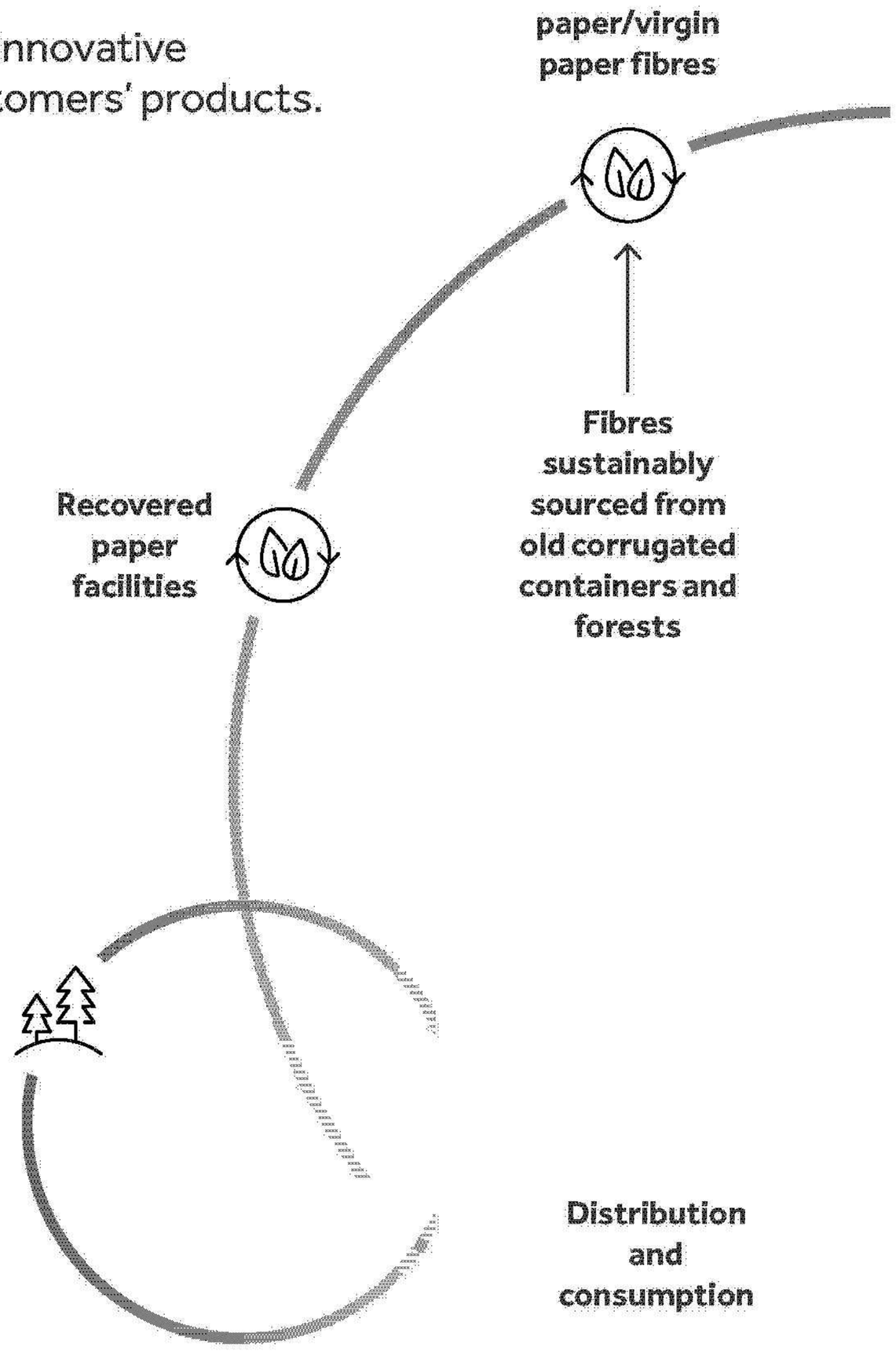
End-to-End Sustainability

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 **pages 50 to 85**

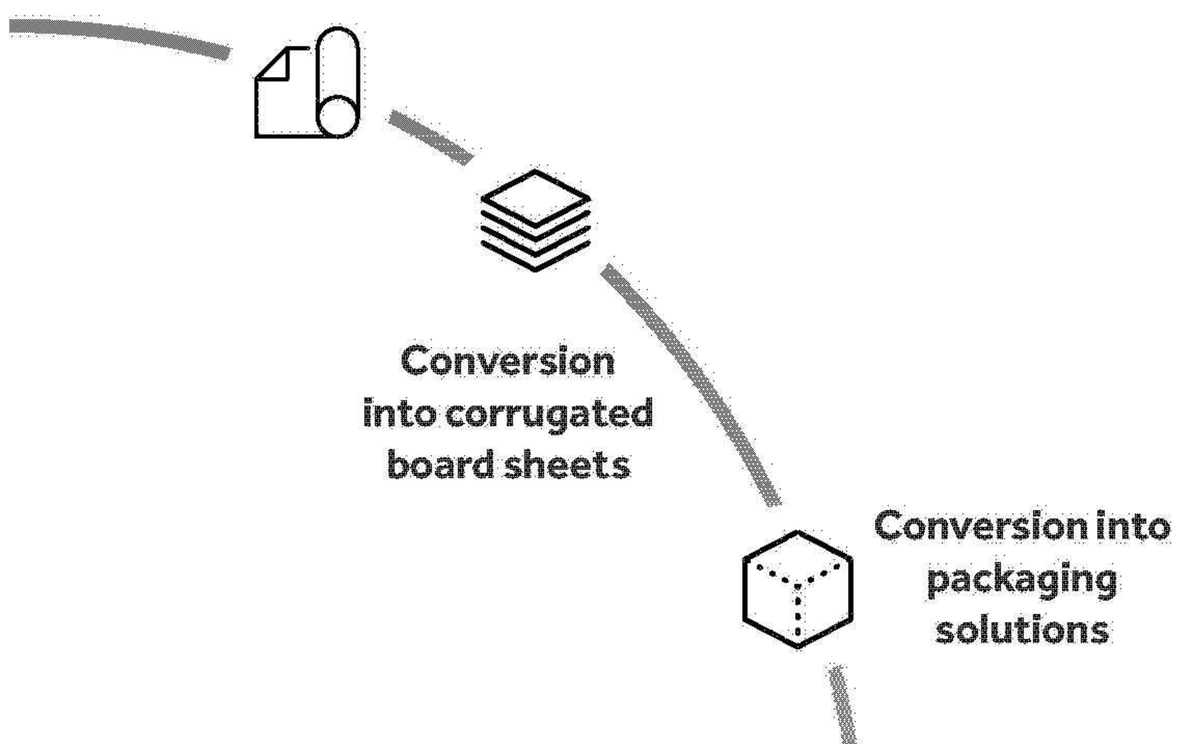


Our Values

Underpinning our business model are our four values which guide the decisions we make.

- Safety
- Integrity
- Customers
- Employees

Value Delivered for our Stakeholders



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 Innovative Solutions on **pages 10 to 13**

Loyalty

Respect

You can read more about our Strategic Framework on **pages 2 to 3**

Investors

Suppliers

Communities

You can read more about this in the Stakeholder Engagement section on **page 42**

Our Strategy

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.

Strategic Priorities

Market Position

Description

Expand our market positions in Europe and the Americas through selective focused growth.

Objectives

- 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 20 to 23**

Partner of Choice

Description

Become the supplier/ partner of choice.

Objectives

- 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 10 to 13**

Operational Excellence

Description

Enhance our operational excellence through the continuous upgrade of our customer offering.

Objectives

- 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 20 to 23**

Our Strategy in Action



Case Study page 15

Strategic Investment in the UK



Case Study page 98

Expanding Operations in Brazil

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

Investment in People

Recruit, retain, develop and motivate the best people.

- 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 86 to 97**

Capital Allocation

Maintain a disciplined approach to capital allocation and maintain the focus on cash generation.

- Maintaining investment grade credit ratings;
- 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 37 to 41**

Outlook

Driven by strong secular trends such as e-commerce and sustainability, the outlook for our industry remains 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 continue to build a platform for durable growth to meet customer demand.

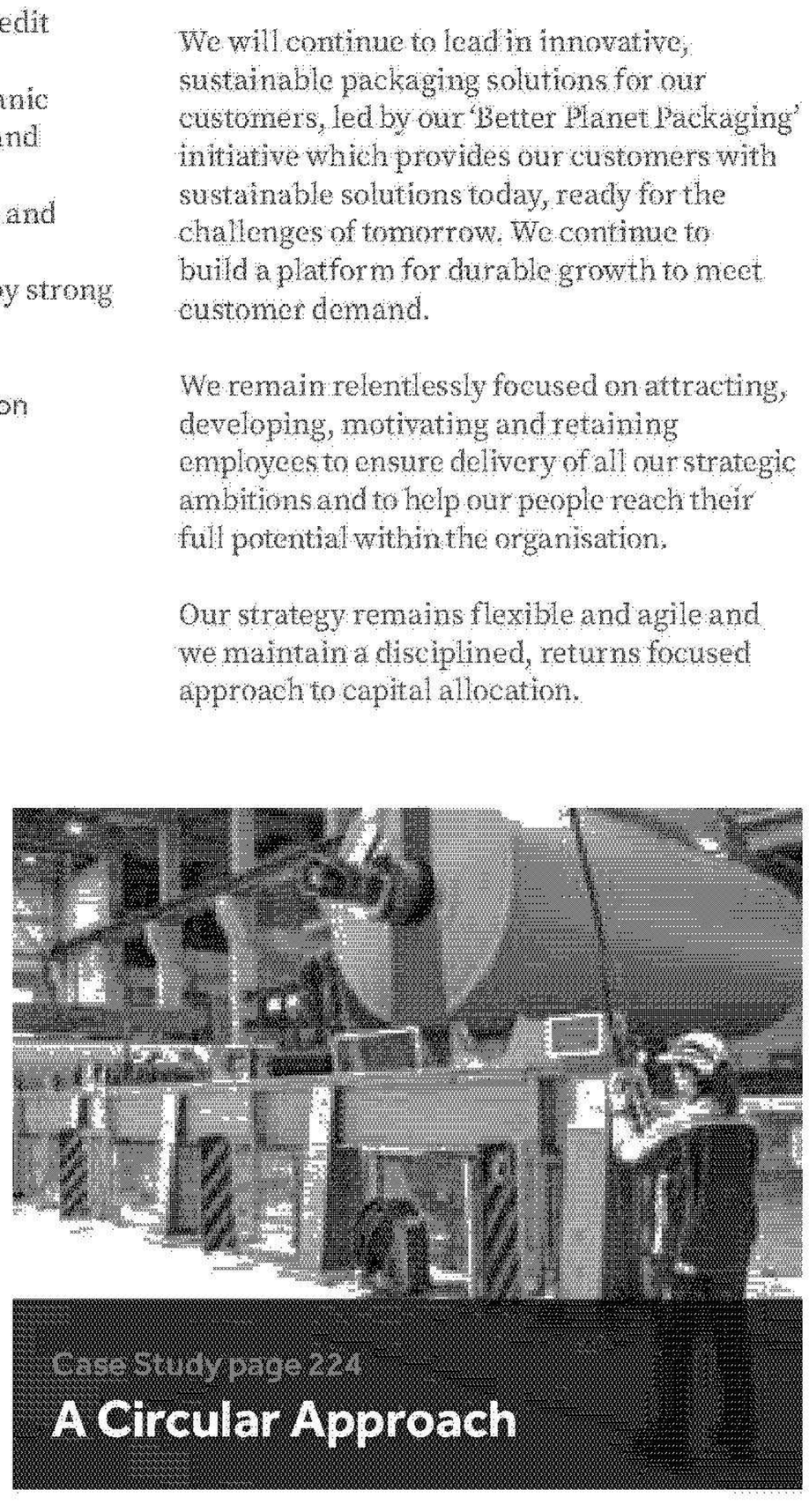
We remain relentlessly focused on attracting, developing, motivating and retaining employees to ensure delivery of all our strategic ambitions and to help our people reach their full potential within the organisation.

Our strategy remains flexible and agile and we maintain a disciplined, returns focused approach to capital allocation.



Case Study page 148

Reduce Emissions in Colombia



Case Study page 224

A Circular Approach

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)

€2,355

2021: €1,702



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

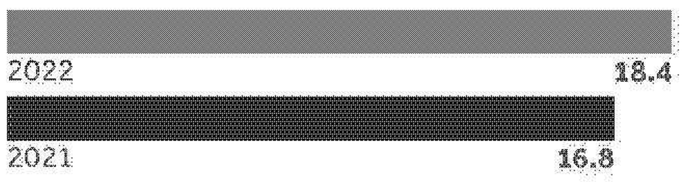
Performance

EBITDA for 2022 was €2,355 million, €653 million up on 2021. 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* (%)

18.4

2021: 16.8



Description

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

Strategic Priorities

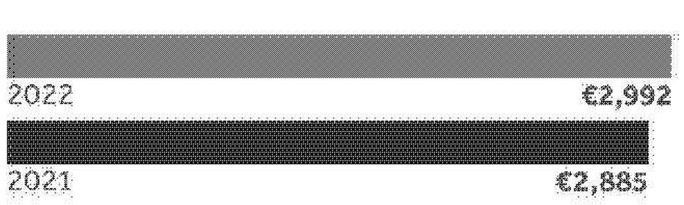
Performance

EBITDA margin was 18.4% in 2022 compared to 16.8% in 2021. In Europe, our overall margin increased from 16.6% in 2021 to 18.6% in 2022. In the Americas, our margin decreased from 19.5% in 2021 to 19.0% in 2022.

Net Debt* (million)

€2,992

2021: €2,885



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 €2,992 million at December 2022 compared to €2,885 million at December 2021. The year-on-year increase of €107 million reflected free cash flow of €545 million for the year, more than offset by outflows in respect of dividend payments, the purchase of businesses, the impairment of cash balances in our Russian operations, the share buyback 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 226 to 231.

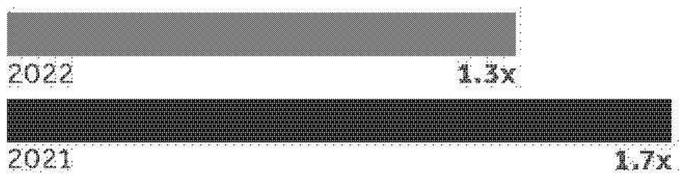
Key for Strategic Priorities

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

Net Debt to EBITDA* (times)

1.3x

2021: 1.7x



Description

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

Performance

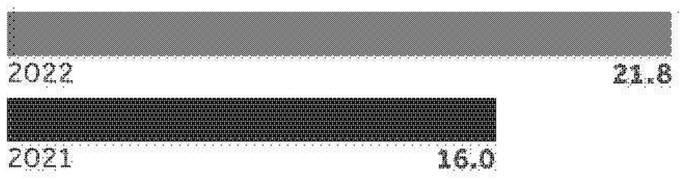
With net debt of €2,992 million and EBITDA of €2,355 million, our leverage ratio was 1.3 times at December 2022 compared to 1.7 times at December 2021. The Group is operating below its target leverage range of 1.5x to 2.0x.

Strategic Priorities

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

21.8

2021: 16.0



Description

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

Performance

ROCE at December 2022 was 21.8%. With a higher level of operating profit partially offset by a higher level of average capital employed, our ROCE increased from 16.0% at December 2021.

Strategic Priorities

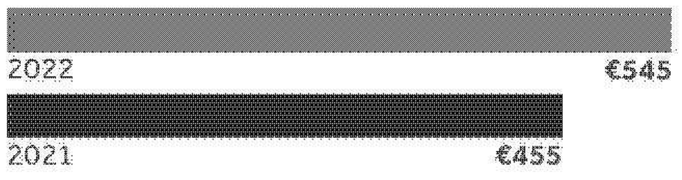
Link to Remuneration

See Remuneration Report for PSP metrics, **pages 117 to 136.**

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

€545

2021: €455



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.

Performance

FCF of €545 million in 2022 was €90 million higher than the €455 million reported in 2021. EBITDA growth of €653 million, combined with a lower outflow for changes in employee benefits and other provisions, was partly offset by a higher working capital outflow, higher capital outflows, a higher cash interest expense and higher tax payments.

Strategic Priorities

Link to Remuneration

See Remuneration Report for Annual Bonus metrics, **pages 117 to 136.**

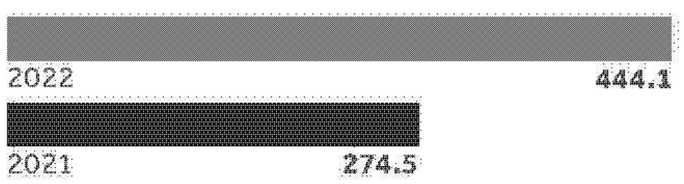
Financial KPIs continued

Earnings per Share ('EPS') (cent)

Pre-exceptional Basic EPS*

444.1

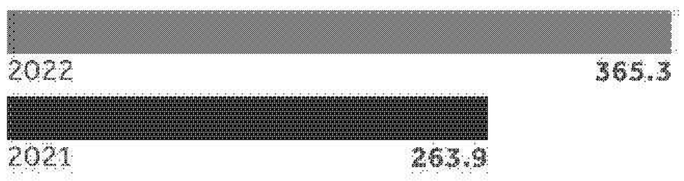
2021: 274.5



Basic EPS

365.3

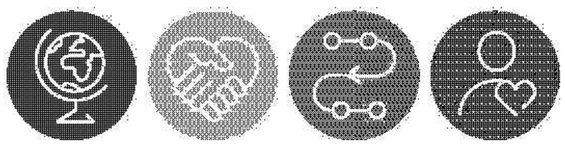
2021: 263.9



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 2022 increased by 62% from 274.5 cent in 2021 to 444.1 cent, reflecting a higher pre-exceptional profit attributable to owners of the parent of €1,147 million in 2022 compared to €706 million in 2021.

Basic EPS increased to 365.3 cent in 2022 compared to 263.9 cent in 2021. This was mainly due to a higher operating profit partly offset by a higher exceptional charge in 2022 resulting in a profit for the financial year attributable to owners of the parent of €944 million, compared to €679 million in 2021.

Link to Remuneration

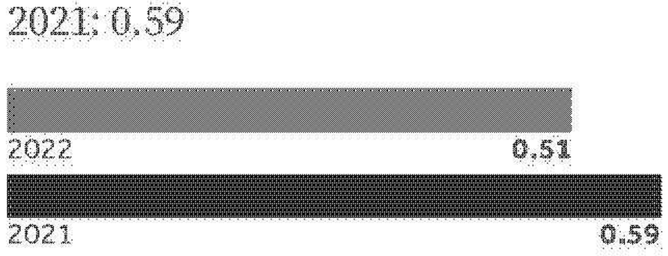
See Remuneration Report for PSP metrics, **pages 117 to 136.**

Non-financial KPIs

Health and Safety (TRIR)

0.51

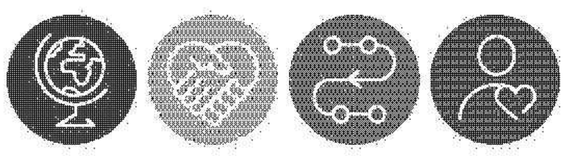
2021: 0.59



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% annual reduction in our Total Recordable Injury Rate ('TRIR'). Our result for the year 2022 was 0.51, a reduction of 13.6% on 2021 (0.59).

Link to Remuneration

See Remuneration Report for Annual Bonus metrics, **pages 117 to 136.**

* Information in relation to the definition and calculation of these Alternative Performance Measures is included in the Supplementary Information section on pages 226 to 231.

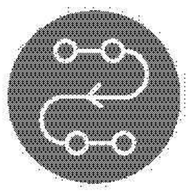
Key for Strategic Priorities



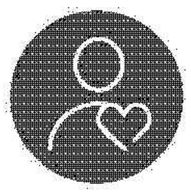
Market Position



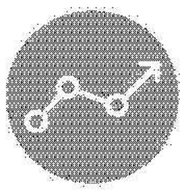
Partner of Choice



Operational Excellence



Investment in People

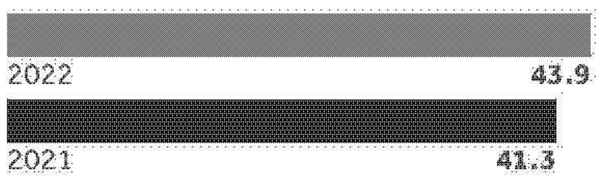


Capital Allocation

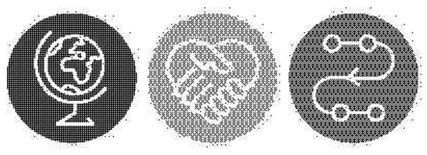
CO_2 Emissions Reduction (%)

43.9

2021: 41.3



Strategic Priorities



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.

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 and we are targeting to reach at least net zero CO_2 emissions by 2050. In 2022, we reached a reduction of 43.9% compared to 41.3% in 2021.

Link to Remuneration

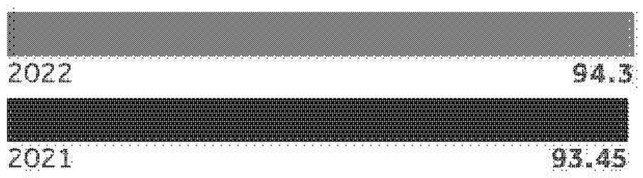
See Remuneration Report for PSP metrics, **pages 117 to 136.**

The first award including this metric was the 2021 PSP award which has a performance period ending 31 December 2023.

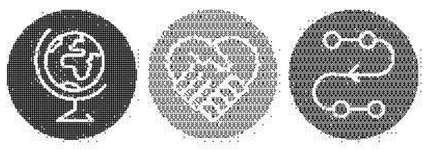
Chain of Custody (%)

94.3

2021: 93.45



Strategic Priorities



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.

Performance

We have committed to selling over 95% of our products as Chain of Custody certified to our customers. We reached an initial target level of 90% in 2016 and increased our ambition to 95% in 2020. Our result for the full year 2022 was 94.3%.

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.

During 2022, the ongoing evolution of the Group Risk Framework continued. Formal risk appetite statements and the associated KPIs for each of the principal risks of the Group were approved by the Board in early 2022. The risk appetite reporting was integrated into the periodic risk reporting to the Audit Committee and the Board during the year. In addition, the process undertaken to consider the interconnectivity of risk was presented to the Board and is an area that will be further considered during 2023.

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.

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). 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. 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 165 for further detail on Going Concern.

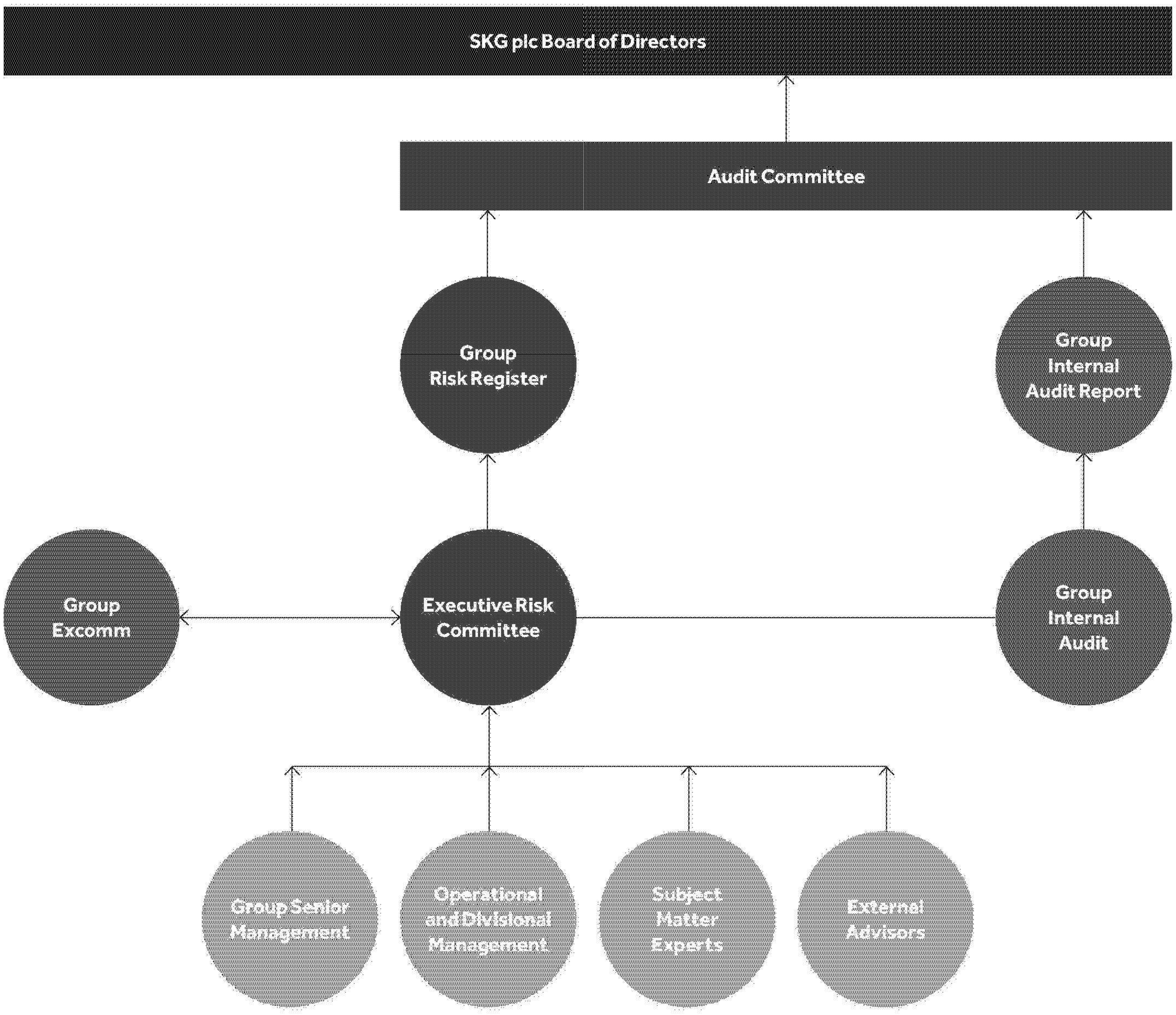
Emerging Risks

Emerging risks are considered as part of the Group risk process. All identified emerging risks are monitored and reported to the Audit Committee and the Board. Following consideration of emerging risks as part of the risk process for 2022, there were no 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
Economic	
If the current economic climate were to deteriorate, for example as a result of geopolitical events or uncertainty, trade tensions and/or a 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. **Strategic Priorities:** Market Position, Operational Excellence, Capital Allocation **Trend:** Increased	• 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 is considered an essential business as our packaging serves many vital supply chains including medical equipment, pharmaceutical, food and sanitation products.
Pricing	
The cyclical nature of the packaging industry could result in overcapacity and consequently threaten the Group's pricing structure. **Strategic Priorities:** Market Position, Investment in People, Capital Allocation **Trend:** Increased	• 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 system. 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.
Business Interruption	
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. **Strategic Priorities:** Partner of Choice, Operational Excellence, Investment in People **Trend:** Reduced	• 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 acquisition of the Verzuolo mill in Italy in the second half of 2021. • There is continuous investment in a rigorous programme of preventative maintenance for all key mills and other plants.

Risk Description	Mitigation

Raw Materials and Other Input Costs

Price fluctuations in energy and raw materials costs could adversely affect the Group's manufacturing costs.

Strategic Priorities



Trend

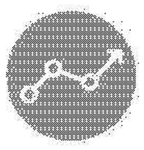


- The Group maintains a dedicated purchasing function which has responsibility for all input costs and ongoing cost reduction programmes.
- The Group maintains a strong supply arrangement for approximately 76% of its recovered fibre requirements which provides it with security of supply for its primary 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 container board price increases to support corrugated price recovery of increased input costs.
- A proactive energy risk policy of forward pricing is in place which is designed to minimise, where possible, material short-term volatility in energy price risks 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.

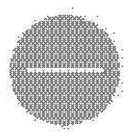
Currency

The Group is exposed to currency exchange rate fluctuations.

Strategic Priorities



Trend

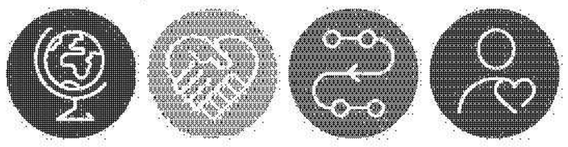


- The Group ensures that short-term trading exposures are hedged and, where practical, local operations are financed as much as possible in local currency.
- The Group continually monitors and manages its foreign currency exposures for all countries and constantly seeks opportunities to reduce these exposures. The Group Treasury Policy sets out rules and guidance for managing this area.

Talent Management and the Workplace

The Group may not be able to attract, develop and retain suitably qualified employees as required for its business.

Strategic Priorities



Trend

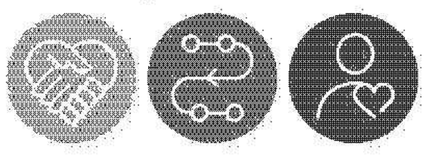


- Continuous development by our HR department of a People Strategy to attract, engage, train, motivate and retain our people, to meet emerging talent expectations and to ensure talent competitiveness.
- Periodic MyVoice surveys and workforce engagement initiatives are undertaken to measure employee engagement 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, including the launch of MyHub Human Resource Information System during 2022.
- 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.

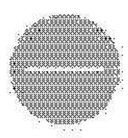
Health, Safety and Wellbeing

Failure to maintain good health and safety and employee wellbeing practices may have an adverse effect on the Group's business.

Strategic Priorities



Trend



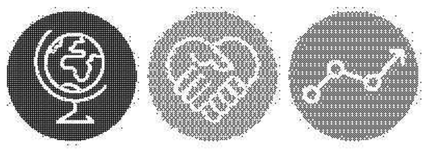
- Health, safety and employee wellbeing are core considerations in all management reviews. The protection of the health, safety and wellbeing of the workforce is a continual focus in an industry with a broad profile of hazards.
- Increased focus is given to the strict adoption of good management, employee 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.
- A Group wide auditing process based on current high risk activities.
- Annual safety improvement planning is undertaken.
- A Group wide health and safety management system is in place to efficiently and effectively track, report and analyse data.

Risk Description	Mitigation

Legislation and Regulation – Environmental

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.

Strategic Priorities



Trend



- 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 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.

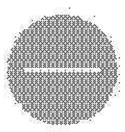
Legislation and Regulation – Anti-trust

The Group is subject to anti-trust and similar legislation in the jurisdictions in which it operates.

Strategic Priorities



Trend

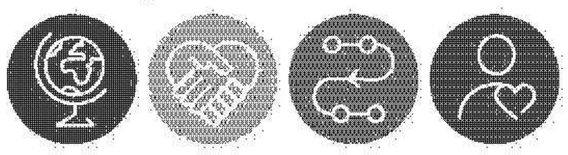


- A comprehensive Group Competition Law Compliance Policy is in place and communicated to all employees. All managers and market-facing employees are required to formally confirm adherence to the policy for the preceding calendar year by signing a Competition Law Compliance Certificate on an annual basis.
- Group General Counsel advises and supports employees and management in this area.
- 28 competition law ambassadors have been 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.

Cyber and Information Security

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.

Strategic Priorities



Trend

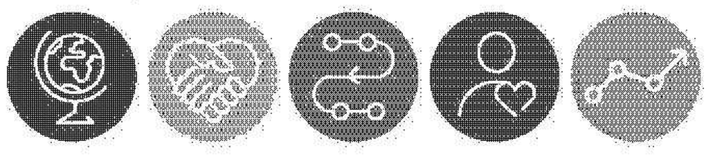


- Formally documented policies in relation to information security including cyber security are in place.
- The Group maintains a framework to ensure awareness at each level of the organisation with regard to the implementation of cyber security. This framework is regularly tested.
- Specific controls 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 continues to increase employee communications relating to cyber security including the introduction of specific cyber and information security campaigns to ensure vigilance is maintained.
- Cyber security training is mandatory for all employees.

Climate Change

The global impact of climate change in the long-term could adversely affect the Group's business and results of operations.

Strategic Priorities



Trend



- 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 during 2021 indicates that the proportion of asset value at risk is low. The scenario analysis is in the process of being completed and assessed again.
- 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.

Finance Review



The strength of our balance sheet provides SKG with significant strategic and financial flexibility

Ken Bowles
Group Chief Financial Officer

In 2022, we invested close to €1 billion to support our customers and capitalise on long-term demand growth drivers. We also continue to make progress towards our sustainability goals and help our customers achieve their own carbon reduction and sustainability goals.

Finance Review continued

Results

Revenue for 2022 was €12,815 million, 27% up on 2021 on a reported basis and 23% on an underlying basis. Revenue in Europe was up 26%, driven primarily by input cost recovery through progressive box price increases. On an underlying basis, revenue in Europe was up 24%. In the Americas, revenue was up 29% on 2021, or 16% on an underlying basis.

European revenue rose by €2,053 million to €9,900 million in 2022, with an underlying increase of €1,911 million and net positive currency movements and hyperinflationary adjustments of €25 million, along with a net contribution of €117 million from acquisitions and disposals. The increase in underlying revenue of 24% reflected continued input cost recovery in corrugated pricing.

Revenue in the Americas increased by €655 million in 2022 to €2,915 million, with underlying growth of €362 million, equating to 16%, and a net impact of €93 million from acquisitions and disposals, along with net positive currency and hyperinflationary movements of €200 million. The underlying increase was mainly driven by higher box prices.

EBITDA for 2022 was €2,355 million, an increase of 38% on 2021. The result reflects not only the essential nature of our products but the demand from our customers for the most sustainable, reliable and innovative packaging solutions. The result also demonstrates the Group's ability to recover significant input cost pressure, the benefits from our investment programmes and the dedication of our 48,000 employees. On an underlying basis, Group EBITDA was up 34% on 2021, with Europe up 41% and the Americas up 13%.

At €1,846 million, EBITDA in Europe was €544 million higher than in 2021 on a reported basis with an underlying increase of €529 million and a net contribution of €17 million from acquisitions and disposals, partly offset by negative currency movements of €2 million. The increase was driven by higher paper and corrugated prices partly offset by higher energy, recovered fibre, labour, distribution and other raw material costs. Corrugated box volumes were down 2% in 2022 against a strong prior year comparative, with a slowdown in our German and UK markets in particular, being partly offset by a more robust performance in countries such as France and Spain.

Our European business continued to build on its strong operating platform in 2022 with a number of projects across our paper and corrugated divisions. In our paper division, we have approved projects in our Facture, Nettingsdorf, Parenco, Piteå and Verzuolo mills which will reduce cost, increase efficiencies and improve the Group's sustainability footprint. In our corrugated division, we are investing across the region in the latest high-tech and energy efficient machinery, including new corrugators, converting machines and facility expansion projects, which will allow us to increase production, reduce our environmental footprint and expand the range of high-value, innovative and sustainable packaging solutions that we offer our customers. The Group also announced an investment in its first Moroccan facility along with the acquisition of a corrugated business in the UK and a bag-in-box plant in Spain.

Pricing for European containerboard continued an upward trend in the first half of the year supported by rising recovered fibre and energy prices and modest corrugated demand growth. In the second half of the year there was a slowdown in demand for containerboard with little support from export channels, combined with a subsequent sharp decline in recovered fibre prices and a reversal in energy prices in the latter part of the fourth quarter. The price of testliner, having increased by €100 per tonne in the first half of the year, reduced by €160 per tonne from the high of June 2022 to January 2023. The price of kraftliner, having risen by €60 per tonne in the first half of the year, fell by €120 per tonne from the high of September 2022 to January 2023. Given the lower levels of demand and the rise in containerboard inventories, the total commercial downtime taken by our European mills was approximately 260,000 tonnes in the second half of 2022.

Compared to 2021, the overall increase in recovered fibre prices in 2022 have cost the Group an additional €74 million while the increase in energy prices have cost the Group an additional €592 million.

At €553 million, reported EBITDA in the Americas was €112 million higher than in 2021. With net positive currency and hyperinflationary movements of €33 million, along with a contribution of €21 million from acquisitions, the underlying year-on-year move in earnings was an increase of €58 million. The underlying increase was mainly driven by higher box prices, partly offset by higher labour, distribution, energy and other raw material costs. Box volumes, excluding acquisitions, were broadly flat year-on-year, compared with a very strong prior year comparative.

The Group continued to invest in its Americas business in 2022 with significant capacity and sustainability related investments in the corrugated, containerboard and speciality businesses in Central America, Argentina, Colombia, Mexico and the US. In our paper division, we announced a large-scale investment in a biomass boiler at our Cali paper mill in Colombia which will reduce the Group's CO_2 emissions by approximately 6%. In our corrugated division, we are expanding capacity and investing in state-of-the-art converting equipment across the region and in our specialties business we are expanding our portfolio in paper sacks and bag-in-box. During the year, we also acquired corrugated packaging plants in Argentina and Brazil, expanding both our footprint and customer offering in these attractive growth markets.

Allowing for a net positive impact from acquisitions and disposals of €38 million and net positive currency and hyperinflation movements of €31 million, the underlying year-on-year increase in EBITDA for the Group was €584 million, equating to 34%.

The Group's operating profit before exceptional items increased by €589 million from €1,073 million in 2021 to €1,662 million in 2022 mainly due to the progress on box price increases, partly offset by higher year-on-year energy, labour, distribution and raw material costs.

Pre-exceptional net finance costs at €149 million were €18 million higher in 2022 primarily as a result of an increase in cash interest of €23 million predominantly due to the relative increase in interest rates in currencies where we are in a net debt position compared to those where we are in a net cash position. Additionally, our variable rate borrowings in Latin American countries, such as Brazil and Colombia have seen large interest rate increases during the year, leading to a higher cash interest expense. Non-cash costs were €5 million lower, which was mainly due to a positive swing of €6 million from a fair value loss on derivatives in 2021 to a gain in 2022 and a positive swing of €12 million from a net monetary loss on hyperinflation in 2021 to a net gain in 2022, partly offset by an €8 million increase in the foreign currency translation net loss on debt and a negative swing of €4 million from a fair value gain on financial assets/liabilities in 2021 to a loss in 2022.

With the €589 million increase in operating profit before exceptional items, combined with the €18 million increase in net finance costs, the pre-exceptional profit before income tax was €1,516 million, €572 million higher than in 2021.

After exceptional items of €223 million, the profit before tax for 2022 was €1,293 million compared to €913 million in 2021. The income tax expense was €348 million compared to €234 million in 2021, resulting in a profit of €945 million for 2022 compared to €679 million in 2021.

Further information in relation to Alternative Performance Measures referenced in this Statement is included in the Supplementary Information section on pages 226 to 231.

Exceptional Items

Exceptional items charged within operating profit in 2022 amounted to €223 million, of which €128 million related to the impairment of assets in our Russian operations, €56 million and €11 million respectively for the impairment of goodwill in Argentina and Peru, €14 million for redundancy and reorganisation costs in the Americas along with €14 million for the impairment of property, plant and equipment in our North American operations.

There were no exceptional items charged within operating profit in 2021.

There were no exceptional finance items charged in 2022.

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.

Profit Before Income Tax

After exceptional items, the Group's profit before income tax amounted to €1,293 million in 2022, comprising the pre-exceptional profit of €1,516 million and an exceptional charge of €223 million. In 2021, the profit before income tax was €913 million, comprising the pre-exceptional profit of €944 million and an exceptional charge of €31 million.

Income Tax Expense

The income tax expense in 2022 was €348 million (comprising a current tax charge of €349 million and a deferred tax credit of €1 million) compared to €234 million (comprising a current tax charge of €265 million and a deferred tax credit of €31 million) in 2021.

There was a net €84 million increase in current tax. The net increase is mainly due to higher profitability, its geographical mix and the impact of non-recurring items.

There was a €30 million reduction in the deferred tax credit compared to 2021. The movement is largely due to the reversal of timing differences on which deferred tax was previously recognised, offset by the recognition of other tax benefits and credits.

There was a tax credit of €20 million on exceptional items in 2022 compared to a €4 million tax credit in 2021.

Earnings per Share

Basic EPS amounted to 365.3 cent in 2022 compared to 263.9 cent in 2021. On a diluted basis, our EPS in 2022 amounted to 361.8 cent compared to 261.1 cent in 2021.

The year-on-year increase in the Group's basic EPS reflected the strong growth in pre-exceptional operating profit, partly offset by higher exceptional charges (net of tax), an increase in income tax expense and an increase in net finance costs. On a pre-exceptional basis, our EPS in 2022 increased by 62% from 274.5 cent in 2021 to 444.1 cent.

Cash Flow

Free cash flow in 2022 was €545 million compared to €455 million in 2021, an increase of €90 million. EBITDA growth of €653 million, combined with a lower outflow for the change in employee benefits and other provisions, was partly offset by a higher working capital outflow, higher capital outflows, a higher cash interest expense and higher tax payments.

Cash interest was €132 million in 2022 compared to €109 million in 2021. The year-on-year increase is primarily due to the relative increase in interest rates in currencies where we are in a net debt position compared to those where we are in a net cash position. Additionally, our variable rate borrowings in Latin American countries, such as Brazil and Colombia have seen large interest rate increases during the year, leading to a higher cash interest expense.

The working capital outflow in 2022 was €358 million compared to €114 million in 2021. The outflow in 2022 was a combination of a significant increase in debtors and stock, partly offset by an increase in creditors. These increases reflect the combination of higher box prices, higher paper prices and considerably higher energy costs along with higher other raw material and recovered fibre costs.

Working capital amounted to €1,027 million at December 2022, representing 8.3% of annualised quarterly revenue compared to 5.7% at December 2021.

Capital expenditure in 2022 amounted to €970 million (equating to 155% of depreciation) compared to €693 million (equating to 124%) in 2021.

Tax payments in 2022 of €321 million were €82 million higher than in 2021 with higher payments in both Europe and to a lesser extent in the Americas.

The change in employee benefits and other provisions was an outflow of €25 million in 2022 compared to €81 million in 2021. The decrease is primarily due to a positive swing in both current provisions and deferred creditors from an outflow in 2021 to an inflow in 2022.

The 'other' net inflow of €23 million in 2022 compared to €3 million in 2021. The inflow in 2022 primarily represented a hyperinflationary adjustment inflow, the sale of property, plant and equipment and right-of-use asset modifications. The inflow in 2021 mainly represented a hyperinflationary adjustment inflow and the sale of property, plant and equipment partly offset by right-of-use asset modifications.

Driven by the purchase of businesses, investments and non-controlling interests ('NCI') of €110 million and dividend payments of €333 million, investment and financing cash flows for the year 2022 amounted to €561 million compared to €879 million in 2021. Other outflows mainly comprised €50 million for the impairment of cash balances held in our Russian operations, €41 million for the share buyback and €28 million for the purchase of shares under the Deferred Bonus Plan ('DBP').

The outflow of €110 million in 2022 for the purchase of businesses, investments and NCI mainly comprised the acquisitions in Argentina, the UK, Spain and Brazil along with €11 million for the payment of the deferred consideration for the Serbian acquisition.

The net outflow of €879 million in 2021 was driven by the purchase of businesses, investments and NCI of €449 million, dividend payments of €302 million and the payment of the Italian Competition Authority fine of €124 million. Other outflows comprised of €22 million for the purchase of shares under the 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.

With our free cash flow of €545 million in 2022 more than offset by the net investment and financing outflows of €561 million, the result was a net cash outflow of €16 million compared to €424 million in 2021. After the amortisation of deferred debt issue costs of €7 million, net negative currency translation adjustments of €81 million and net debt acquired of €3 million, net debt increased by €107 million to €2,992 million at December 2022 from €2,885 million at December 2021.

The net negative currency translation adjustment of €81 million in 2022 mainly related to the US dollar and Swedish krona. The US dollar strengthened from US$1.13/euro at December 2021 to US$1.07 at December 2022, resulting in a negative currency translation adjustment of €34 million. The Swedish krona weakened from SEK10.25/euro at December 2021 to SEK11.12 at December 2022, resulting in a negative currency translation adjustment of €17 million.

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. With net debt of €2,992 million and EBITDA of €2,355 million, our leverage ratio was 1.3 times at December 2022 compared to 1.7 times at December 2021. The decrease in our leverage was driven primarily by the increase in EBITDA partly offset by a higher level of net debt.

Capital Resources and Liquidity

Committed facilities (excluding short-term sundry bank loans and overdrafts) amounted to €5,045 million (2021: €5,006 million) of which €3,390 million (2021: €3,351 million) was utilised at 31 December 2022. The weighted average period until maturity of undrawn committed facilities is 3.2 years (2021: 4.2 years).

The Group has a €1,350 million sustainability-linked Revolving Credit Facility ('RCF') with a maturity 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. At 31 December 2022, the Group's drawings on this facility were US$8 million, at an interest rate of 5.024%.

At 31 December 2022, the Group had outstanding €13 million variable funding notes ('VFNs') issued under the €230 million trade receivables securitisation programme maturing in November 2026 and €5 million VFNs issued under the €100 million trade receivables securitisation programme maturing in January 2026.

Both these securitisation programmes 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.

Net debt was €2,992 million at the end of December 2022, resulting in a net debt to EBITDA ratio of 1.3 times compared to 1.7 times at the end of December 2021. With net debt to EBITDA at 1.3 times, the lowest in the Group's history, the strength of the Group's balance sheet continues to secure long-term financial and strategic flexibility. The Group remains strongly positioned within its BBB-/BBB-/Baa3 credit rating.

In September 2022, the Group published its first Green Bond Allocation and Impact Report, which provides details on the use of the proceeds of its inaugural €1 billion dual-tranche Green Bond issued in September 2021. With interest rates of 0.5% and 1.0% respectively for 8 and 12 year maturities, these coupons were not only the lowest in the Group's history but also the lowest achieved for a corporate issuer in our rating category.

At 31 December 2022, the Group's average interest rate was 2.89% compared to 2.63% at 31 December 2021. The increase in our average interest rate was primarily driven by the significant increases in interest rates in certain of our variable rate debt environments, most notably Brazil and Colombia. At 31 December 2022, over 95% of the Group's gross borrowing were at fixed interest rates.

At 31 December 2022, the Group's diversified funding base and long dated maturity profile of 4.9 years (2021: 5.8 years) provide a stable funding outlook. At 31 December 2022, the Group had a strong liquidity position of approximately €2.44 billion comprising cash balances of €788 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 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 2022, 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.

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 €8 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

Sustainability is a key part of SKG's strategy. 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.

Smurfit Kappa began 2022 strongly with the announcement of SBTi validation of its emissions reduction targets being consistent with levels required to meet the goals of the Paris Agreement and we continued to make strong progress across our sustainability targets throughout the year.

The progress made in 2022 was built upon the achievements outlined in our 15th annual Sustainable Development Report ('SDR') which was published in April 2022. It 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 this Annual Report, we have enhanced and developed our TCFD and EU Taxonomy disclosures and have included an outline of our Transition Plan to reach at least net zero CO_2 emissions by 2050. Our 2022 SDR will report in detail on our sustainability strategy and the progress made against our targets.

In 2022, as outlined in the Sustainability section on pages 50 to 85, the Group made progress on a number of its key sustainability targets; 43.9% reduction in CO_2 emissions compared to our baseline year 2005, 94.3% of packaging solutions sold as Chain of Custody certified and a 13.6% reduction in Total Recordable Injury Rate ('TRIR').

We continued delivering on our strategic plan by approving €230 million on sustainability focused projects to maintain our leadership position, improve our sustainability profile and help our customers improve their sustainability credentials. We announced the investment of almost US$100 million in a sustainable biomass boiler at our paper mill

in Cali, Colombia, along with the completion of a large-scale sustainability project in our Zülpich paper mill in Germany which included a major redesign of the plant's multi-fuel boiler to provide a more sustainable fuel source for the generation of steam and electricity which will reduce CO_2 emissions annually by 55,000 tonnes, a 2% reduction for the Group. We also announced the investment of US$23.5 million to upgrade our Nuevo Laredo sheet plant in Mexico which will reduce the CO_2 emissions by up to 40% at the plant. In addition, the Group's Nettingsdorf paper mill in Austria launched a sustainable district heating project, which will generate up to 25 megawatts of heat that will save approximately 21,000 tonnes of CO_2 while also providing heat to local businesses and schools and benefit 20,000 homes across three communities.

During 2022, we redefined the purpose of the Smurfit Kappa Foundation expanding our grant giving to financially support sustainable projects that positively impact the lives of underprivileged people in the areas of health and nutrition, education and basic care. In 2022, the Smurfit Kappa Foundation donated over €2.7 million to more than 40 projects across 18 countries to improve basic care, education and health facilities to positively impact the lives of underprivileged people in the communities in which the Group operates. In Germany, over 60 employees volunteered their time to supplement the financial donation by the Foundation to construct a therapy riding arena for children. In Brazil, US$250,000 was donated to upgrade the infrastructure of a childcare facility and in Ukraine, a basement was refurbished to facilitate the safe schooling of young children in Kyiv.

SKG was also further recognised for its strong ESG credentials and continued improvement by the leading research and analytics company, Sustainalytics. Following an analysis of more than 15,000 companies globally, SKG was named as an Industry Top Rated company where it ranked in the top percentile out of 99 companies, in addition to being awarded Regional Top Rated.

The Group 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 and Solactive Europe Corporate Social Responsibility index. SKG also performs strongly across a number of third party certification bodies, including MSCI, ISS ESG and Sustainalytics.

Conclusion

2022 was another strong year of continued delivery for the Group, both operationally and financially and also in terms of delivering on our sustainability targets. Our ESG agenda is clearly linked to our financial performance.

Summary Cash Flow

	2022 €m	2021 €m
EBITDA	**2,355**	1,702
Exceptional items	**(3)**	–
Cash interest expense	**(132)**	(109)
Working capital change	**(358)**	(114)
Capital expenditure	**(970)**	(693)
Change in capital creditors	**(24)**	(14)
Tax paid	**(321)**	(239)
Change in employee benefits and other provisions	**(25)**	(81)
Other	**23**	3
Free cash flow	**545**	455
Italian Competition Authority fine	**–**	(124)
Impairment of cash balances held in Russia	**(50)**	–
Share buyback	**(41)**	–
Purchase of own shares (net)	**(28)**	(22)
Sale of businesses and investments	**–**	37
Purchase of businesses, investments and NCI	**(110)**	(449)
Dividends	**(333)**	(302)
Derivative termination receipts	**1**	9
Premium on early repayment of bonds	**–**	(28)
Net cash outflow	**(16)**	(424)
Acquired net debt	**(3)**	(25)
Disposed net cash	**–**	(1)
Deferred debt issue costs amortised	**(7)**	(10)
Currency translation adjustments	**(81)**	(50)
Increase in net debt	**(107)**	(510)

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 229 to 231.

As a circular economy business with an ever improving environmental footprint our leadership in sustainability is clear.

Our overall performance in 2022, against every metric is a result of many factors not least the dedication and commitment of the 48,000 employees who work relentlessly. It is also a result of our multi-year investment programmes and the returns that we are evidently achieving.

We aim to ensure that capital allocation takes into account all stakeholder groups. It is very much a returns focused allocation which continues to be a key underpin to our success.

We believe that capital allocated to internal projects is central to this success. We are investing in our asset base to improve our environmental footprint, to take out costs and to capture the long-term growth opportunities presented by the end-consumer's push for the most sustainable packaging solutions. Our acquisitions completed in 2022 further strengthen our geographic network and enhance our product portfolio.

The dividend is another cornerstone of our capital allocation strategy. Our policy is progressive and aims to ensure that the allocation of cash flows to the dividend is proportionate to other forms of allocated capital over the long-term. The 12% increase in the recommended final dividend for 2022 is an illustration of our continued belief in the future prospects and cash generation ability of SKG.

The expansion of our capital allocation framework to now include buybacks underscores the flexibility and agility of this framework and ensures that all avenues to create and return value to our shareholders are considered and benchmarked against all options.

Given the higher levels of capital the Group has deployed over recent years, we are especially pleased to have recorded our highest ever ROCE of 21.8% at the end of December 2022. With net debt to EBITDA at 1.3 times, the lowest in the Group's history, the strength of the Group's balance sheet continues to secure long-term strategic and financial flexibility. With no near-term maturities, an average interest rate of less than 2.9% and over 95% of our gross borrowings at fixed interest rates, the Group's balance sheet has never been stronger.



Ken Bowles
Group Chief Financial Officer

Engaging with our stakeholders

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

In line with the UK Corporate Governance Code, Smurfit Kappa strives to understand the views and interests of all stakeholders. Feedback from all engagement activities is considered by the Board as part of its decision-making processes and we believe that effective engagement helps us in understanding the impact our decisions have on all our stakeholders and improves and fosters our relationships with them.



Our Key Stakeholder Groups

Customers
Engaging with our customers allows critical information flow about supply chain management, packaging requirements and sustainability goals, enabling us to balance our customers' short-term pressures with long-term resilience.

Employees
Our people are at the centre of everything we do. We want to be recognised as a globally admired company, a great place to work and an employer of choice.

Investors
We engage with our investors, to build and maintain confidence and support from those that invest in and lend to Smurfit Kappa.

Suppliers
Our sustainable and responsible sourcing programme ensures that we partner with suppliers who have compatible goals and practices.

Communities
We are proud to support the communities in which we operate and make positive, long-lasting changes.

Customers

How we Engaged

Ongoing Customer Engagement

While there had been signs of easing supply chain disruption earlier in 2022, evolving global factors and geopolitics continued to bring new risks and pockets of stress for our customers. Many customers are focused on building supply chain resilience and balancing that with meeting their sustainability targets.

Our vertical integration model with it's end-to-end control of the value chain gives customers' confidence in our long-term resilience and ability to keep their products on the shelf and reputation intact.

Across Europe and the Americas, our sales teams continue to play a vital role in strengthening our customer's supply chains and translating opportunities into tangible and commercially impactful solutions.

Virtual Events

On 25 May 2022, we hosted our biggest ever virtual event where we shared Smurfit Kappa's vision for packaging to be truly circular. The purpose of this event was to help our customers understand the steps involved in effectively transitioning to circular packaging and how to align their packaging decisions with specific EU Green Deal packaging commitments. As part of the event, we showcased our extensive Better Planet Packaging range which demonstrates how Smurfit Kappa is leveraging the power of design to make packaging for a circular future. Over 2,000 people attended the event.

Finding New Ways to Collaborate with Customers – Design2Market Factory

Smurfit Kappa's Design2Market ('D2M') Factory is our most recent innovation in process. The unique facility creates a fast and seamless development process, from packaging design through to market launch. The D2M Factory uses a digital printer and die cutter to provide rapid prototyping for pilot production, industry-leading packaging performance analysis and field-lab facilities, all operating from one location. D2M Factory has redefined how we collaborate with our customers.

A key benefit of corrugated over other packaging materials is the speed at which it can be prototyped, a couple of hundred samples can be produced in a very short space of time, meaning product innovation and development can be an organic process where the customer learns by doing, testing and refining the pack before a large-scale roll out and investment. This whole process can be achieved in as little as a week.

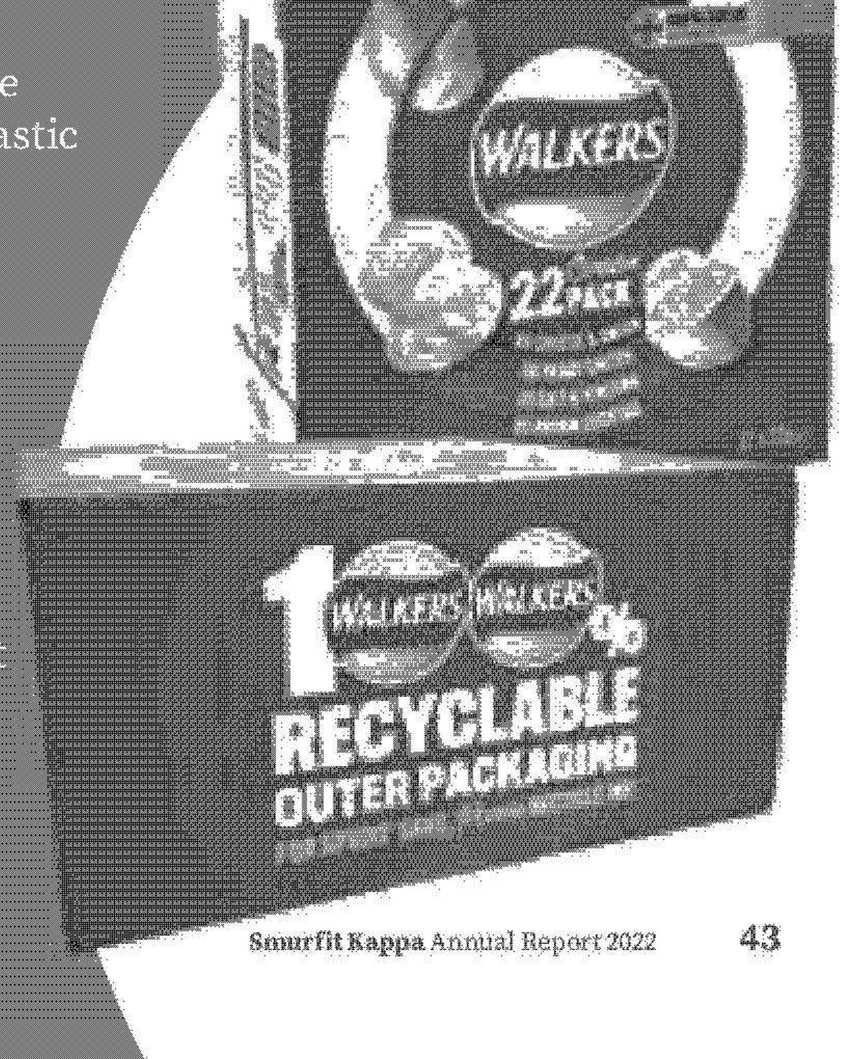
Customer Surveys

In 2022, SKG conducted an in-depth survey with target customers across Europe and Latin America. This survey forms part of our ongoing effort to better understand our customers world and add value in key areas such as supply chain, innovation and sustainability. The results of the survey captured the big issues impacting our customers' and where they see the opportunity for Smurfit Kappa to future-fit their operations. Our focus is on bringing that insight into creating attractive value propositions and creating long-term value.

Award Winning – Better Planet Packaging

During 2022, we received 74 awards, for packaging design, innovation and sustainability. These awards included eight WorldStar awards across a host of categories including e-commerce solutions, Bag-in-Box', transport packaging with plastic replacement and innovative food and beverage packaging and 21 awards for creative and innovative packaging solutions won by the Group at the annual Flexographic Industry Association UK awards. This is great recognition of our innovative capabilities and what collaboration brings. We also continued our collaboration with new start-ups, and extended our 'off-the-shelf' online packaging portfolios to reflect the continued growth in e-commerce. eFlower is our latest Better Planet Packaging portfolio and joins; eBottle, eFashion, eHealth and Beauty, punnets and buffers.

250
tonnes of plastic eliminated per year



Case Study

Helping Walkers Switch to Sustainable Packaging

Walkers, owned by PepsiCo, a leading UK crisp brand, wanted to reduce the 660 million plastic pack bags it produces per year by replacing the outer plastic packaging on certain large multi-packs with a new sustainable alternative.

Our Better Planet Packaging design team and technical experts worked collaboratively with PepsiCo and their machine manufacturers to develop a 100% paper-based concept. We carried out a full supply chain analysis using our SupplySmart service to calculate the logistical benefits of moving to the new corrugated pack.

Walkers removed 250 tonnes of plastic from its supply chain each year with our paper-based solution. Added benefits included an increased pallet load and a faster and more efficient process. The new sustainable solution has improved visual impact in store, strengthened Walkers sustainable brand image, and has received positive engagement through social media.

Employees

How we Engaged

Enhancing Our Employee Experience and Workforce Engagement 2022

The Sustainability Committee of the Board ('the Committee') is responsible for engagement with the workforce on behalf of the Board.

Employee Meetings

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.

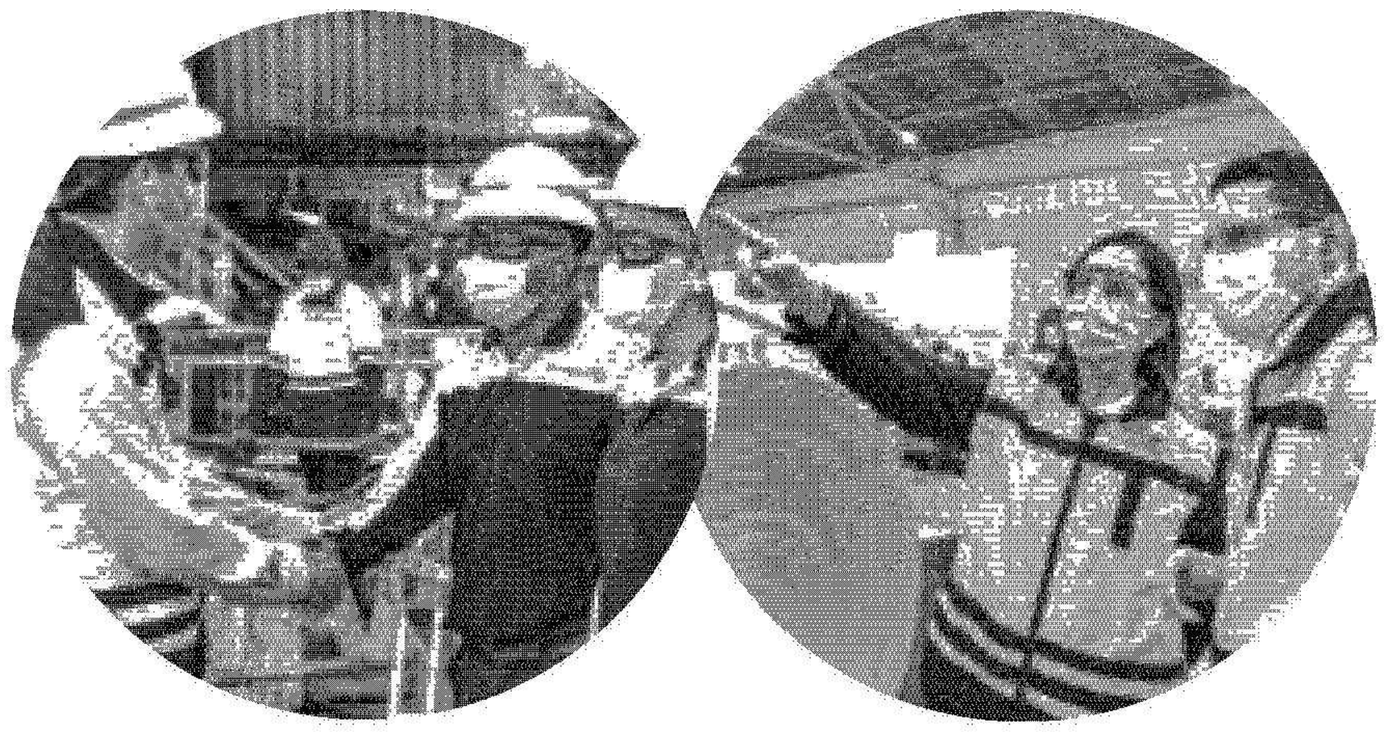
The role of the Committee is to report to the Board on matters such as employee sentiment, views and overall areas of interest for employees across the year.

In 2022, the Committee further evolved its engagement by attending several meetings and interactions with employees (as can be seen in the following photographs) in addition to ongoing indirect engagement. These meetings focused on ensuring positive support and engagement with our workforce on a number of topics which included: Health, Safety and Wellbeing; Female Engagement; Inclusion, Diversity & Equality ('ID&E'); Workplace Satisfaction and Career Development.

Global Survey

In April 2022, our entire workforce was invited to participate in EveryOne Discovery, a Global online confidential employee Inclusion, Diversity and Equality survey. This initiative, which was deployed in 21 languages across all the countries we operate in, provided us with real time feedback from employees across our five ID&E communities: Disability; Family & Age; Gender; LGBTQ+ & Allies and Origin, Race & Ethnicity. Participation in the survey was voluntary with almost 8,000 respondents taking part and providing us with over 9,000 comments, which will help drive our ID&E strategy into the future.





2022 Key Themes:

The key themes emerging from the workforce engagement meetings and interactions during 2022 were:

1 The importance of ID&E in our organisation;
2 The continued COVID-19 considerations and support of employee vaccination programmes;
3 The employee alignment with our Purpose – to create, protect and care;
4 The positive consequence of investment in our people – employee assistance programmes, mental health, wellbeing and learning and development;
5 The significance of talent development and career planning for succession management;
6 The enhanced focus on employee communications, and overall engagement;
7 Recognition of the unique culture at Smurfit Kappa, and our lived values of Safety, Loyalty, Integrity and Respect;
8 The enhanced focus on our communities during these unprecedented times;
9 The understanding of our Code of Conduct's compliance with the law and ethical behaviour ensuring an open and safe place to work; and
10 The value of rewards and recognition programmes.

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

My role as Chair of the Sustainability Committee is to ensure the Committee acts as a communications champion for all colleagues including Board members 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 VP of Human Resources, I have kept the Board informed and have taken into consideration the interests of the workforce on a very broad range of topics that matter to our people.

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. During 2022, the Committee including the wider Board, had the opportunity to meet colleagues face-to-face, and we were delighted to be able to do so again.

During the year, we regularly reviewed employee sentiment indirectly via people data from employee engagement surveys such as the ID&E Discovery survey; we reviewed all feedback on subjects such as ethics and health, safety and wellbeing, while we also took into account employee turnover.

In June, the Committee attended an engagement workshop and team dinner with Smurfit Kappa's Advanced Management Development cohorts for both 2021 and 2022.

During the month of July, the Board visited a number of plants in Colombia. The first visit was to our Corrugated plant in Bogota, then to the Palmira sack plant and finally to the corrugated plant and mill in Cali. During these visits, we met with many colleagues and employees at each of these locations.

The Chair, Irial Finan, attended two regional conferences in Miami and Vienna in September, both attended by over 500 people collectively, representing the leadership communities for each region. At each conference he participated in a fire-side chat and a Q&A session with all of those in attendance.

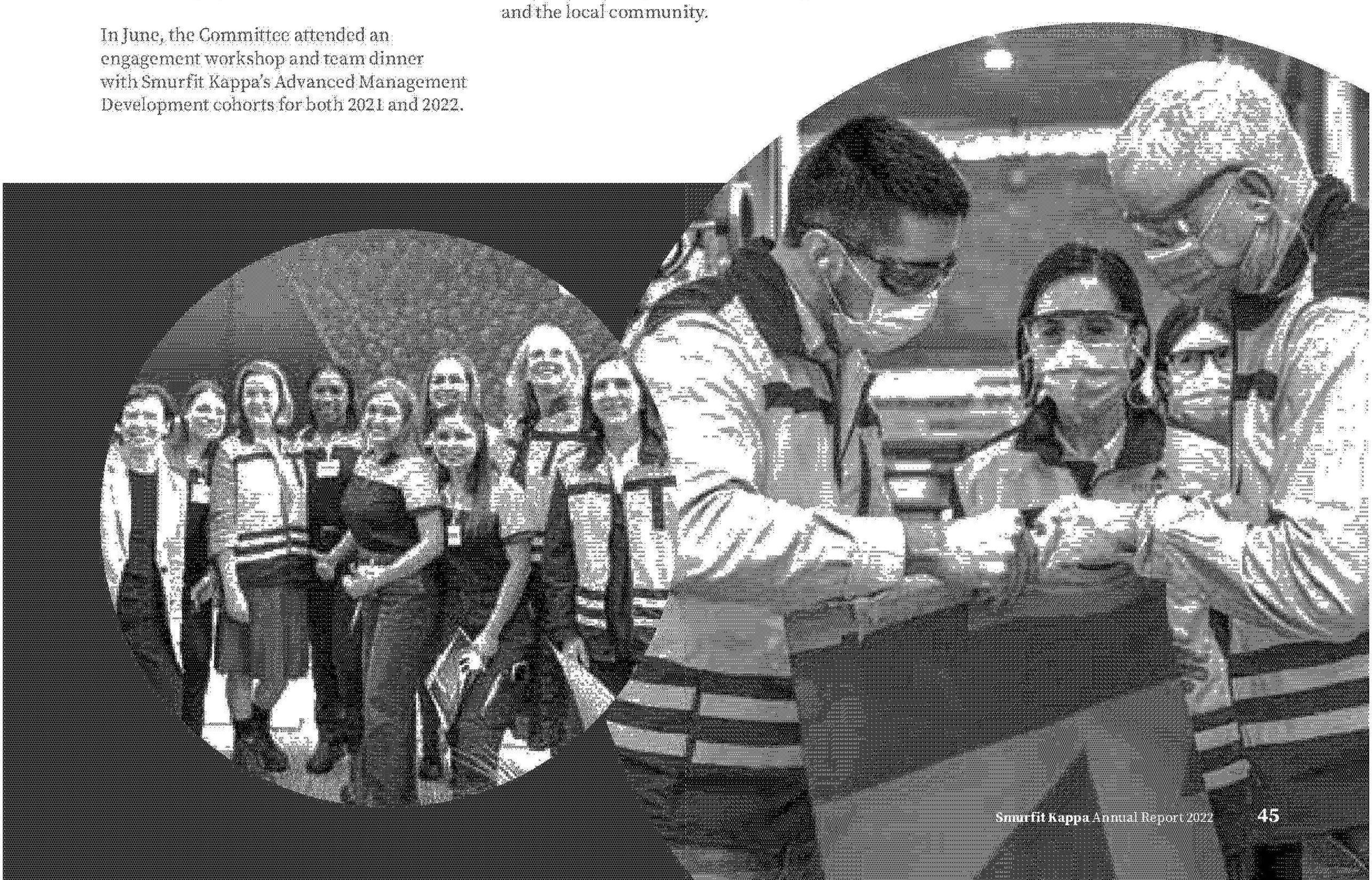
In October, the Board visited one of our newest acquisitions, Verzuolo in Italy. This state-of-the-art containerboard mill in Northern Italy, employs over 220 people. The visit provided an opportunity to see first-hand how the mill was integrating into the Group, as well as providing an understanding of: the employee engagement and interaction; health, safety and wellbeing; leadership and management; behaviours and culture; training and development, as well as the compensation and benefits in place. It also provided an opportunity to see the investments being made in the facility and the local community.

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. Those employees we have met during the year, have very much appreciated the Committee's engagement and support, and I would like to thank them for their time, openness, honesty and engagement during our visits.

Overall, it's been another year of strong workforce engagement, and the Committee is looking forward to a calendar of activities in the year ahead with further opportunities to meet colleagues and ensure the employee voice is heard and valued.



Jørgen Buhl Rasmussen
Sustainability Committee Chair



Investors

How we Engaged

Ongoing Investor Engagement

Our executive Directors together with the Investor Relations team maintain active engagement with the investment community. During 2022, the team met with over 400 analysts and portfolio managers from over 200 different investment funds. Conversations took place at various in-person and virtual investor conferences, ad hoc video and telephone calls, as well as a number of site visits to our operational facilities.

During the year, we engaged with a third party service provider to carry out an investor perception study. The purpose of the study was to gain insight into how the Group is perceived by our investors, identify what our investors consider to be our most important value drivers, measure our progress since we first conducted similar studies in 2016 and 2018 and provide strategic guidance for Smurfit Kappa's investor communications.

The survey was carried out in May and June of 2022 and involved confidential interviews with sell-side and buy-side analysts and portfolio managers of both current and target shareholders with varying approaches in investment style (growth/value/income) and from across Europe and North America.

The overwhelming consensus was that support for Smurfit Kappa has improved significantly since the last study in 2018 and the majority of investment professionals surveyed believed that Smurfit Kappa was undervalued. SKG scored in the upper quartile on two of what are considered the most important drivers of investment decision making – faith in strategy and management credibility. The Group also scored well with reference to confidence in management's ability to deliver tangible shareholder value over the next 12 to 24 months.

The survey also gave management indications as to what are the markets' preferences for capital deployment. Organic reinvestment in the business was considered the preferred use of capital, followed by bolt on mergers and acquisitions.

Annual General Meeting ('AGM')

The Company held its AGM on 29 April 2022. The Group's AGM provides each shareholder the opportunity to engage with and question the Chair of the Board, the Chairs of all Board Committees and all other Board members. The 2022 AGM was an in-person physical AGM after two years of closed meetings. Shareholders were also encouraged to submit a Form of Proxy appointing a proxy to attend, speak, ask questions and vote at the AGM on their behalf to ensure their votes could be represented at the AGM, if unable to attend the AGM in person. 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.

Annual Report

The Investors section on the Group's website, smurfitkappa.com, provides the full text of this Annual Report (and including previous Annual Reports) 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

SKG has recently been further recognised for its strong ESG credentials and continued improvement by the leading research and analytics company, Sustainalytics. Following an analysis of more than 15,000 companies globally, SKG was named as an Industry Top Rated company where it ranked in the top percentile out of 99 companies, in addition to being awarded Regional Top Rated.

The Group 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 and Solactive Europe Corporate Social Responsibility index. SKG also performs strongly across a number of third party certification bodies, including MSCI, ISS ESG and Sustainalytics.



Delivering on our Strategic Priorities

Suppliers

How we Engaged

Compliance with Our Policies and Audits

We are committed to working with our suppliers to ensure compliance with our Sustainable and Responsible Sourcing Policy and our Supplier Code of Conduct. These policies set out our sustainability standards and objectives including our requirements in relation to compliance, performance risk management, social responsibility, and governance. Suppliers are required to submit a declaration of compliance to our policies.

During the year, we have continued to build and maintain transparent and long-term relationships with our suppliers. This partnership approach enables us to work together on sustainability improvement processes and provides the opportunity to carry out audits on compliance with our sustainable supply chain standards. Where any shortcomings are identified, we work together to improve sustainability in their business.

We have observed that the audit process has motivated particularly our smaller suppliers, to build or improve their sustainability programmes and to align their programmes with our sustainability priorities; climate change, forest, water, waste, health and safety, people and communities. We are also encouraged to observe that our suppliers who have sustainability programmes in place for many years see their sustainability programmes as an investment rather than a cost.

Training

During the audit process, we provide training to our suppliers in relation to the different aspects of sustainability in our organisation and set out our expectations in terms of their deliverables as our suppliers. We explain the importance of supporting the SDGs where they can have an impact. We explain the future risks and opportunities for our industry going forward and the importance of our actions today for our future tomorrow. In addition, we provide our suppliers with specific training covering many topics including print technology and process improvement, as required.

Standardisation

We continue to standardise our capital equipment purchases for our corrugated plants. This allows our suppliers to achieve process and manufacturing economies of scale and to reduce their energy consumption and carbon footprint while simultaneously allowing our operations to reduce and share stocks of equipment parts and consumables.

Supplier Collaboration

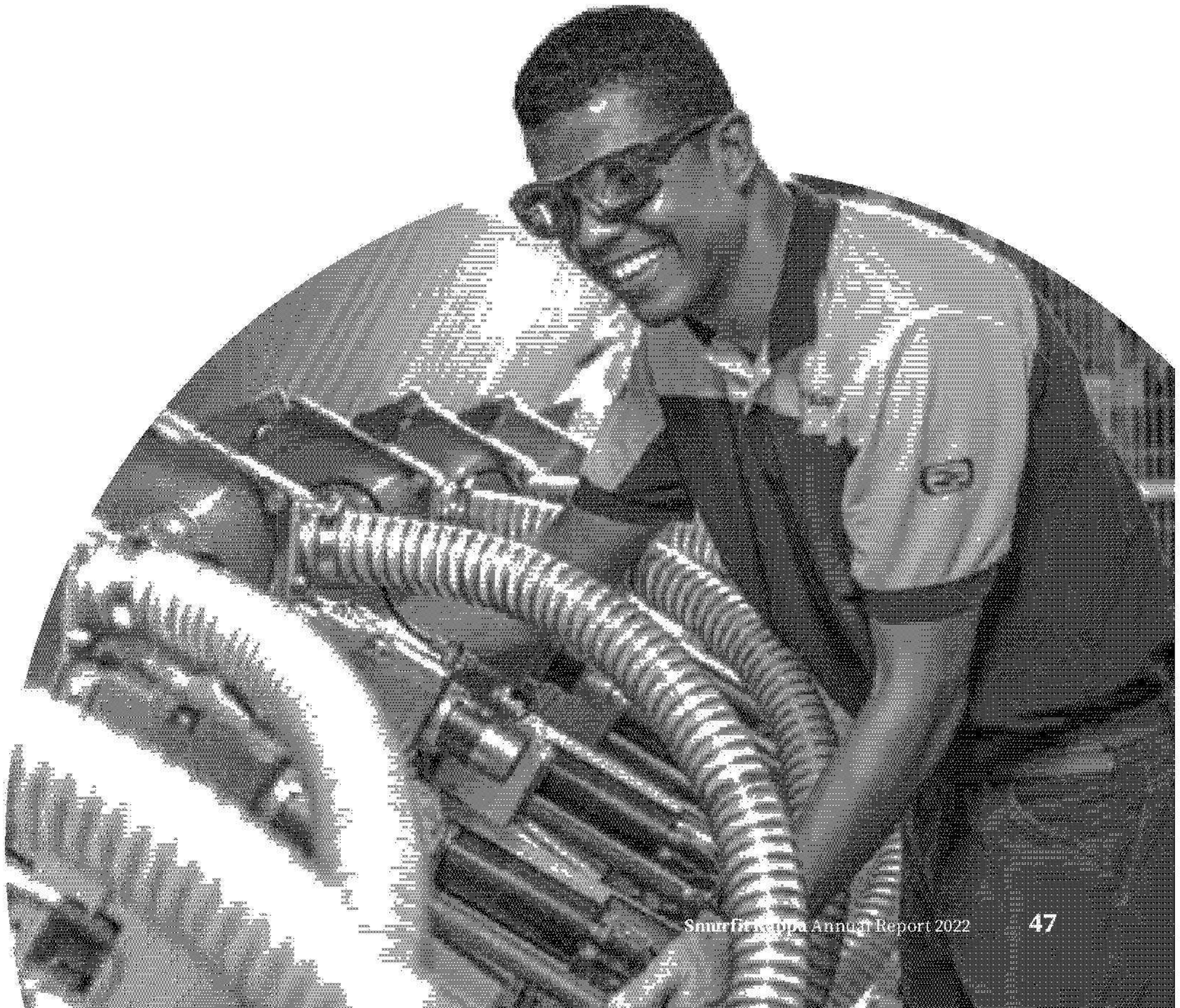
When we enter strategic supplier relationships, we build a relationship based on trust and continuous operational excellence. We work with our suppliers to promote better health, safety and wellbeing and continuous improvement of the work environment. This partnership approach enhances mutual competitiveness as we work together to leverage supplier and operational knowledge.

Innovation

Innovation is in our DNA and we expect the same of our suppliers. Be it investing in shared technology, best-in-class procurement tools, or having close communication on process improvement, knowledge sharing and insights, innovation is always at the core.

Sustainability

We offer our suppliers the ability to collate shipments so that volumes can be optimised and the most sustainable transport options with lower emissions can be selected. This improves service levels and reduces costs.



Communities

How we Engaged

We remain deeply committed to our local communities and have always believed strongly in being part of, collaborating with, and giving back to the communities in which we are privileged to operate. Despite facing another challenging year, our teams across the world continued to donate their time, effort, and expertise to make a positive and lasting impact on their local communities.

Through our operations, we actively support projects that help build a sustainable future for the communities in which we live and work. We engage with and support local economies and livelihoods by creating opportunities directly and indirectly for employment, investing in infrastructure, and contributing to community activities through our Open Community initiatives. In addition to the direct involvement by our operations in our local communities, the Group also provides all of the funding to the Smurfit Kappa Foundation (the 'Foundation'), a registered charity in Ireland, which focuses on delivering a positive impact on the lives of underprivileged people in the communities where we operate. Since being formed in 2011, the Foundation has supported a total of 200 projects with a social investment of over €12 million in 24 countries.

SmurfitKappa Foundation

During 2022, we redefined the purpose of the Foundation, so in addition to a focus on children, the Foundation also financially supports sustainable projects that positively impact the lives of underprivileged people in the areas of health and nutrition, education and basic care, thus helping to reduce inequalities that exist. Throughout 2022, over 40 projects were supported, donating over €2.7 million to charities with a focus on supporting mental health and wellbeing programmes, a continuous emphasis on the health and education of underprivileged people, as well as projects to support the inclusion of all in society. Using the United Nations' Sustainable Development Goals as a guide, we focused on delivering impact for six SDGs: No Poverty, Zero Hunger, Good Health and Wellbeing, Quality Education, Gender Equality and Reduced Inequalities.

Ukraine Appeal

The war in Ukraine and the people affected by this tragedy was a particular focus for our fundraising and volunteering hours during the year. Working with the International Red Cross and the Polish Medical Mission, the Smurfit Kappa Foundation, provided funding for life-saving humanitarian aid to the people of Ukraine fleeing the war in their country, as well as funding for the provision of medical aid for Ukrainians on the Polish border.

In addition to the contribution made by the Foundation, colleagues across the world combined with the Group, who doubled their efforts, to raise a further €2.4 million to fund various local charities involved in the humanitarian efforts and provide funds to the International Red Cross.

Purpose and Culture

We are proud of all our community activities and believe these are a demonstration not only of our organisational culture but also of our essential and enduring purpose to create, protect and care. Our Open Community initiatives cover all aspects of our involvement with our communities worldwide, which are captured under four categories as outlined in the chart below.

In 2022, 8,700 of our colleagues participated in 173 initiatives across 24 countries. We have committed to continuing this work as part of our Better Planet 2050 targets with our commitment to donate €24 million between 2020 and 2025.

€2.4 million
of local charity funding to Ukraine

Our Open Community Initiatives



66
Empowering Communities projects

33
Inspiring our Future projects

62
Encouraging Wellbeing projects

12
Protecting our Planet projects

- Empowering Communities – **38%**
- Encouraging Wellbeing – **36%**
- Inspiring our Future – **19%**
- Protecting our Planet – **7%**

Supporting Ukraine

213,136

A total of 213,136 Ukrainians benefited from the creative and committed efforts of Smurfit Kappa colleagues across the globe.



Supporting Families

33,138

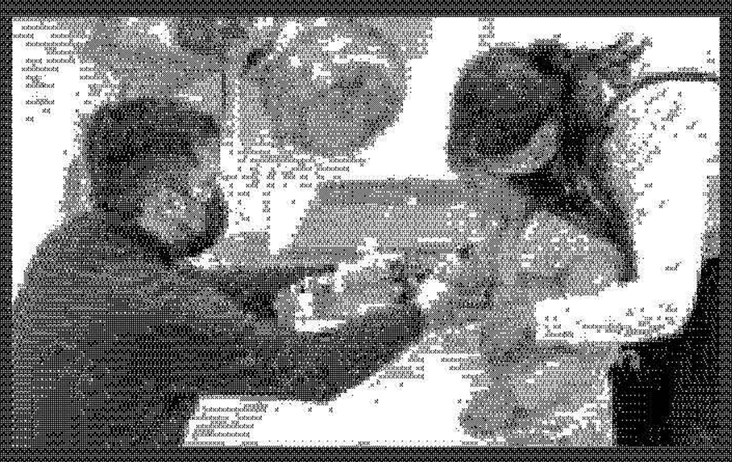
33,138 families, including 67,682 children, were supported with educational workshops, access to development space, summer camps, school kits and after-school initiatives.



Medical Treatment and Research

10,454

Our colleagues helped 10,454 people access medical treatment. We also supported medical research, healthcare, rehabilitation and mental health initiatives.



Helping the Environment

274,788 kg

A total of 274,788 kg of waste was recycled across our environmental initiatives during 2022. Many colleagues participated in Earth Day events within their communities – tackling litter, recycling programmes and promoting and protecting local ecosystems.



Total Distance Covered

40,115 km

2,354 of our colleagues walked, ran or cycled 40,115 km for charity to fundraise for Ukraine, raise awareness of climate change and to promote healthy lifestyles.



Delivering the future together

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 through a circular business model.

In their daily lives, people need food, clothing and household goods. Circular, fit-for-purpose packaging protects our customers product 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 sustainable 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.

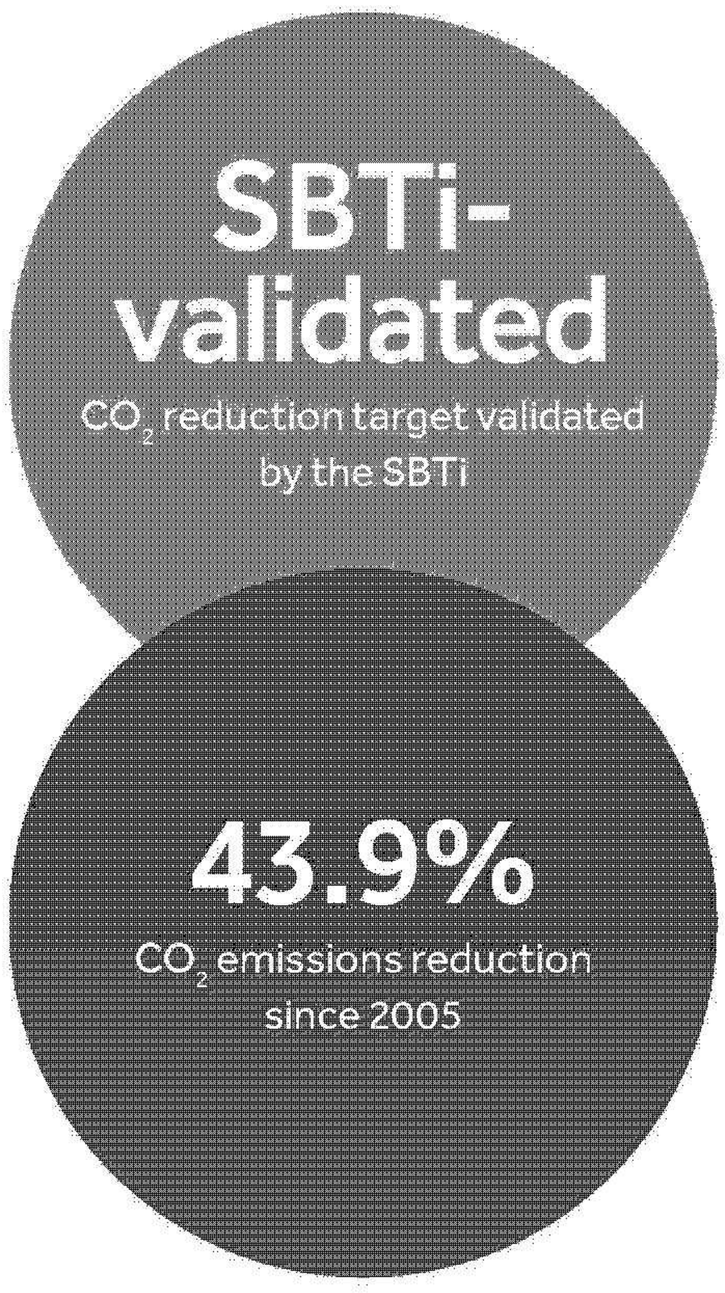
This dedication to end-to-end sustainability, positions SKG to play its part in making the UN Sustainable Development Goals ('SDGs') a reality. In our materiality assessment we compare the SDGs against our business strategy and policies, as well as against stakeholder expectations. This allows us to 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').

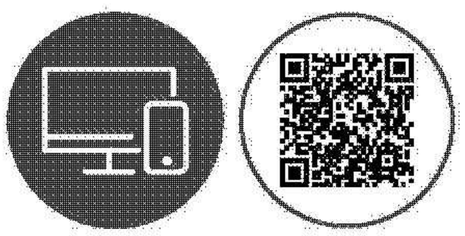
Our Code of Conduct is the fundamental guideline for everybody at Smurfit Kappa from the Board of Directors, officers and employees, as well as all individuals, entities, agents or anyone acting on the Group's behalf – and we also require the same from our suppliers. In environmental matters our starting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

We guarantee compliance by employing modern, low environmental impact equipment, monitoring our progress using our environmental data, including information on permits,incidents and fines to drive action and deliver impact. 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. Our 2022 SDR will be published simultaneously with this Annual Report at the end of March 2023 and all previous SDR's are also available on our website.

SKG is committed to the principles of the UN Global Compact and reports in accordance with the Global Reporting Initiative ('GRI') Standards 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.

Transparency in our disclosures together with the third party assurance of our data are fundamental to the Group's sustainability strategy. Our EU Taxonomy disclosure can be found in this Report on pages 60 to 67 and our Task Force on Climate-Related Financial Disclosures report can be found on pages 68 to 85.



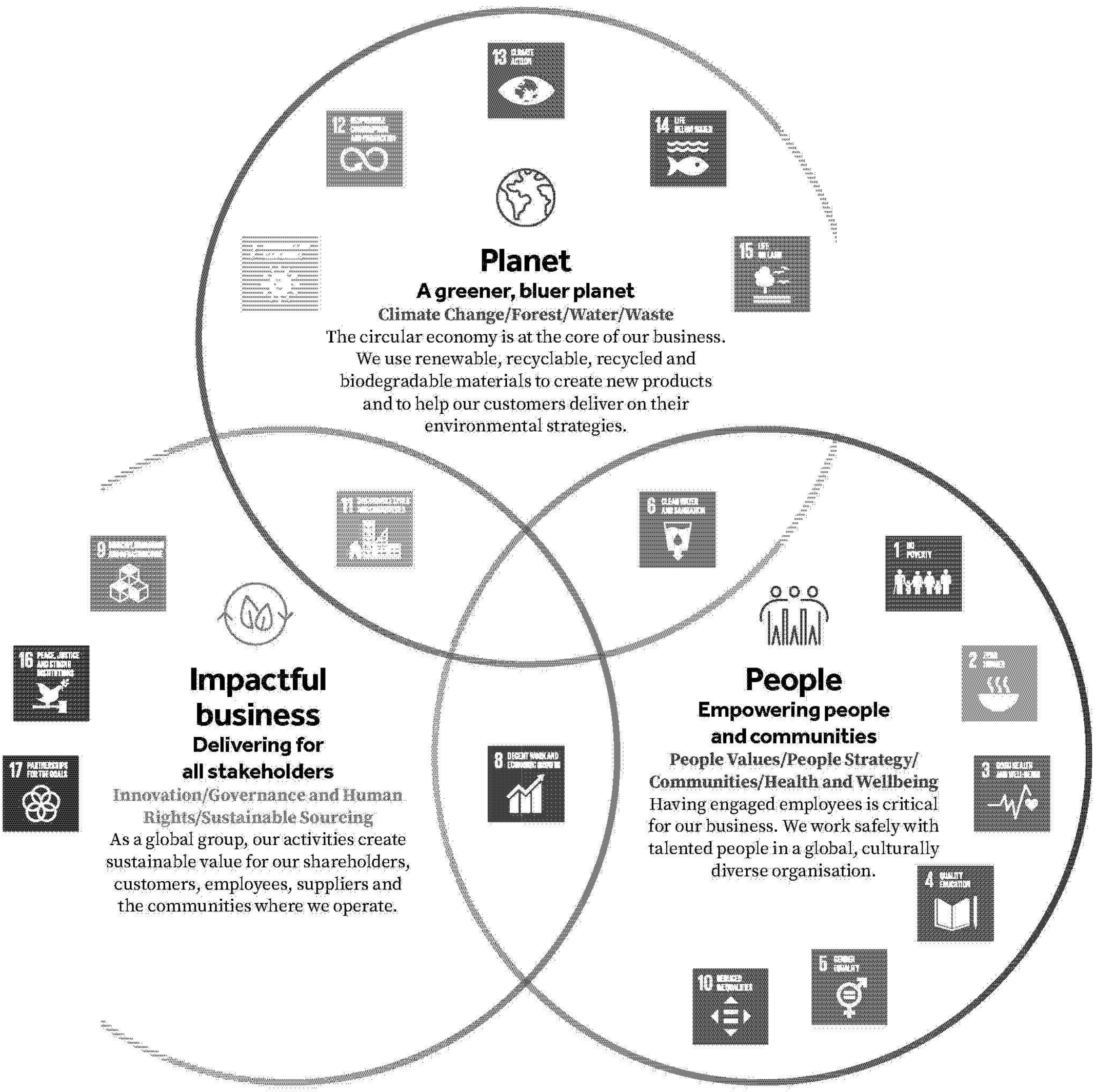


Find out more about our commitment to sustainability in our Sustainability Development Report and Sustainability Development Goals, available on our website from the end of March 2023.

Strategic Sustainability Priorities

As a responsible company, operating globally, Smurfit Kappa has a product that is naturally sustainable and a circular 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 for 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. We have set targets that focus on our strategic areas and that are designed to align the Group with the UN 2030 SDGs.

Our approach to the three pillars is explained below:



Planet

The circular economy is at the core of our business. We use renewable, recyclable, recycled and biodegradable materials to create new products and to help our customers deliver on their environmental strategies.

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.

We seek circular synergies where we can both utilise our side streams and where this is not possible, we seek collaboration with partners. As part of our commitment, we have rigorously collected sustainability data on our operations for 15 years, and we have been independently assured since 2009. 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.

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 ('CoC') certification, enabling us to sell over 94.3% of our packaging products as FSC*, PEFC or SFI* certified, driving a sustainable loop for our raw materials during 2022.

Having integrated paper recycling operations in 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 CoC certified raw material sourcing and production, we have traceability systems that comply with regulations, and with customer and investor requirements.

We are resource efficient in our paper mills, using raw materials and their by-products to their fullest. Our Nettingsdorf mill in Austria, Piteå mill in Sweden, Parenco mill in the Netherlands and our three Brazilian paper mills Bento, Pirapetinga and Uberaba are examples of some of the mills that 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.

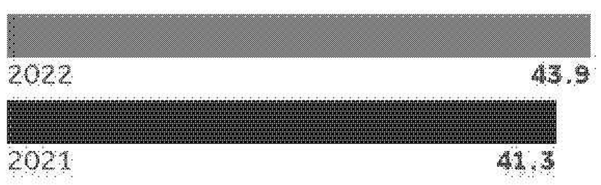
Building on our objective to dynamically and sustainably deliver in 2022, the Group reached another important milestone with the completion of a large-scale sustainability project at its Zülpich paper mill in Germany, which significantly reduces the mill's CO_2 emissions.

8 million tonnes
of primarily post-consumer recycled paper handled annually

94.3%
packaging sold as CoC certified in 2022

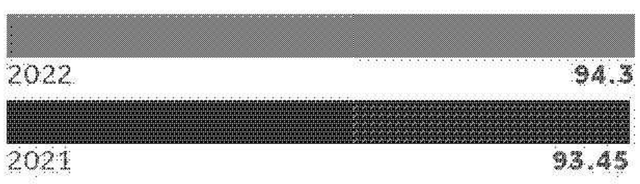
Reduction in CO_2 Emissions Compared to its Baseline Year of 2005 (%)

43.9
2021: 41.3



Packaging Solutions Sold as CoC Certified (%)

94.3
2021: 93.45





Case Study

Walmart Sustainable Supplier of the Year

Mexico

In a country as large as Mexico, it's a huge challenge to collect and process waste for recycling. Unfortunately, a significant amount of waste ends up in landfill, but Walmart and Smurfit Kappa are working to change that.

Sharing sustainable values is the reason why the relationship between both companies has become closer over the years. We are committed to minimising our environmental impact and maximising our social contribution while creating value for all our stakeholders. In 2004, Smurfit Kappa became Walmart's waste manager in Mexico. Since then, more than 3,000 stores across the country have been involved in the tailor-made plan, which includes collection, transportation, and recycling services.

The success of the partnership was recently recognised when Smurfit Kappa Mexico was awarded the **'Walmart Award for Sustainable Supplier of 2022'**.

The partnership continues to evolve and through seeking to create greater social awareness, and involving Walmart's customers, we are working on a pilot test for a new recycling programme. This will provide facilities for consumers to deposit all sorts of recyclable material including paper, carton, plastic and aluminium.

"We have a close partnership that began more than 20 years ago, with just one store in Mexico City", says Andres Marein Efron, General Manager, Recycling Division in Mexico. "Now it's nationwide, and we are contributing to the sustainability goals of both companies."

Planet	Climate Change	Forest
Priorities	Climate change is the most pressing issue of our time. To counter rising global temperatures, carbon neutrality by the 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 low or CO_2 neutral energy sources.	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 at least eight times and up to 25 times (according to a recent study) when producing 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.
Risks and Opportunities	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.	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 CoC 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.
Our Commitments	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 renewable and green sources 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. Our CO_2 emissions reduction target is Science Based Targets initiative ('SBTi') verified and we are committed to report in line with the TCFD recommendations, read more in the TCFD section on pages 68 to 85.	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 CoC certified. We have committed to delivering over 95% of our packaging solutions sold as CoC certified to customers by 2025.

Highlights in 2022

Climate Change

We continued investing in energy efficiency and CO_2 reduction during 2022. In October 2022, we announced an almost US$100 million investment in a sustainable biomass boiler at our paper mill in Cali, Colombia. This investment will lead to approximately a 6% reduction in CO_2 emissions for the Group globally.

Forest

In Q4 2022, we reached our target level of over 95% of our products sold as CoC certified for the first time and achieved a level of 94.3% for the full year.

Water

Clean fresh water is an increasingly scarce commodity, and often cited by our stakeholders as an important sustainability issue.

We process 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 with the balance released back into the atmosphere as steam – availability of fresh water is still essential to us.

Our global assessment shows that only 12% of our paper production takes place in areas of fresh water scarcity, representing 4% 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 a processor of water, 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 Chemical Oxygen Demand ('COD') discharge intensity by 60% by 2025 compared to 2005, we also introduced an annual water intake reduction target of 1% annually.

Waste

Increasing scarcity of resources demands responsible production and consumption. Avoidance of waste is a key issue for all our stakeholders. 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. 76% of our raw material is derived from recycled fibre and the remainder is from sustainable sources. Our production process itself generates almost no waste.

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.

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.

As a significant operator in the circular economy in Europe and the Americas, we receive non fibre-based waste from the collection of post-consumer waste streams (such as plastic and metals). As a result, we work on recovering energy where a circular option cannot be found and as a final resort, landfill, with a target to have 30% less waste to landfill by 2025, compared to the reference year 2013.

Water
Four major water treatment plant investment projects in the Americas (Barbosa and Barranquilla in Colombia, Cerro Gordo in Mexico and Uberaba in Brazil) are now operating and helping to deliver against our 60% COD reduction target. We achieved a 36.9% global reduction of COD since 2005.

Waste
We handled a record volume of eight million tonnes of primarily post-consumer recycled paper at our recycling paper operations in 2022. Our collection rate of used products is 100% globally and our recycling rate at our mills is 88%.

People

Having engaged employees is critical for our business. We work safely with talented people in a global, culturally diverse organisation.

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 delivers better solutions and strategies for long-term business success. 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 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 related to the business and the work environment 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 three meetings during the year, with additional meetings held 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.

Health, Safety and Wellbeing

SKG has made the health and safety of its workforce an overriding value. We promote a health and safety culture founded on understanding, responsibility and accountability.

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. We regularly perform comprehensive health and safety verification and audit processes tailored specifically to our global operations. 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.

Communities

Beyond our employees, we have a deep commitment to our responsibilities to help the local communities in which we live and work, and by behaving as a good corporate citizen 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 help to strengthen our 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. Using the UN SDGs as a guide, through our Open Community initiative and aligned to the Smurfit Kappa Foundation, we want to break down the barriers which lead to people 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, and help to change the expectations of underprivileged people.

In addition to the direct involvement in our local communities by our operations, the Group provides all of the funding to the Smurfit Kappa Foundation. The vision for the Foundation is to positively impact the lives of underprivileged people in the communities where the Group operates, whilst ensuring our employees are involved from an early stage.

We are proud of our 8,700 colleagues who were actively involved in supporting 173 initiatives across 24 countries during 2022, and who joined together to show how our purpose and culture can inspire a better tomorrow.

People	Employee Strategy	Health, Safety and Wellbeing	Communities
Priorities	Smurfit Kappa unites some 48,000 people around the globe. Our people are at the heart of all our operations which 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 developing 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.
Risks and Opportunities	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. Although one of the best known brands and top performers within our market, our awareness among the wider public to attract top talent is limited. 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 for us to be 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, and pay specific focus to changing behaviours.	We see ourselves as a good 'corporate citizen' in the communities in which we are 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 positively participate in communities, making it attractive for the best talent to join us.
Our Commitments	We want to empower all employees to help us achieve 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 have committed to reducing our TRIR by 5% annually.	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 €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 so 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).

Highlights in 2022

Employee Strategy
We launched multiple initiatives to support Inclusion, Diversity and Equality in our Group during 2022, including an ID&E survey which resulted in receiving over 9,000 comments from our employees.

Health, Safety and Wellbeing
We continued a steady progress against our annual TRIR reduction target, achieving a 13.6% reduction in 2022 and a TRIR of 0.51.

Communities
We invested over 6,300 hours in volunteering and reached over 109,000 people through our social investments.

Impactful business

As a global group, our activities create sustainable value for our shareholders, customers, employees, suppliers and the communities where we operate.

Delivering to all Stakeholders

SKG has specific policies on key areas of sustainability which are integral in improving future performance. These cover the Environment, Sustainable Forestry, Sustainable and Responsible Sourcing, Social Citizenship, and Health and Safety. These policies complement other policies in place, including: 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.

Governance and Human Rights

A report on Corporate Governance is detailed on pages 104 to 112 of this Annual Report and a Sustainability Governance review will be available in the Governance and Human Rights section of the 2022 SDR.

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.

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.

Innovation

Our products are 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. 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 and helping them deliver on their sustainable goals. 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.

Sustainable and Responsible Sourcing

We want to sustainably grow our business and value chain. That means our materials, goods and services not only have the right quality and cost, but also must be sourced securely in a sustainable and responsible way as described in our Sustainable and Responsible Sourcing Policy and in alignment with the objectives of the 2030 UN SDGs.

By developing more sustainable supply chains in collaboration with our suppliers, we can manage risks and costs, develop new revenue streams and add value across our stakeholder base. We have a sustainable and responsible audit programme which is an integral part of our sustainability strategy, covering areas of compliance, performance risk management, social responsibility and governance.

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. 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. By collaborating across our value-chain, we can deliver on our long-term sustainability commitments and our suppliers are key in achieving this.

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

Impactful Business	Governance and Human Rights	Innovation	Sustainable and Responsible Sourcing
Priorities	We operate in an environment with diverse legislation, regulations and cultures. Our Code of Conduct is the fundamental guideline for everybody at Smurfit Kappa from the Board of Directors, officers and employees as well as individuals, entities, agents and anyone acting on the Group's behalf – and we require the same from our suppliers. Our Code of Conduct expects adherence to ethical standards and commitment to quality and service.	We have a responsibility to respond to the challenge facing the environment and society today – to inspire more sustainable packaging solutions. With circularity in mind at the design stage, and by optimising both primary and secondary packaging, we can deliver efficiencies in transport, emissions reductions, replace unsustainable packaging materials, storage and display and ultimately ensure recovery and recycling of our packaging products in recycling channels.	Our value chain impact goes beyond SKG and we must extend our ethical and sustainable manner of conducting business to our supply chains, and to require our suppliers to continually improve their sustainable footprints.
Risks and Opportunities	Strong governance and a respect for human rights are key factors for our stakeholders when choosing investments, suppliers and employers. By complying with regulations, having effective corporate governance and a respect for human rights we can remain a reliable partner of choice for all our stakeholders. In addition it enables us to have a positive impact in the communities in which we operate.	Lightweighting packaging is not always the most sustainable solution for our customers, and if done incorrectly can lead to more waste. We convert our data into intelligent design tools that help us measure the environmental impact of the product designs we offer to our customers. 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.	In order to sustainably grow our business and attract customers and investors, our sourcing of material, goods and services must have the right quality and cost, but also be ethically and sustainably sourced. Working with and learning from our suppliers as well as sharing our sustainability knowledge, experience and expertise increases the sustainability of the whole value chain.
Our Commitments	We are committed to maintaining a strong governance framework by: • Making our Code of Conduct accessible for all stakeholders; • Ensuring our stakeholders adhere to the principles of the Code; and • Offering an independent and unbiased channel to raise concerns about breaches to the Code.	We are committed to inspire more sustainable packaging through: • The development of our Better Planet Packaging initiative; • Using our data to improve our processes, products, supply chains, logistics and markets; and • Optimising the use of our InnoTools to support our innovation and design and leverage our global ideas.	We are committed to working with our suppliers that adhere to our: • Sustainable and Responsible Sourcing Policy and Supplier Code of Conduct, are CoC certified (where applicable); and • Commit to our Modern Slavery Statement. We regularly audit our suppliers to ensure adherence to our key Sustainable and Responsible Sourcing principles.

Highlights in 2022

Governance and Human Rights
We introduced a new web design that makes our website more accessible for users with disabilities and impairments.

Innovation
In May 2022, we hosted a customer event on sustainable packaging, over 2,000 people attended the event.

Sustainable and Responsible Sourcing
We performed 121 sustainable sourcing auditing activities during 2022.

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. Companies were required to report on their Taxonomy-eligible activities in their 2021 reporting and to expand this for Taxonomy-aligned activities in their 2022 reporting.

The first set of sustainable activity classification criteria, The Delegated Act on Sustainable Activities for climate change mitigation and adaptation, was published and adopted in 2021 and a Complementary Delegated Act was formally adopted on 9 March 2022 by the European Commission introducing further activities in certain energy sectors (together the 'Climate Delegated Act').

The Climate Delegated Act focuses on those economic activities and sectors that have the greatest potential to achieve the objective to mitigate and adapt to climate change. The four remaining environmental objectives are expected to be published in 2023. These are; sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems.

The current Taxonomy classification criteria does not yet cover the core business activities of the Group. In producing paper-based packaging solutions and having 76% 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 EU Taxonomy is widened to include further activities contributing towards this environmental objective.

The information below is disclosed 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 throughout 2023, when published. In its sustainable activity eligibility assessment, SKG has taken a careful approach and followed the best interpretation of the currently available guidelines of the European Commission. We acknowledge that the interpretation may change as common practice brings clarity to definitions on activities and the amount of eligible activities may grow.

Taxonomy-Eligible and Aligned Activities

In accordance with Article 8 of the Taxonomy Regulation, non-financial undertakings shall report on their EU Taxonomy-aligned activities for their reporting period 2022. The following approach has been taken to classify SKG's activities in accordance with the Taxonomy Regulation as either Taxonomy-non-eligible, Taxonomy-eligible but not aligned or Taxonomy-aligned:

- **Taxonomy-non-eligible economic activity:** any economic activity that is not described in the Climate Delegated Act;
- **Taxonomy-eligible but not aligned economic activity**: an economic activity that is described in the Climate Delegated Act and does not meet any or all of the technical screening criteria laid down in the Climate Delegated Act; and
- **Taxonomy-aligned (a sustainable activity):** an eligible economic activity which meets three requirements:
  1. Contributes substantially to one of the six environmental objectives. This means complying with technical criteria which measure the environmental performance of the activity.
  2. Do no significant harm to any other environmental objective ('DNSH'): This means complying with criteria which measure the negative impact of the economic activity with respect to the other five environmental objectives.
  3. Complies with 'minimum safeguards': This means that the economic activity complies with minimum safeguards related to the topics of human rights (including labour and consumer rights), corruption and bribery, taxation and fair competition.

Taxonomy-Eligible Activities

We have undertaken a thorough review involving all relevant divisions and functions through our full value chain. We concluded that our activities of providing paper-based packaging solutions are not covered by the Climate Delegated Act and consequently are Taxonomy-non-eligible. All other business activities have been assessed in line with the Climate Delegated Act and the outcome can be seen in the table on page 61.

As our business practices are currently focused toward pursuing the environmental objective of climate change mitigation and to contribute substantially to the stabilisation of greenhouse gas emissions by avoiding or reducing them or by enhancing greenhouse gas removals, our assessment was focused on the Climate Delegated Act Annex I, climate change mitigation. By attributing our activities to one environmental objective only, we avoid double counting between multiple environmental objectives.

Taxonomy-Aligned Activities

SKG has further assessed each of its Taxonomy-eligible activities against the technical screening criteria and the minimum safeguard requirements and concluded that for 2022 the following activities are Taxonomy-aligned:

- 1.3 Forest management; and
- 5.5 Collection and transport of non-hazardous waste in source segregated fractions.

The remainder of the activities are Taxonomy-eligible but not Taxonomy-aligned. Further details on the alignment assessments for the two aligned activities are outlined below.

Substantial Contribution

In order to determine if an economic activity is Taxonomy-aligned, it must contribute substantially to one or more of the environmental objectives. Our Colombian forestry operations, have met the substantial contribution criteria consisting of five sub criteria, including having an FSC® certified Forest Management plan in place. Our recycling operations meet the substantial contribution criteria to the extent that all separately collected and transported non-hazardous waste segregated at source is intended for preparation for reuse or recycling operations.

Do No Significant Harm

For both activities a physical climate risk and vulnerability assessment was carried out pursuant to Appendix A of the Climate Delegated Act in line with the DNSH criteria for climate change adaptation.

For each of the sites we conducted a preliminary screening of the climate-related risk hazards as mapped in Appendix A of the Climate Delegated Act. Those risks, which were found to be relevant, were further analysed in a climate risk and vulnerability assessment. In 2021 we carried out an extensive climate risk and opportunity assessment and its results have been further discussed in our TCFD report on pages 68 to 85. The project was supported by an expert third party, reviewing climate risks and opportunities for Smurfit Kappa and utilising a climate scenario modelling tool provided by TCS, Climanomics.

Sector	Eligible Economic Activity	Description of SKG Activities	NACE Codes
Forestry	1.3 Forest management	Smurfit Kappa owns 68,000 hectares of forest of which 46,000 hectares are in commercial forestry use, and the remaining 22,000 hectares are dedicated for forest conservation.	NACE A02.10 A02.20 A02.40
Energy	4.2 Electricity generation using concentrated solar power (CSP) technology	Smurfit Kappa corrugated sites are increasingly installing solar panels on their sites and operating them as part of their electricity mix.	NACE D35.11 F42.22
Energy	4.13 Manufacture of biogas and biofuels for use in transport and of bioliquids	Smurfit Kappa Piteå paper mill manufactures tall oil for use in transport.	D35.21
Energy	4.15 District heating/cooling distribution	Smurfit Kappa Piteå and in the future Smurfit Kappa Nettingsdorf are part of the local, municipality district heating system and send their excess heat to the municipality system.	NACE D35.30
Energy	4.20 Cogeneration of heat/cool and power from bioenergy	Smurfit Kappa virgin paper mills produce their energy increasingly from bioenergy. Some recycled paper mills use the biogas from their biological waste water treatment as part of the gas mix for energy generation.	NACE D35.11
Water supply, sewerage, waste management and remediation	5.3 Construction, extension and operation of waste water collection and treatment	29 of our 35 paper mills operate their own waste water treatment plant.	NACE E37
Water supply, sewerage, waste management and remediation	5.5 Collection and transport of non-hazardous waste in source segregated fractions	Smurfit Kappa recycling operations organise collection and transport of paper and paper packaging waste in single fractions aimed at recycling of fibres.	NACE E38.11
Construction and real estate	7.3 Installation, maintenance and repair of energy efficiency equipment	Smurfit Kappa continually invests in installation, maintenance and repair of energy efficiency equipment in its paper mills and corrugated plants.	NACE C33.12
Construction and real estate	7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	Smurfit Kappa updates its forklift systems on its operating sites with electric forklifts and their charging stations.	NACE C17

The analysis was conducted across all the Group's operating assets. The scenario analysis and modelling was 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.

We have been preparing for climate-related risks at our forestry operations for over 10 years. This includes research on natural forests and understanding how tree species adapt to changing climate patterns. This has been included in our FSC/PEFC certified long and short-term forest management plans.

We manage our forest plantations against FSC certified Forest Management Plans that set the basis of sustainable forest management. A thorough assessment against the technical screening criteria, including DNSH on sustainable use and protection of water and marine ecosystems, transition to a circular economy, pollution prevention and control as well as protection and restoration of biodiversity and ecosystems concludes that the activity is Taxonomy-aligned.

For the recycling operations, we have assessed the DNSH criteria for transition to a circular economy in addition to climate change adaptation. The assessment has been based on compliance with EN643:2014, the European list of standard grades of paper and board for recycling.

Minimum Safeguards

The minimum safeguards include all procedures implemented to ensure that economic activities are carried out in alignment with the OECD Guidelines for Multinational Enterprises (OECD MNE Guidelines); The UN Guiding Principles on Business and Human Rights (UNGPs), including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organization on Fundamental Principles and Rights at Work and The International Bill of Human Rights.

In the absence of further guidance from the European Commission, we based our minimum safeguards assessment on the 'Final Report on Minimum Safeguards' published by the Platform on Sustainable Finance (PSF) in October 2022.

The scope of the minimum safeguards covers the topics of human rights (including labour and consumer rights), corruption and bribery, taxation and fair competition. We have implemented adequate policies and processes to prevent negative impacts. We also monitor to ensure whether our processes are effective.

We disclose transparently on all these items in this Report as well as our separate Sustainable Development Report 2022 (to be published at the end of March 2023).

Turnover, Capital Expenditure ('CapEx') and Operating Expenditure ('OpEx') KPIs and our Accounting Policies

The key performance indicators ('KPIs') include the turnover KPI, the CapEx KPI and the OpEx KPI. For the financial year ended 31 December 2022, the KPIs have to be disclosed in relation to our Taxonomy-aligned, Taxonomy-eligible but not aligned and Taxonomy-non-eligible economic activities as required by Annex II of the Disclosure Delegated Act.

The specification of the KPIs is determined in accordance with Annex I of the Article 8 Delegated Act and presented in the tables on pages 62 to 67.

As we are not performing any of the activities related to natural gas and nuclear energy, we are not disclosing the dedicated templates introduced by the Complementary Delegated Act.

Turnover

The turnover-aligned KPI is defined as Taxonomy-aligned turnover (numerator) divided by our total turnover (denominator). Similarly, the turnover-eligible but not aligned KPI is defined as Taxonomy-eligible but not aligned turnover (numerator) divided by our total turnover (denominator).

The denominator is SKG's external revenue as reported in the Consolidated Income Statement. The accounting policy applicable for revenue recognition is addressed in detail in Note 2 to the Consolidated Financial Statements.

Taxonomy-aligned turnover (numerator) is defined as the turnover derived from products and services associated with Taxonomy-aligned economic activities:

- Activity 1.3 Forest management. We generate turnover from the sale of roundwood from forests owned by Smurfit Kappa Colombia to third parties.
- Activity 5.5 Collection and transport of non-hazardous waste in source segregated fractions. We generate turnover from the sale of recovered fibre to third parties.

Double counting was avoided by only allocating revenue from third parties once to an economic activity.

Proportion of Turnover from Products or Services Associated with Taxonomy-aligned Economic Activities – Disclosure Covering Year 2022

Economic Activities	Code(s)	Absolute Turnover	Proportion of Turnover
		EUR million	%
A. TAXONOMY-ELIGIBLE ACTIVITIES			%
A.1. Environmentally sustainable activities (Taxonomy-aligned)			
Forest management	1.3	4	0.0%
Collection and transport of non-hazardous waste in source segregated fractions	5.5	219	1.7%
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**223**	**1.7%**
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)			
Electricity generation using concentrated solar power (CSP) technology	4.2	0	0.0%
Manufacture of biogas and biofuels for use in transport and of bioliquids	4.13	0	0.0%
District heating/cooling distribution	4.15	0	0.0%
Cogeneration of heat/cool and power from bioenergy	4.20	0	0.0%
Construction, extension and operation of waste water collection and treatment	5.3	0	0.0%
Installation, maintenance and repair of energy efficiency equipment	7.3	0	0.0%
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**0**	**0.0%**
Total (A.1 + A.2)		**223**	**1.7%**
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES			
Turnover of Taxonomy-non-eligible activities (B)		12,592	98.3%
Total (A + B)		12,815	100.0%

	Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')								
	Climate Change Mitigation	Climate Change Adaptation	Water and Marine Resources	Circular Economy	Pollution	Biodiversity and Ecosystems	Climate Change Mitigation	Climate Change Adaptation	Water and Marine Resources	Circular Economy	Pollution	Biodiversity and Ecosystems	Minimum Safeguards	Taxonomy-aligned Proportion of Turnover, 2022	Enabling/Transitional Activity
	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Percent	E/T
	100%						N/A	Y	Y	Y	Y	Y	Y	100.0%	
	100%						N/A	Y		Y				100.0%	

CapEx

The CapEx-aligned KPI is defined as Taxonomy-aligned CapEx (numerator) divided by our total CapEx (denominator). Similarly, the CapEx-eligible but not aligned KPI is defined as Taxonomy-eligible but not aligned CapEx (numerator) divided by our total CapEx (denominator).

The denominator is SKG's total 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. It includes acquisitions of tangible fixed assets, intangible fixed assets, biological assets and right-of-use assets. Additions resulting from business combinations are also included. Goodwill is not included in CapEx. For further details on our accounting policies regarding CapEx, see Note 2 to the Consolidated Financial Statements. Our total CapEx can be reconciled to our Consolidated Financial Statements, see the additions and acquisitions lines, excluding additions to goodwill, in Notes 11, 12, 13 and 16 to the Consolidated Financial Statements.

For the eligibility assessment of CapEx, we have identified the relevant purchases and allocated them to only one economic activity in the Climate Delegated Act ensuring no capital expenditure is considered more than once.

The numerator consists of the following categories of Taxonomy-eligible CapEx:

a. CapEx related to assets or processes that are associated with Taxonomy-aligned economic activities ('category a').

We consider that assets and processes are associated with Taxonomy-aligned economic activities when they are essential components necessary to execute an economic activity.

In the financial year ended 31 December 2022 all CapEx related to the following areas is considered in the numerator of the CapEx KPI:

- Activity 1.3. Forest management. The CapEx is linked to investments related to sustainable forest management, infrastructure and research.
- Activity 5.5. Collection and transport of non-hazardous waste in source segregated fractions. The CapEx is linked to investments in recovered paper collection infrastructure.

b. CapEx that is part of a plan to upgrade a Taxonomy-eligible economic activity to become Taxonomy-aligned or to expand a Taxonomy-Aligned economic activity ('category b'). In the financial year ended 31 December 2022 we had no CapEx plans as defined by the Taxonomy Regulation and therefore no amounts from this category are allocated to the numerator.

c. CapEx related to the purchase of output from Taxonomy-aligned economic activities and individual measures enabling certain target activities to become low-carbon or to lead to greenhouse gas reductions ('category c'). In this category we have identified CapEx spend such as solar panels and the upgrade of waste water treatment plants and bio-mass boilers.

Proportion of CapEx from Products or Services Associated with Taxonomy-aligned Economic Activities – Disclosure Covering Year 2022

Economic Activities	Code(s)	Absolute CapEx	Proportion of CapEx
		EUR million	%
A. TAXONOMY-ELIGIBLE ACTIVITIES			%
A.1. Environmentally sustainable activities (Taxonomy-aligned)			
Forest management	1.3	13	1.2%
Collection and transport of non-hazardous waste in source segregated fractions	5.5	12	1.1%
Capex of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**25**	**2.3%**
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)			
Electricity generation using concentrated solar power (CSP) technology	4.2	1	0.1%
Manufacture of biogas and biofuels for use in transport and of bioliquids	4.13	9	0.8%
District heating/cooling distribution	4.15	0	0.0%
Cogeneration of heat/cool and power from bioenergy	4.20	6	0.5%
Construction, extension and operation of waste water collection and treatment	5.3	16	1.5%
Installation, maintenance and repair of energy efficiency equipment	7.3	14	1.3%
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	7.4	0	0.0%
Capex of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**46**	**4.2%**
Total (A.1 + A.2)		**71**	**6.5%**
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES			
Capex of Taxonomy-non-eligible activities (B)		998	93.5%
Total (A + B)		1,069	100.0%

	Substantial Contribution Criteria						DNSH Criteria ('Does Not Significantly Harm')								
	Climate Change Mitigation	Climate Change Adaptation	Water and Marine Resources	Circular Economy	Pollution	Biodiversity and Ecosystems	Climate Change Mitigation	Climate Change Adaptation	Water and Marine Resources	Circular Economy	Pollution	Biodiversity and Ecosystems	Minimum Safeguards	Taxonomy-aligned Proportion of CapEx, 2022	Enabling/Transitional Activity
	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Percent	E/T
	100%						N/A	Y	Y	Y	Y	Y	Y	100.0%	
	100%						N/A	Y		Y				100.0%	

OpEx

The OpEx-aligned KPI is defined as Taxonomy-aligned OpEx (numerator) divided by our total OpEx (denominator). Similarly, the OpEx-eligible but not aligned KPI is defined as Taxonomy-eligible but not aligned OpEx (numerator) divided by our total OpEx (denominator).

The OpEx denominator consists of direct non-capitalised costs that relate to research and development, building renovation measures, short term leases, repair and maintenance and upkeep relating to the day-to-day servicing of assets of 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.

The cost includes:

- Research and development expenditure recognised as an expense during the reporting period and disclosed in Note 5 to the Consolidated Financial Statements. This includes all non-capitalised expenditure that is directly attributable to research or development activities.
- The amount of non-capitalised short-term leases as disclosed in Note 12 to the Consolidated Financial Statements.
- Maintenance and repairs and other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment. This also includes building renovation costs. See Note 5 to the Consolidated Financial Statements.

With regards to the numerator, we refer to the explanation provided under CapEx on page 64.

Proportion of OpEx from Products or Services Associated with Taxonomy-aligned Economic Activities – Disclosure Covering Year 2022

Economic Activities	Code(s)	Absolute OpEx	Proportion of OpEx
		EUR million	%
A. TAXONOMY-ELIGIBLE ACTIVITIES			%
A.1. Environmentally sustainable activities (Taxonomy-aligned)			
Forest management	1.3	4	0.8%
Collection and transport of non-hazardous waste in source segregated fractions	5.5	9	1.5%
Opex of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**13**	**2.3%**
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)			
Electricity generation using concentrated solar power (CSP) technology	4.2	0	0.0%
Manufacture of biogas and biofuels for use in transport and of bioliquids	4.13	0	0.0%
District heating/cooling distribution	4.15	0	0.0%
Cogeneration of heat/cool and power from bioenergy	4.20	3	0.5%
Construction, extension and operation of waste water collection and treatment	5.3	4	0.7%
Installation, maintenance and repair of energy efficiency equipment	7.3	1	0.2%
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	7.4	0	0.0%
Opex of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**8**	**1.4%**
Total (A.1 + A.2)		**21**	**3.7%**
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES			
Opex of Taxonomy-non-eligible activities (B)		534	96.3%
Total (A + B)		555	100.0%

	Substantial Contribution Criteria						DNSH Criteria ('Does Not Significantly Harm')								
	Climate Change Mitigation	Climate Change Adaptation	Water and Marine Resources	Circular Economy	Pollution	Biodiversity and Ecosystems	Climate Change Mitigation	Climate Change Adaptation	Water and Marine Resources	Circular Economy	Pollution	Biodiversity and Ecosystems	Minimum Safeguards	Taxonomy-Aligned Proportion Of OpEx, 2022	Enabling/Transitional Activity
	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Percent	E/T
	100%						N/A	Y	Y	Y	Y	Y	Y	100.0%	
	100%						N/A	Y		Y				100.0%	

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. Reporting in line with the TCFD framework is now an established part of our public disclosure. As recommended by the TCFD, we use climate change risk assessment and scenario analysis as tools to better understand the potential impact of climate risks and opportunities on our business.

SKG puts sustainability at the heart of how we think and act in everything we do, driven by our values, vision and our purpose, to create, protect and care. We use a combination of long-term targets, interim targets and continued action today. This multi-horizon approach ensures we look beyond our continued delivery today and also think and act strategically on what is required to deliver a just transition to a low-carbon, circular economy in line with the Paris Agreement. Our ambition is to have at least Scope 1, 2 and 3 net zero emissions by 2050, with a 55% reduction in relative CO_2 emissions in Scope 1 and 2 by 2030. The challenge of achieving the Paris Agreement and the UN 2030 Sustainable Development Goals will require strong and concerted action to deliver on the increasing levels of commitments across all sections of society.

2022 saw a heightened focus on climate, with many parts of the world experiencing once-in-a-lifetime floods, droughts and record breaking temperatures together with a global energy crisis. These events all confirm the need for solutions and were underlined by the recent Inter Governmental Panel on Climate Change ('IPCC') Sixth Assessment report, with working groups reports published in February and April of 2022. The working groups covered areas such as ecosystems, biodiversity, and human communities at global and regional levels. They reviewed the vulnerabilities, capacities and limits of the natural world and human societies ability to adapt to climate change. The reports also provided an updated global assessment of climate change mitigation progress and pledges. Both reports confirmed a 'code red for humanity', demonstrating Society is not doing enough to deliver on its commitments.

Since May 2020, SKG has been a supporter of the TCFD and we included our first TCFD disclosures in the 2020 Annual Report. In 2021 and 2022 we have significantly developed our disclosure as outlined below which is in line with recent legislative updates in the UK and is consistent with all the TCFD recommendations and recommended disclosures. In completing this disclosure, we have provided the recommended disclosures in terms of:

- Governance (see pages 69 to 72)
- Strategy (see pages 73 to 81)
- Risk Management (see page 82)
- Metrics and Targets (see pages 82 to 84)

Our disclosures below should be read in conjunction with the 2022 SDR, the publication of which is aligned with this Annual Report and our Carbon Disclosure Project ('CDP') Climate Change Response made by the Group in 2022. Further information can be found on our website at smurfitkappa.com/sustainability.

Our progress and evolution of reporting in line with the TCFD recommendations includes but is not limited to:

- Increasing the understanding across our business of climate risks and opportunities;
- In 2022, we commenced a process to complete additional scenario analysis with an expectation to have the output data for review in 2023;
- During 2022, we initiated our multi-year water risk assessment process, which will help us develop our understanding of the risks specific to water and also improve our water stewardship;Our plans for beyond 2030 advanced with progress across a number of exciting collaborative projects such as the successful trial of hydrogen in France and the continued investigation of geo-thermal energy in the Netherlands;
- In this Annual Report, we are disclosing our taxonomy alignment, building on the taxonomy eligibility we disclosed in our 2021 report; and
- We also commenced our double materiality assessment project. This will allow the Group to have a greater understanding of the impact of environmental issues on the Group and the Group's impact on the environment and we expect this to be finalised before the reporting obligations of the EU Corporate Sustainability Reporting Directive comes into effect.

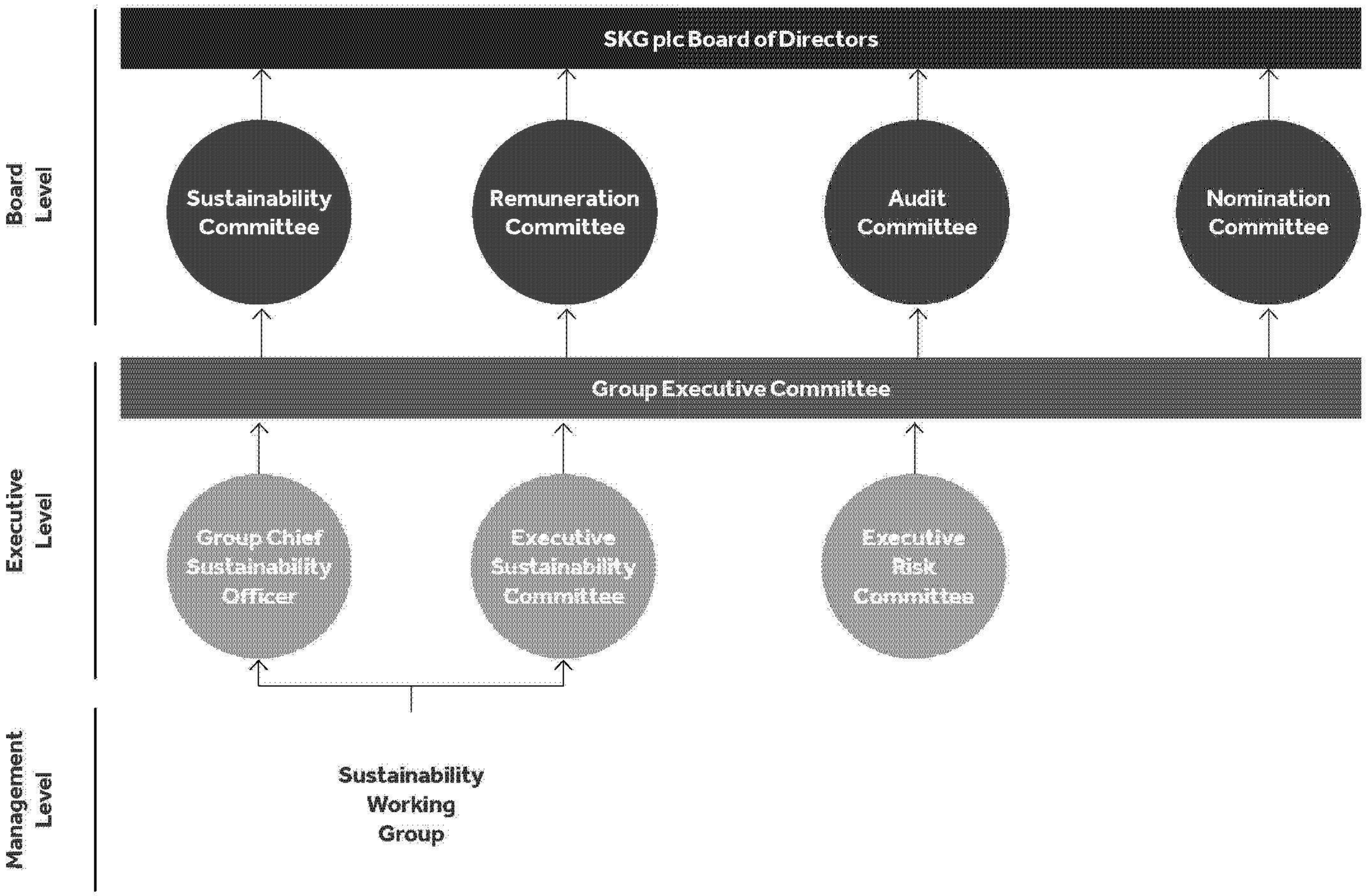
In addition, as part of our reporting process, we have considered the recommendations outlined in the FRC report, "CRR Thematic review of TCFD disclosures and climate in the financial statements".

We expect that certain aspects of our disclosure will further develop and evolve over time.

We expect over the course of 2023 and beyond to:

- Continue to develop our strategy towards net zero;
- Carry out additional scenario analysis using new and improved approaches and datasets;
- To incorporate insights from water risk assessments carried out during the year;
- Initiate the project of aligning our Science Based Target to 1.5°C pathway; and
- Continued evolution of our Scope 3 understanding and strategy.

Our Governance Structure



Governance

Board level

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 in 2019, the responsibilities of which are outlined on pages 70 and 141.

During 2022, the Board was engaged across a number of strategic investments including the largest CO_2 reduction project in the Group's history in Cali, Colombia. This investment of almost US$100 million will significantly reduce emissions in Colombia through a sustainable biomass boiler which will reduce SKG's global Scope 1 and Scope 2 CO_2 emissions by approximately 6%. The Board of Directors visited the site of this investment during 2022 prior to its announcement. This project further demonstrates the Group's commitment to acting now to deliver on our longer-term commitments.

As a principal risk for the Group, climate change is reviewed regularly at both Board and Executive level. Climate change has been recorded as a material topic for the Group since 2007. The development of the Group's competence in climate change in recent years has resulted in the development of a Group climate change risk register, detailed scenario analysis and an ongoing development of the awareness across the business of both climate change risks and opportunities.

One of the key areas where we can manage our impact on climate change is through mitigating actions which are focused predominantly on CO_2 emission reductions. This can be achieved by using energy more efficiently, generating energy in a more efficient way, by investing in renewable energy and considering and trialling new and emerging technologies as we address the challenges of achieving net zero. This is a strategic issue and a standing item at operational review meetings. It is an important element considered in certain major capital expenditure projects and in our overall corporate strategy and business plans of relevant units. It is also part of our overall corporate purpose, vision and strategy which has sustainability at its core. We have set both interim and long-term targets related to climate change and our interim 2030 targets have been approved by the SBTi as in line with the Paris Agreement. As part of our equity raise in 2020 and its strategic planning, the Group identified significant investment opportunities to deliver on our interim sustainability KPIs and when relevant, the opportunity to reduce CO_2 emissions is considered as part of our acquisitions and divestitures processes.

In 2022, further evidence of the Group's strong sustainability credentials was demonstrated by the publication of our 15th Sustainability Development Report in April and the publication of our first Green Bond Allocation and Impact Report, published in September, both independently assured.

In line with the Code's requirement, an independent externally facilitated evaluation of the Board and the Board Committees is required to take place every three years.

Board level continued

An independent externally facilitated evaluation of the Board and its Committees, including the Sustainability Committee, was undertaken in 2022. Further details on this evaluation are included in the Sustainability Committee Report on page 143.

The diagram on page 69 shows our governance structure, including sustainability which covers climate-related issues.

Sustainability Committee

The Sustainability Committee has responsibility for providing strategic guidance and support to management in the implementation of the Sustainability Strategy for the Group, which is based on three key strategic sustainability and corporate responsibility pillars; People, Planet and Impactful Business.

The Sustainability Committee updates the Board at each meeting on the matters considered on their agenda, including climate change.

In addition, the Committee is responsible for:

- Reviewing and approving the annual Sustainable Development Report and the Sustainability section of the Annual Report;
- Reviewing TCFD compliance and reporting of climate-related financial information;
- Reviewing the climate risks and opportunities of the Group including consideration of emerging and mitigating actions; and
- Engagement with the workforce on behalf of the Board as required by the UK Corporate Governance Code ('the 'Code').

In 2022, the Committee met six times and covered a broad range of sustainability topics at these meetings. In addition, the Chair, the Group CEO and the Group CFO are regular attendees at meetings of the Sustainability Committee. The key topics included:

a comprehensive review of climate change risk and opportunities; review of the Group's progress on its key sustainability KPIs, workforce engagement, regulatory updates and our decarbonisation strategy which was supported by expert third parties. In 2021, building on the detailed review of the World Economic Forum's 'How to Set Up Effective Climate Governance on Corporate Boards', which highlighted key focus areas, the Group developed an action plan. During 2022, the Sustainability Committee reviewed the progress made against this action plan and it was further considered and updated.

The Sustainability Committee receives updates from management on various matters relating to sustainability and climate change at each meeting.

The Group's Chief Sustainability Officer ('Group CSO'), was also tasked with ensuring relevant sustainability related matters are communicated and discussed at the Board committee level as appropriate. The Group CSO reports to the Group Chief Financial Officer ('Group CFO'). During 2022 there was greater engagement across the Group, including the SKG leadership team (top 500) through surveys, management presentations and working groups. This interaction enables a greater understanding of both the opportunities and risks in sustainability and identification of areas that require support. The intention is to continue to build understanding across the leadership team and to cascade this knowledge and understanding throughout our operations.

Non-executive Directors

Non-executive Directors also engage with the Sustainability Committee. Since the formation of the Sustainability Committee, the Chair of the Board has been a regular attendee at meetings of the Sustainability Committee.

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, any emerging risk is also considered. Climate change was elevated to a principal risk of the Group having been an emerging risk for a number of years, as a result of changes in weather patterns which could result in catastrophic events which in turn could give rise to business interruption and increases in the cost of raw materials.

Remuneration Committee

The Remuneration Committee has responsibility for continually reviewing the ongoing appropriateness and relevance of the Remuneration Policy. At the last Remuneration Policy review in 2020, sustainability metrics were considered and included in the short-term and long-term incentives. The first vesting of the shares in relation to the long-term incentive plan, the Performance Share Plan, which has a number of climate-related performance measures, will occur in 2024. The ESG metrics within the Performance Share Plan will cumulatively constitute 15% of the targets for this award. As outlined in the Remuneration Report on page 121, these measures include CO_2 reduction, water discharge reduction and waste to landfill reduction targets.

Nomination Committee

The Nomination Committee is responsible for the succession planning of the Board, and as part of this process, experience and knowledge of sustainability is a consideration in new appointments. This was clearly evident in the appointments of Kaisa Hietala and Lourdes Melgar to the Board in 2020.

Board Level Knowledge and Training

At Board level, there is strong sustainability and climate-related expertise. Lourdes Melgar is recognised for her expertise in the areas of energy, sustainability and public policy. Kaisa Hietala has a wealth of strategic and operational experience and in particular 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 continue to bring additional strength to and complements the knowledge and international experience of Jørgen Buhl Rasmussen and Anne Anderson.

It is the intention to continue to update the skills of the Board in the area of climate change. In 2022, third party experts presented to the Sustainability Committee on decarbonisation strategies for industrial companies, the potential routes available to the Group and provided examples of how other industrial companies had developed de-carbonisation strategies.

The Sustainability Committee also has regular updates and presentations from the Group CSO on various matters including climate change and associated regulation.

Executive Level

Management Oversight on Climate Change

Group Executive Committee

The development and implementation of the Group's sustainability strategy, objectives and policies are managed by the Group Executive Committee ('the Excomm') led by the Group CEO. A large part of the Excomm are also members of the Executive Sustainability Committee.

Executive Sustainability Committee ('the Sustainability Excomm')

The Sustainability Excomm consists of relevant members of the Excomm who have responsibilities directly connected to sustainability matters. This Sustainability Excomm ensures the delivery of the sustainability strategy of the Group throughout the business. The Sustainability Excomm 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. In 2022, the Sustainability Excomm was extended to reflect a broader geographical representation with the addition of a member from the Americas operational Executive Committee.

Executive Risk Committee

This 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. Climate change was 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 32 to 36 and are subject to the Group's formal risk management process.

Executive Directors

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. He is also responsible for ensuring that the Group's purpose, values and culture are instilled throughout the Group. The Group CEO is also a Director of the Board and leads the Excomm.

In 2022, the Group CEO and Group CFO presented a number of climate change related projects to the Board, such as the Cali biomass project as well as projects aimed at meeting best practices in terms of water treatment and reduction of waste to landfill.

The Group CFO is a member of Accounting for Sustainability ('A4S'), whose 'aim is to transform finance to make sustainable business, business as usual'. The Group CEO and Group CFO are regular attendees of The Board Sustainability Committee.

Group Chief Sustainability Officer

The Group CSO is a member of the Excomm 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. During 2022, the Group CSO engaged with colleagues and presented on both the opportunities and risks of sustainability across the Group, with climate a key consideration.

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.

During 2022, members of the Group's sustainability team attended training provided by the United Nations Environmental Programme on TCFD reporting focused on ensuring best practice in reporting and disclosure. Greenhouse Gas ('GHG') protocol training was also undertaken by members of the sustainability team on carbon accounting.

Management Level

Sustainability Working Group

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. The Sustainability Working Group monitors the progress and achievements of targets across all key areas, supports the Group operations in assessing and managing sustainability/climate change strategies and collects and analyses data. The group which is led by the Group CSO promotes our sustainability targets among our customers and suppliers. In addition, members of the group coordinate the sustainability roles with responsibility for local implementation of the sustainability strategy within our business operations. During 2022, it held four meetings, discussing topics such as: climate change, SBTi targets approval, EU Taxonomy, net zero transition planning, decarbonisation projects, emerging technologies, new regulations, human rights, CoC and supply chain and due diligence considerations.

The expectations of our stakeholders is that we approach climate change responsibly and provide regular, 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. Sustainable businesses encourage diverse views, and we provide opportunities for dialogue with the many stakeholders who impact our business. In our experience, this exchange of ideas and our end-to-end approach to sustainability delivers benefits for everyone.

Our goal is to be the most sustainable paper-based packaging solutions company globally. To achieve this, we believe it is important to share our sustainability experience with our customers, suppliers and the wider industry.

This engagement includes:

- Organising meetings and round-table discussions on sustainability with our stakeholders;
- Collaborating in research and development projects to decarbonise the industry such as our projects in Saillat (Hydrogen), Townsend Hook (Digital Twin) and Morava (Heat Pumps);
- Participating in discussions within and outside our industry through our membership of Cepi, FEFCO, 4evergreen initiative and World Business Council for Sustainable Development (WBCSD); UN Global Compact; UN Global Compact's CEO Water Mandate;
- 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.

Management Level continued

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. As part of this continuous dialogue with investors, we engage with shareholders (both current and prospective) to understand how they view SKG's ESG disclosures including climate change and whether there are any areas of focus or improvement required. On an ongoing basis, discussions with investors provide 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 change risks and opportunities.

In addition, we also perform regular desktop research to evaluate investors' climate change agenda (e.g. letters from investors and investment managers about their expectations from companies on climate-related issues).

The Group is aware that the investment community is facing pressure to eliminate green-washing and this often means requesting greater disclosure on the ESG impacts of their investments.

Smurfit Kappa takes pride in its strong reporting credentials with 16 years of public disclosure and reporting on sustainability, independently assured since 2009. This is further supported by strong performances across third party rating companies such as MSCI, ISS ESG and Sustainalytics.

Our emissions reduction targets have been validated by SBTi as in line with the Paris Agreement. We strive to be the sustainability leader in our sector and to match our long-term ambition with action and delivery today.

Our customer facing teams regularly engage with our customers in relation to material sustainability challenges including climate change. For many of our customers their carbon footprint is primarily Scope 3 emissions and so we can often have significant impact on their decarbonisation strategies through our leading sustainable packaging solutions and through our own emissions reduction delivery. Our customers are increasingly looking for supply-chain partners to engage with them on delivering sustainable products with lower carbon footprints.

Smurfit Kappa has a robust customer engagement process to assist in demonstrating the value of its sustainability approach and successes. We use data to generate accurate Life Cycle Assessments and generate the most sustainable packaging solutions for our customers.

Similar to the approach with investors we generate greater understanding of our customers sustainability and climate needs through ongoing engagement and dialogue on data requirements and a focus on issues important to them. This all forms part of our broader stakeholder engagement. During 2022, we collaborated across our customer base on climate change related matters such as renewable energy and emerging technology for energy intensive industries.

Delivering customer focused sustainability programmes such as the Better Planet Packaging event in May which had over 2,000 attendees. During 2022, the Group also engaged with the Consumer Goods Forum where many of our customers and their customers retailers convene. The Group expects to become a member of this forum in 2023 which will further enhance its understanding of its customers key business challenges.

Key Milestones
Our Sustainability Journey

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.

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.

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 CoC 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.

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 decarbonisation strategy is focused on minimising energy use and moving from fossil fuels to low-carbon, renewable sources. Our focus is on increasing our own low-carbon and energy efficient production systems, increasing our use of low-carbon renewable fuels, lowering our customers' carbon footprints and decreasing CO_2 emissions within our own supply chain through actions such as transport optimisation. These core elements are aimed at reducing our fossil emissions in line with the Paris Agreement, reaching at least net zero by 2050.

See our net zero transition plan on pages 74 to 77 for more details.

Climate Risks and Opportunities

In 2021 we developed an enhanced risk identification methodology to assess climate change risk and opportunities, the output of which was the Group's first climate change Risk and Opportunity register. This was reviewed in 2022 and will continue to be reviewed and updated as necessary each year.

The tables on pages 79 to 81 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.

The 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; and
- 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.

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 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.

2022

Achieved A- CDP Climate Change Response (B in 2021).

Announced an investment of almost US$100 million in a sustainable biomass boiler in our paper mill in Colombia which will reduce our global Scope 1 and Scope 2 CO_2 emissions by approximately 6%.

Announced a new sustainable district heating project in our paper mill Nettingsdorf, Austria, which will benefit 20,000 homes across three communities.

Completion of Zülpich energy project, an €11.5 million investment reducing CO_2 emissions annually by 55,000 tonnes.

Invested US$23.5 million to upgrade the Nuevo Laredo plant in Mexico which will have the two-pronged benefits of reducing CO_2 emissions by up to 40% and doubling production capacity.

Successfully completed the first stage of the HYFLEXPOWER hydrogen project at our Saillat paper mill (France) which is a world first for a paper mill.

Our Net Zero Transition Plan

Our long-term ambition, third party validated targets and continued action today have us well positioned to deliver on our commitments

Our Ambition, Strategy and Accountability

Our ambition is to have at least net zero emissions by 2050 across all 3 Scopes, with a 55% reduction in fossil fuel emissions intensity for Scope 1 and 2 by 2030.

The strength of **our approach** is demonstrated through our:

- **History of delivery**
- **Continued delivery today**
- **SBTi approval for interim targets**
- **Collaboration across the value-chain**
- **Trialling emerging technology today**

Our Approach – Timelines

Short-term: acting now with continued year-on-year reductions using best available technology and continuous improvement.

Medium-term: Strategic investment projects to replace high emitting assets, continuous improvement, availing of best available technology, collaboration across the value-chain, all leading us to achieve our 55% reduction target.

Long-term: Through collaborative projects, executing controlled trials of new/emerging technology today to understand the feasibility and cost of large-scale implementation beyond 2030.

These plans are expected to be financed by a combination of both operational expenditure and capital expenditure.

Our Strategy Across the Value-Chain

Scope 1 and 2 Emissions

Investing in Fossil CO_2 Reductions

- Shifting to low or zero carbon fuels including CO_2 neutral energy sources:
  - Use of biofuels; and
  - Electrification.
- Research and development into new and emerging technologies with controlled trials:
  - Hydrogen, geo-thermal and heat pump technology.

Greening of Electricity Supply

Reducing Energy Use

- Investing in technologies that reduce energy consumption; and
- Re-engineering our processes and implementing smart energy-efficient solutions.

Investing in Efficient Energy-generation

- Investing in highly efficient Combined Heat and Power (CHP) systems*; and
- Improving the efficiency of our existing boilers.

* Note the hydrogen trials in our Saillat paper mill should facilitate the move from current energy efficiency outcomes to low or no carbon outcomes via the retro-fitting of existing CHP assets.

Scope 3 Emissions

Supplier Engagement

- Requesting SBTi commitment from strategic suppliers:
  - Expand beyond strategic suppliers in time.
- Sustainable and Responsible Sourcing programme.

Customers Engagement

- Better Planet Packaging programme delivering lower CO_2 solutions for customers through:
  - Material design;
  - Packaging design; and
  - Supply chain optimisation.

Transport

- Modal shift: CO_2 reduction by shifting transport from road to lower emission transport models;
- Operational efficiency: CO_2 reduction by optimising transport operations, sources and destinations; and
- Fuel efficiency: CO_2 reduction by leveraging new technology, alternative fuels, engine efficiency.

Supported by our end-to-end approach to circularity

Residual Emissions

While the Group is focused on its direct impact on emissions reductions across its value-chain, with significant scope well into the future, we acknowledge that as we approach 2050 we may have residual emissions which we cannot eliminate. In the event that this occurs, the Group would consider neutralising these emissions through appropriate and credible solutions.

Our Governance and Accountability

16 years of public disclosure on sustainability activity, independently assured since 2009

SBTi validation of Group targets as being in line with the Paris agreement

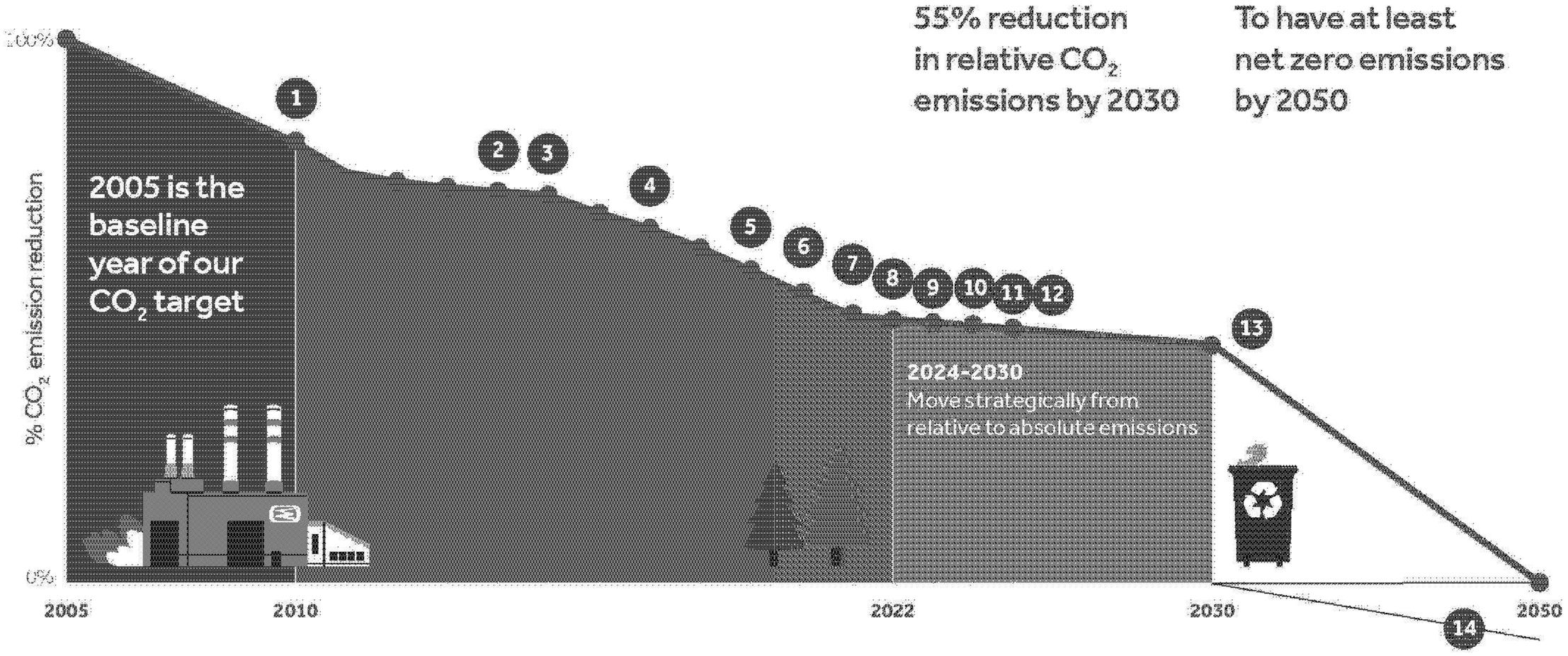
Management incentives linked to delivery on key sustainability KPIs (including emissions reduction targets)

Cost of funding linked to delivery of key sustainability KPIs (including emissions reduction targets)

Engaged Board with appropriate expertise

Strong external recognition

Our Net Zero Transition Plan



1. Set target of 20% reduction in relative CO_2 emissions by 2020. (2005 baseline).
2. 2020 target of 20% reduction achieved with a 21% reduction by the end of 2013.
3. New relative emissions reduction target of 25% reduction set for 2020.
4. 2020 target of 25% reduction achieved and more ambitious relative emissions reduction target of 40% by 2030 set.
5. Approval of €134 million new recovery boiler in Nettingsdorf (Austria).
6. Long-term target of at least net zero emissions by 2050 and increased the 2030 emissions reduction target to 55%.
7. 2021: SBTi approval received for our CO_2 emissions target as being in line with the Paris Agreement and well below 2°C trajectory. Launched Better Planet 2050 commitments.
8. 2022: 43.9% reduction in CO_2 emissions. Successfully trialled hydrogen project at our Saillat paper mill (France). Announced a major investment in our Cali paper mill (Colombia) of almost US$100 million in a sustainable biomass boiler.
9. 2023: Significant investment in our Hoya paper mill and board manufacturing plant (Germany). A CO_2 emissions reduction of 5,500 tonnes per annum is expected.
10. 2024: Contribution from a state-of-the-art sustainable biomass boiler at our paper mill in Cali, Colombia which will reduce our global Scope 1 and Scope 2 CO_2 emissions by approximately 6%.
11. Reviews of our third party validation.
12. Approximately 60 projects identified to implement until 2030 in order to achieve our 55% CO_2 emissions reduction target.
13. Scaling new and emerging technologies, as they become available.
14. Consideration of residual carbon neutralising solutions to achieve 'at least' net zero by 2050.

Acting Today Across our Value-chain

Scope	Time Horizon*	Action today
Scope 1 and 2	Short-term	• Year-on-year reductions towards our targets. In 2022, we achieved **43.9%** reduction in CO_2 emissions. • Continuous improvement of our operations through the implementation of best operational practices, insulation of pipes, LED lights, monitoring and improving processes, using data, reuse of residual steam to reduce the need for fresh steam, using biogas from water treatment plants, efficiency improvement in operations and energy efficiency. • Using Digital Twin technology in our Townsend Hook mill to reduce steam consumption by approximately **5%**. • Direct drive project in our Wrexen mill which has energy reduction as part of its projects benefits. • Nettingsdorf Biomass investment of **€134 million** completed in 2020 and now achieving its full run-rate of 40,000 tonnes of emissions reduction. • Investing **€11.5 million** in our Zülpich paper mill. A major redesign of the multi-fuel boiler provides a more sustainable fuel source for generating steam and electricity. The investment is set to deliver a reduction of 55,000 tonnes of CO_2 emissions. • Optimising starch use in our Hoya mill which requires less steam and energy to dry. • Water treatment plant investments in Colombia and Brazil which will help improve our COD (water) and capitalise on biogas from plants (CO_2). • Recent greening of energy supply in the Netherlands and UK.

Scope 1 and 2	Medium-term	• Around 60 projects planned between now and 2030 to deliver our interim target, reducing our emissions by 55% by 2030, including:
		  • Investing almost **US$100 million** in a sustainable biomass boiler in our paper mill in Cali, Colombia which will reduce our global Scope 1 and Scope 2 CO_2 emissions by approximately 6%, planned to be operational by the **end of 2024**.
		• Controlled trialling of new/emerging technology and feasibility of large-scale implementation:
		  • Build on learnings from Digital Twin pilot in Townsend Hook Mill (UK); and
		  • Collaborative heat pump project in Morava paper mill (Czech Republic).

Scope 1 and 2	Longer-term	• Controlled trialling of new/emerging technology today for the future:
		  • The **HYFLEXPOWER** consortium and SKG successfully completed the first stage of the **HYFLEXPOWER hydrogen** project, the first in the world for a paper mill and a truly collaborative project including suppliers, academia and government support; and
		  • **Geo-thermal** being explored in our Parenco paper mill in the Netherlands.

Scope 3	Short-term	• Customers: We have 100's of examples where a collaborative approach has delivered a lower carbon, circular solution, an example, by working together with a customer in Switzerland, we reduced the CO_2 emissions in transport by switching from road to rail delivery. This reduced the transport emissions by approximately **600 tonnes** of CO_2. • Customers: Developing products such as top-clip and click-to-lock which reduces the carbon footprint of our customers packaging by **over 30%**. A number of customer examples are outlined in this Annual Report on pages 10 to 13 and in the 2022 SDR which will be published at the end of March 2023. • Engagement with Suppliers: In our Sustainable and Responsible Sourcing programme, we audit our suppliers on their energy reduction programmes and participation in commonly accepted best practice and certification schemes such as SBTi commitments and validation.
Scope 3	Medium-term	• Carrying out a more extensive Scope 3 inventory assessment, supported by GHG training. • Considering additional SBTi commitments. • Considering Scope 3 targets. • Internal: Trialled electric delivery vehicles in Germany and the Netherlands.

* Time-horizons are defined by when we believe they could be scaled, so we are actively exploring and trialling them now but their scalability could be now (short-term), 3-10 years (medium-term) or 10-30 years (long-term).

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. An example of how we consider climate in our financial planning was during our equity raise in 2020 (€660 million) when we advised the capital markets that the equity raise would be used not just for higher return projects but also for lower (financial) return projects with a significant sustainability impact. Whilst the continued delivery of strong financial returns remains a key focus for senior management, significant consideration for projects with strong sustainability credentials is fundamental to the Group delivering on its public targets. In many instances, the most efficient and effective sustainability projects deliver strong financial returns, enabling continued progress against our interim climate target, to reduce carbon emissions by 55% by 2030 compared to 2005.

In our capital allocation plan, we take into account which investments will be needed to realise our strategic goal to decrease our fossil CO_2 emissions by 55% by 2030 compared to 2005. When we set the target of 55% in 2020, we completed a gap analysis of what was needed to come from a baseline level of emissions (2005) and what was needed to reach the 55% reduction level.

Some of the key climate change risks and opportunities for Smurfit Kappa are outlined on pages 79 to 81, 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 change 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; and
- 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 CoC certified supply chain. Our manufacturing sites are CoC certified, and over 99% of our fibres are sourced through CoC certified supply chains. Our commitment is to deliver over 95% of our sold products as CoC certified.

Furthermore, paper manufacturing is energy intensive, with a risk of carbon leakage if emission policies are not consistently applied. We recognise that combatting climate change will only be achieved by a global effort, across societal stakeholders, and as we generate 77% of our revenue in Europe, we fully support the EU Green Deal. The Forest Fibre Industry 2050 Roadmap to a low-carbon bioeconomy shows a CO_2 reduction of 50%-60% compared with 1990 levels is possible for our sector, based on available and emerging technologies. To reach a reduction of 80% or more by 2050, breakthrough technologies must be available by 2030. We play our part as a leader in this area, for example, by testing new technologies, such as our hydrogen project in our Saillat paper mill in France and our geo-thermal project in the Netherlands.

The Group has considered the impact of climate change in the application of its accounting policies, judgements, estimates and assumptions and the assessment concluded that climate change in the medium-term is not expected to have a material impact (for more information please reference Note 2 to the Consolidated Financial Statements).

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 2022 was €2,355 million. Reputational impact is also considered. 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.

Business Resilience to Climate-related Risks and Opportunities

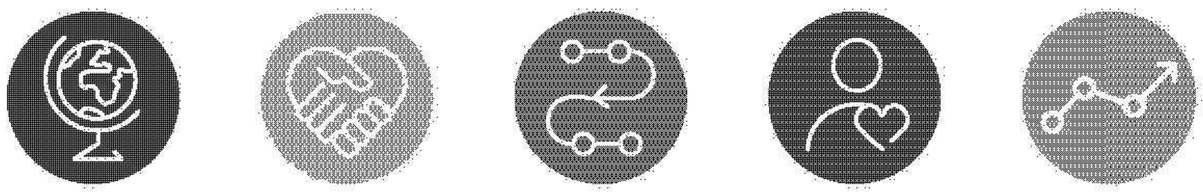
As a leading paper-based packaging business, the Group understands the need to lead in the area of climate. Smurfit Kappa was the first in the broader paper and packaging sector to announce a target of at least net zero emissions by 2050 and was pleased to see its emissions reduction target approved as Science-based and in line with the Paris Agreement by SBTi in 2021. The targets covering greenhouse gas emissions from Smurfit Kappa's operations (Scope 1 and 2) are consistent with reductions required to keep global warming to well below 2°C using the Sectoral Decarbonisation Approach.

In addition to assessing our own emission reduction targets and having them independently approved, we also carried out an extensive climate change risk and opportunity assessment as outlined above during 2021. 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 across the Group's operating assets, with the identification of impacts and high level mitigations also completed, when appropriate. The scenario analysis and modelling was 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, which is the period most critical for decision making in the near to medium-term.

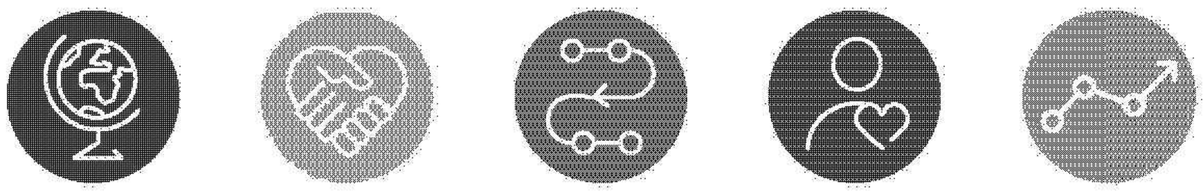
The output of this assessment was positive, with the results indicating that the proportion of asset value at risk was low. The main physical risks highlighted within the portfolio are temperature extremes and wildfires. This is consistent with the location and type of assets analysed.

Key for Strategic Priorities



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	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. **Link to Strategic Priority:** **Horizon:** Long-term **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	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 costs and research and development costs. **Link to Strategic Priority:** **Horizon:** Long-term **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.

Key for Strategic Priorities



Risk/Opportunity Type and Description	Our Response
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.
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.

Risk/Opportunity Type and Description	Our Response
Opportunities continued	
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 and 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.

Risk Management

The output of the risk and opportunity assessment carried out in 2021 was a comprehensive climate change risks and opportunities 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 functional 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. During 2022, we carried out a review of our climate risks and opportunities and TCFD reporting with participants from across the business and the register is reviewed and updated as necessary on an ongoing basis.

The physical and transition risk modelling considered; extreme temperature, drought, wildfire, flooding, tropical cyclone, water stress, reputational damage, new technology, markets carbon pricing, and current and emerging regulation.

A summary of some of the key outputs from this process is included in the climate risk and opportunities table in the section on pages 79 to 81.

In 2022, we commenced a process to have additional scenario analysis with an expectation to have output data for review in 2023.

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 with climate-related risk integrated into our overall risk management. 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. Climate change was 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.

In addition, the Group has a Sustainable and Responsible Sourcing Audit Programme, which helps us deliver against our three pillars of sustainability: Planet, People and Impactful Business; through which it audits its principal suppliers on a number of sustainability criteria. Climate change criteria are part of the audit programme with an assessment of the climate change risk per supplier. By developing more sustainable supply chains in collaboration with our suppliers, we can manage risks and costs, develop new revenue streams, and deliver on our sustainability goals.

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, independently assured since 2009, and are contained in the Better Planet 2050 targets.

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, the sustainability targets will sustain thriving communities, support good business, and create a better planet.

The Group's long-term commitment and action across these targets, climate and sustainability in general, is evidenced on the tables on pages 8, 9 and 84. Further details will be presented in the 2022 SDR.

The progress against our publicly stated targets and other key non-financial targets and metrics of the Group will be disclosed in the SDR, including the standards reference, Scope, boundary, and measurement methods applied. Certain key non-financial metrics are disclosed on pages 30 to 31 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. Read more in our 2022 SDR.

For Scope 3 emissions, we currently cover transport in Europe and the Americas (having completed the Americas region during 2022). We have continued our work on a comprehensive Scope 3 emissions assessment, building on our 2021 SBTi validation process. SKG focuses on Scope 1 and 2 as they are the most material emissions for the Company and this is also in line with the SBTi sectoral approach. As part of our SBTi submission, our initial estimates had Scope 3 at 30-39% of our total emissions. During 2022 and into 2023, we continue to make progress in understanding our Scope 3 emissions and we expect to report our progress in future disclosures.

During 2022, to enhance the understanding of sustainability data and the accuracy of its reporting across our operations, we have added new requirements and explanations in our Internal Control Questionnaire which must be completed by all local plant managers. This further increases the importance, level of attention and need for careful review of non-financial data delivery.

In addition, in our 2022 CDP response, within section C4. Targets and performance and section C6. Emission data, we have reported our metrics and targets related data, including the consideration and methodology implemented.

The Group published its first Green Bond Allocation and Impact Report in September 2022. The report provides details on the use of the proceeds of its inaugural €1 billion dual-tranche Green Bond issued in September 2021. The 2022 report was independently assured and builds on Smurfit Kappa's Green Finance Framework, which is aligned with the ICMA Green Bond Principles 2021 and the LMA Green Loan Principles 2021, and have been confirmed by ISS ESG in a positive Second Party Opinion. The proceeds of the Groups inaugural Green Bond were allocated to assets associated with the following two categories:

1 Circular economy adapted products, production technologies and processes and/or certified eco-efficient products (96%); and
2 Environmentally sustainable management of living natural resources and land use (4%).

Smurfit Kappa's Green Finance Framework is reflective of the sustainable nature of its business model, with eligibility criteria that span the geographic scope of the Group's operations and take into account its strong circular business practices. This is done by using sustainable raw materials, with post-consumer recovered paper, its main raw material, and implementing circular production processes that are subject to continuous improvement. Accordingly, Smurfit Kappa's approach to sustainable financing mirrors what the Group is: a global business which places sustainability firmly at the centre of its operating model.

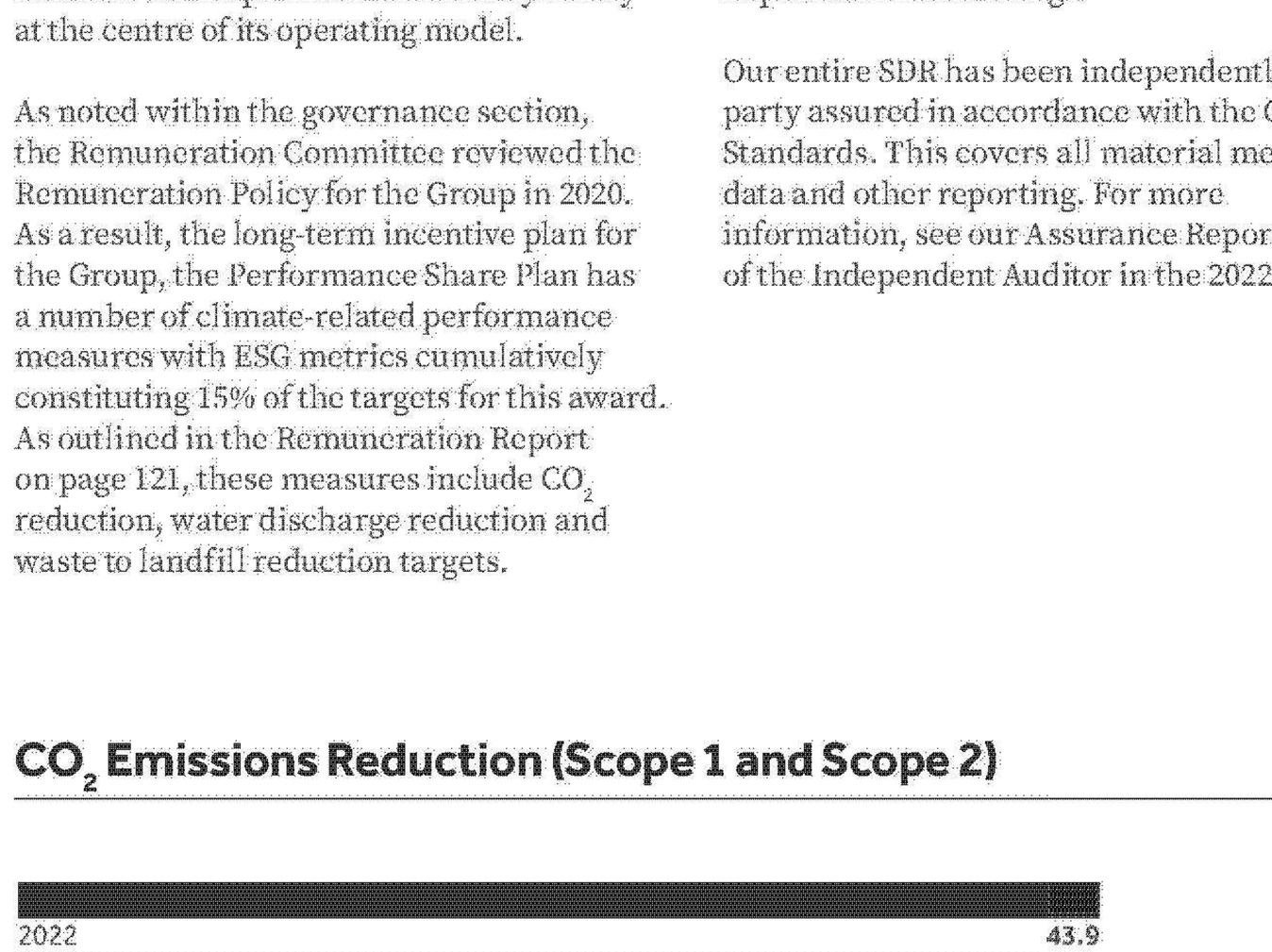
As noted within the governance section, the Remuneration Committee reviewed the Remuneration Policy for the Group in 2020. As a result, the long-term incentive plan for the Group, the Performance Share Plan has a number of climate-related performance measures with ESG metrics cumulatively constituting 15% of the targets for this award. As outlined in the Remuneration Report on page 121, these measures include CO_2 reduction, water discharge reduction and waste to landfill reduction targets.

In 2020, Smurfit Kappa incorporated five key ESG objectives into its financing through converting our €1.35 billion multi-bank RCF into a sustainability-linked loan. The margin on our RCF is linked to the achievement of our five key performance indicators on climate change, forest, water, waste and health and safety. All five targets need to be achieved in order to attain maximum margin benefit.

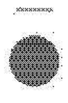
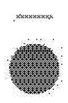
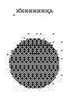
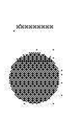
We have included disclosures in the Consolidated Financial Statements prepared under IFRS to indicate where we have considered the financial impacts of climate change.

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 in the 2022 SDR.

CO_2 Emissions Reduction (Scope 1 and Scope 2)



Smurfit Kappa's Better Planet 2050 Targets

Key Area	Targets	Status*	Achievement in 2022	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		43.9% reduction in fossil fuel emissions intensity since 2005	41.3%	37.3%	32.9%
Forest	> 95% of our packaging is certified as CoC certified under FSC, PEFC or SFI		94.3% packaging solutions sold as CoC certified in 2022	93.45%	93.8%	92.1%
Water	Reduce the organic content of water returned to the environment from our mill plants (COD) by 60% compared with 2005 levels by 2025		36.9% reduction in Chemical Oxygen Demand since 2005	38.5%	38.2%	35%
	At least 1% relative reduction annually of water intake by our global paper and board mill system with 2020 as reference year		2.1% reduction of our water usage annually	6.2%	–	–
Waste	Decrease the waste sent to landfill by 30% per tonne of product produced by our mill system compared with 2013 levels by 2025		24% reduction in waste to landfill since 2013	29.2%	23.7%	7.1%
Health and Safety	Reduce Total Recordable Injury Rate by at least 5% annually		13.6% reduction in Total Recordable Injury Rate in 2022	1.7%	29%	17%

Key Significant improvement needed  Improvement needed  On track to achieve target 

* See our 2022 SDR for more details.

TCFD Index

Area	Recommended Disclosures	Source	Page(s)/Section
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 2022 SDR 2022 CDP Climate Change response 2022	AR: 32-33, 69-71 SDR 2022 section: Governance and Human Rights CDP: Section C.1 Governance
	b) Describe management's role in assessing and managing climate-related risks and opportunities.	AR 2022 SDR 2022 CDP Climate Change response 2022	AR: 32-33, 71-72 SDR 2022 section: Governance and Human Rights 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 2022 CDP Climate Change response 2022	AR: 73-81 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 2022 SDR 2022 CDP Climate Change response 2022	AR: 73-81 SDR 2022 section: Planet and Climate Change 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 2022 CDP Climate Change response 2022	AR: 73-81 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 2022 CDP Climate Change response 2022	AR: 32-33, 82 CDP: Section C.2 Risk and Opportunities
	b) Describe the organisation's processes for managing climate-related risks.	AR 2022 SDR 2022 CDP Climate Change response 2022	AR: 32-33, 82 SDR 2022 section: Planet and Climate Change 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 2022	AR: 82
Metric 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 2022 SDR 2022 CDP Climate Change response 2022	AR: 31, 82-84 SDR 2022 section: Climate Change and Supporting Data 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 2022 SDR 2022 CDP Climate Change response 2022	AR: 31, 82-84 SDR 2022 section: Climate Change and Supporting Data CDP: Section C.4 Targets and Performance and Section C.6 Emissions Data
	c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	AR 2022 SDR 2022 CDP Climate Change response 2022	AR: 31, 82-84 SDR 2022 section: Climate Change CDP: Section C.4 Targets and Performance

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

People

Our People's resilience and adaptability has driven growth

The past number of years have in many ways been about navigating unprecedented change. Much of this change was unexpected, but, as individuals and as a collective Smurfit Kappa family, we adapted, reacted, embraced the changes and evolved for the better. We learned to work differently, we collaborated better, and we innovated at pace. We became more agile and flexible.

Our culture, together with our lived values have ensured that we continue to be successful.

Today's workforce expects choice, purpose, agility and flexibility. Smurfit Kappa, like many other successful organisations has adapted well. We continue to focus on sourcing and developing talent through reskilling, upskilling, recruitment and engagement. We are focused on attracting the right talent for our organisation and are investing in retaining and motivating the amazing talent we already have.

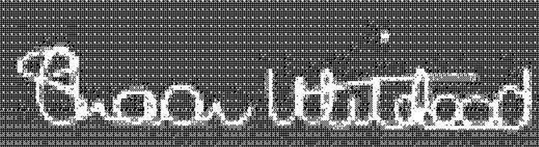
During 2022 we welcomed 600 new employees to the Smurfit Kappa family through our four acquisitions.

Aligning the evolving needs of our people with the ambitious needs of our business is the 'sweet spot' we strive to achieve. Our HR strategy continues to evolve year-on-year and helps us achieve our ambitions and goals. Our People strategy has four core pillars, as outlined on the page opposite.

Our pillars are underpinned by the foundations of our HR strategy, which includes our safety and wellbeing commitments, the legal framework that supports our business, including our Code of Conduct incorporating our Speak Up ethics service, our commitment to employee relations, the provision of a state-of-the-art HR Information Systems and our commitment to Internal Communications.

You can read more about our people plans and activities over the following pages. All of this investment and commitment in our HR strategy is aimed at ensuring Smurfit Kappa is recognised as a globally admired employer of choice.

I want to thank all my 48,000 colleagues, who again have demonstrated such resilience and adaptability during another challenging year which has included a war in Ukraine and cost of living challenges. You are all inspiring.



Sharon Whitehead
Group Vice President, Human Resources



Our HR Strategy

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.

Our Progress:
Over the past year from a People Development and Talent Management perspective we continued to invest in our people, to ensure we have the right people, with the right skills, in the right places – to deliver on all our succession plans. We have continued with our various Learning Academy programmes, bringing forward our key learnings from COVID-19 to leverage a more hybrid approach. This has allowed us to include more colleagues and add new programmes to our offerings. We are developing our talent management strategies to ensure we have a pipeline of diverse talent, and as part of this journey we were pleased to host our first ever female only development programme, named SK Rise during the year.

Read more on **pages 88 to 89**



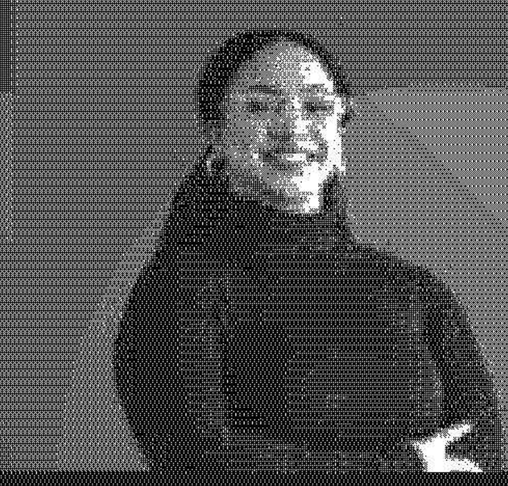
Health, Safety and Wellbeing

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.

Our Progress:
Employee communications and ongoing engagement ensures a two-way dialogue and an attentive listening strategy across our workforce. These have been critical components of our Employee Experience for Performance pillar. Following our last MyVoice survey in 2021, we systematically reflected and analysed over 40,000 employee feedback comments. This helped us evolve our HR Strategy for 2022 and provided direction for the areas our people wanted us to focus on, including providing a digital workplace with multi-lingual communications, while modernisation and simplification of our HR systems was also a key message.

Read more on **pages 90 to 91**



Legal Framework

Inclusion, Diversity and Equality

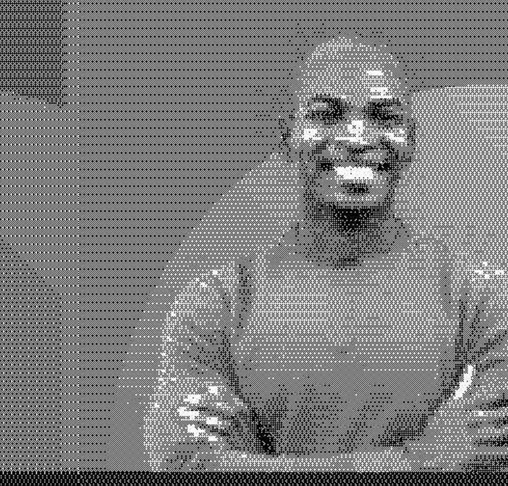
Our Ambition:
To create an inclusive workplace where everyone has a real sense of belonging and can be their authentic selves at work everyday.

Our Progress:
In terms of our commitment to Inclusion, Diversity and Equality we know that diverse and inclusive teams work better. They excel at solving complex problems and make better decisions.

We have worked hard in 2022 to accelerate the initiatives under our EveryOne programme, as well as progressing the diversity promises we made 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 reaches over 30% over time. We are committed to Our Better Planet 2050 target to reaching 25% of our female workforce holding management positions by the end of 2024.

Read more on **pages 92 to 93**



Employee Relations

Rewards and Recognition

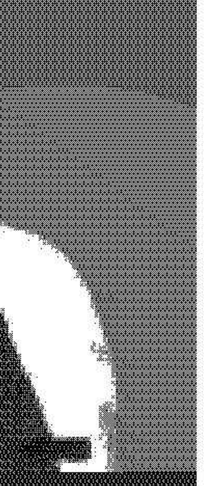
Our Ambition:
To attract, retain and recognise our employees, through competitive work practices. Making sure that people are not just appropriately rewarded from a monetary perspective, but also see their achievements recognised and valued in the workplace.

Our Progress:
We have continued to build on our fair and competitive Rewards & Recognition philosophy to attract and retain our key talent, and to motivate employees at every level of the organisation to achieve the Group's strategic objectives. Our resolute commitment to gender pay equality is continuing, and in December we voluntarily published our first Gender Pay Gap Report for Ireland. We have also invested in the digitisation of the Group rewards system and have started planning for a Group wide recognition programme which will be developed in 2023.

Read more on **pages 94 to 95**



HR Information Systems



Internal Communications

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.**

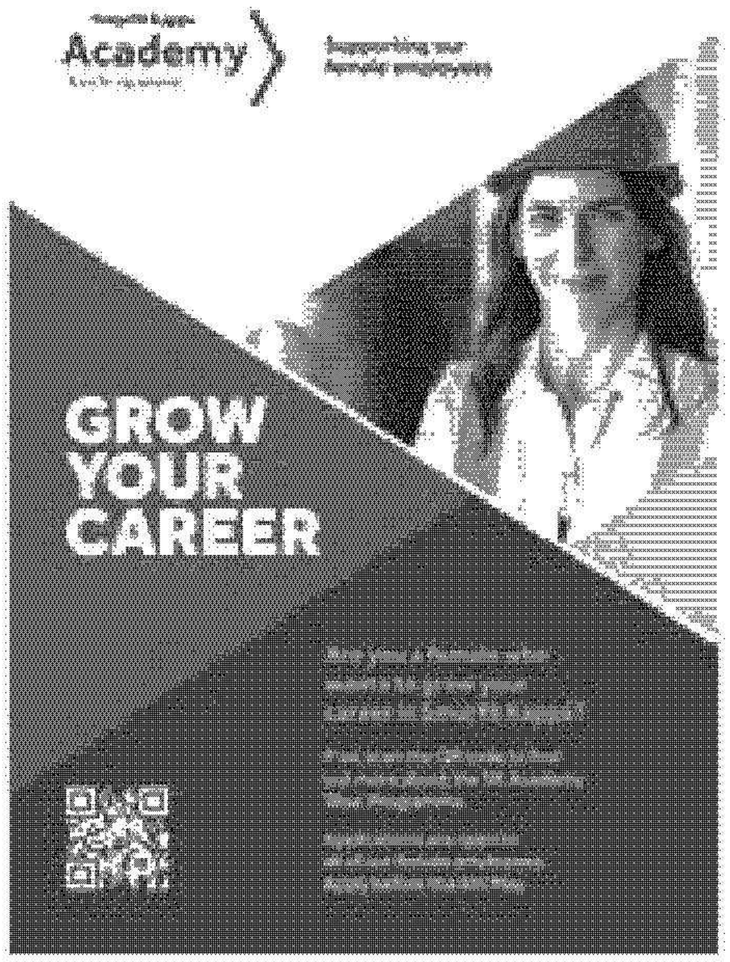
Our talent agenda continues to focus on ensuring we have the right people in the right places and at the right stages of development to fill critical positions as they become available. Our talent cycle integrates talent identification, succession planning and talent development to ensure we invest in our people and support them to achieve their career ambitions.

This year, for the second time, we undertook a full global talent planning cycle for our top 500 leadership community. This year's cycle built on the exercise completed in 2020 and on the work we did in 2021, to focus on career development. Our focus on targeted talent development over the last two years has seen several successful moves of internal talent into key vacancies.

The Smurfit Kappa Academy is an important source of development for our people and this year we expanded our offering, with a new programme in our curriculum to support female talent – SK Rise. We also leveraged our experience of virtual learning to redesign our programmes as hybrid experiences. Our programmes were carefully redesigned to make the most out of both a virtual environment where attendees could meet a broader set of people from across the business and an in-person experience, which focused on connection and interpersonal learning.

We were also pleased to see four cohorts of Open Leadership (in partnership with INSEAD), our flagship senior leadership development programme, finally complete their programme following delays as a result of COVID-19. Additionally, we have embarked on a new partnership with Harvard Executive Education in Boston, where a select number of senior executives will attend executive development programmes in line with their development plans and succession planning requirements.

This outline is just a snapshot of the work that is done to support the development of our people. Many other training and development programmes take place at regional, country and site level. These programmes delivered an average of 21 hours of career development for each of the permanent members of our workforce.



Case Study

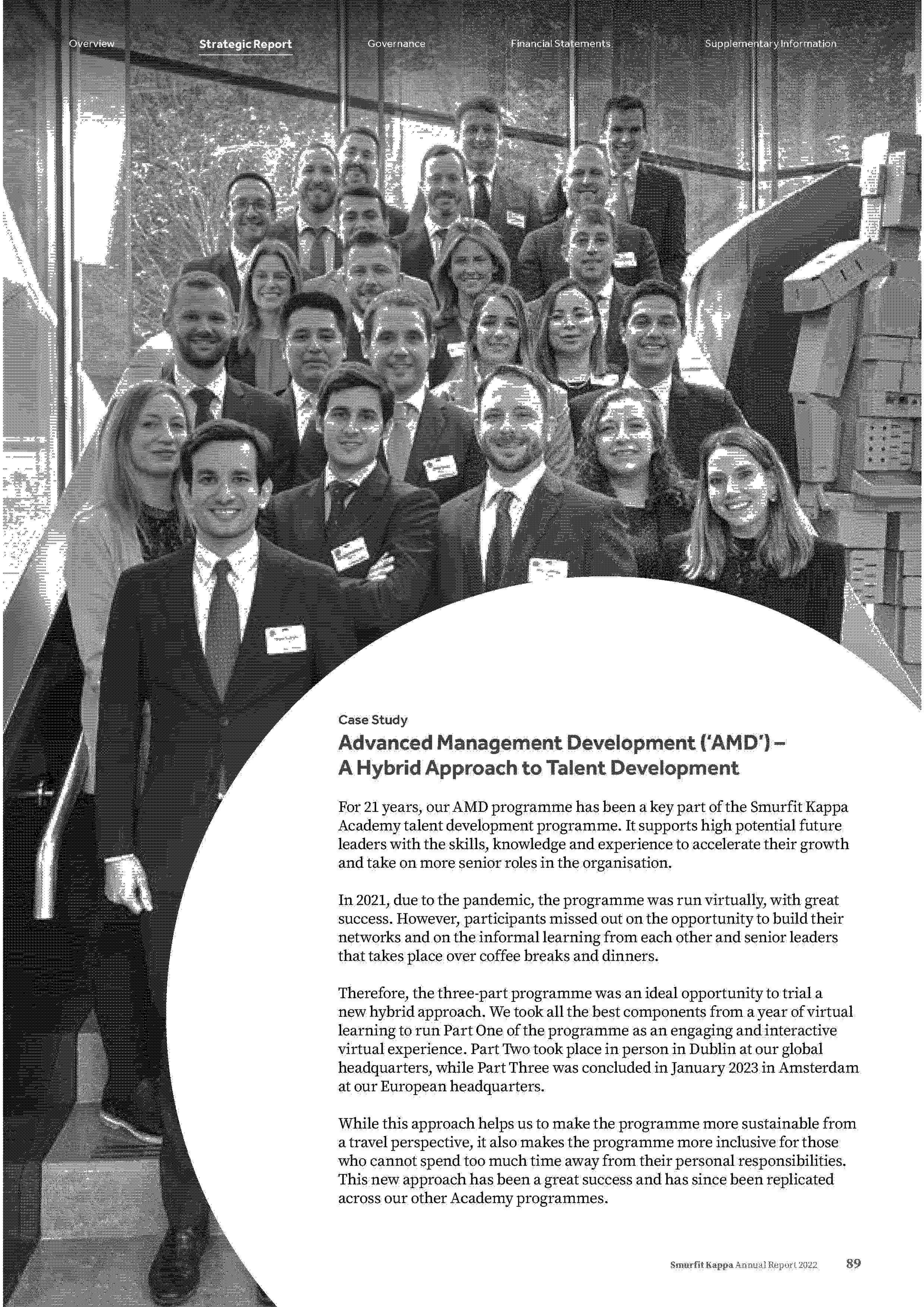
RISE – Female Development Programme

This year we were proud to add a new programme to our Smurfit Kappa Academy catalogue: SK Rise. Developed with feedback from female talent in the organisation, SK Rise is a programme for female employees, designed to support their career and personal aspirations.

The programme was launched on International Women's Day 2022 and opened for self-nomination in April 2022. Almost 500 female employees applied for the programme, of which 32 were selected to participate.

The programme, delivered by our learning partner, the Irish Management Institute, is made up of three modules, each with four component parts: 1) a learning module focused on key learnings for female professionals, 2) a leader spotlight where an SK leader shared their experience of the module topic, 3) a peer coaching session where group participants supported each other in small groups to work through their challenges and 4) a one-to-one mentoring session with a leader from the business.

In addition to the SK Rise programme, we also completed a virtual workshop on resilience to support those who had not been selected to attend the programme in its first year. Their nominations will be considered for selection in 2023, when we will deliver two SK Rise programmes; a second English language programme and a Spanish language version.



Case Study

Advanced Management Development ('AMD') – A Hybrid Approach to Talent Development

For 21 years, our AMD programme has been a key part of the Smurfit Kappa Academy talent development programme. It supports high potential future leaders with the skills, knowledge and experience to accelerate their growth and take on more senior roles in the organisation.

In 2021, due to the pandemic, the programme was run virtually, with great success. However, participants missed out on the opportunity to build their networks and on the informal learning from each other and senior leaders that takes place over coffee breaks and dinners.

Therefore, the three-part programme was an ideal opportunity to trial a new hybrid approach. We took all the best components from a year of virtual learning to run Part One of the programme as an engaging and interactive virtual experience. Part Two took place in person in Dublin at our global headquarters, while Part Three was concluded in January 2023 in Amsterdam at our European headquarters.

While this approach helps us to make the programme more sustainable from a travel perspective, it also makes the programme more inclusive for those who cannot spend too much time away from their personal responsibilities. This new approach has been a great success and has since been replicated across our other Academy programmes.

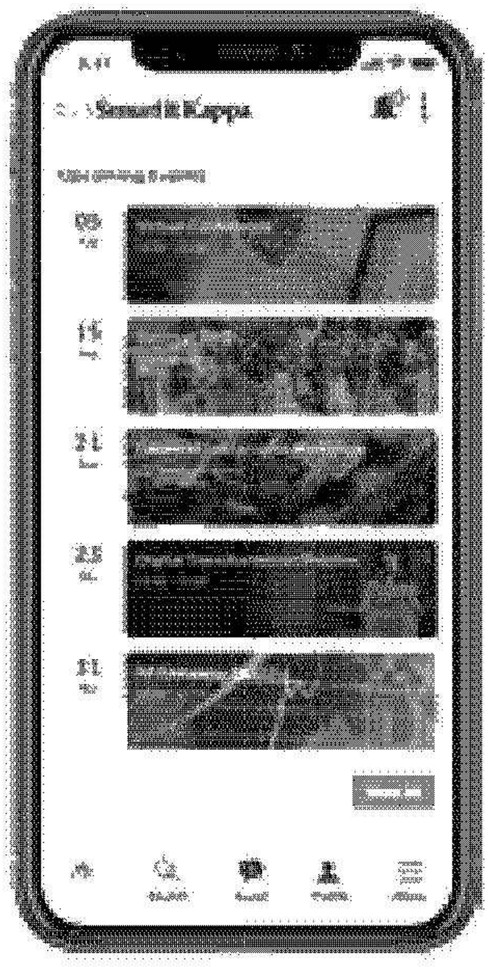
Employee Experience for Performance

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

Our employee engagement levels have continued to grow year-on-year. We believe the reasons for these improvements have been the two-way dialogue and listening strategy we have employed. This was led by our MyVoice pulse and organisation wide surveys. The 40,000 comments received by colleagues as part of our MyVoice survey has given us a real focus for our HR strategy.

Employee Two-way Dialogue

Communicating with our 48,000 employees in 21 languages has become more the norm than the exception and ensures that all key business initiatives are communicated across every level of the organisation. This results in both office and site-based staff being informed of all key initiatives. We have further supported this multi-lingual approach by building new communication channels, both digital and traditional, to ensure our messages reach every part of the organisation.





Additionally, we want to go further and offer even more communication channels. Over the past six months we have been working on the development of an employee app to give all colleagues instant access to timely communications in their respective languages. The selection of an employee app provider is now complete and we look forward to piloting this new channel during 2023. This will facilitate information flow at every level of the organisation at the touch of a button for our employees to access when and where it suits them.

In quarter three of 2022, we launched MyHub, our first company-wide Human Resources Information System. MyHub is an online tool which will digitalise our key HR processes, helping us to provide a better employee experience. It will also facilitate better people decisions, to ensure we have the right people in the right place, to deliver for our business.

Embracing our Future – Employee Engagement

In September 2022, we held our first in-person Global Management Conferences in Miami and Vienna, since before the start of the COVID-19 pandemic, with the theme of Embrace our Future. As a management team, we connected on our strategy for the years ahead and we were unanimous in recognising the importance of making in-person connections.

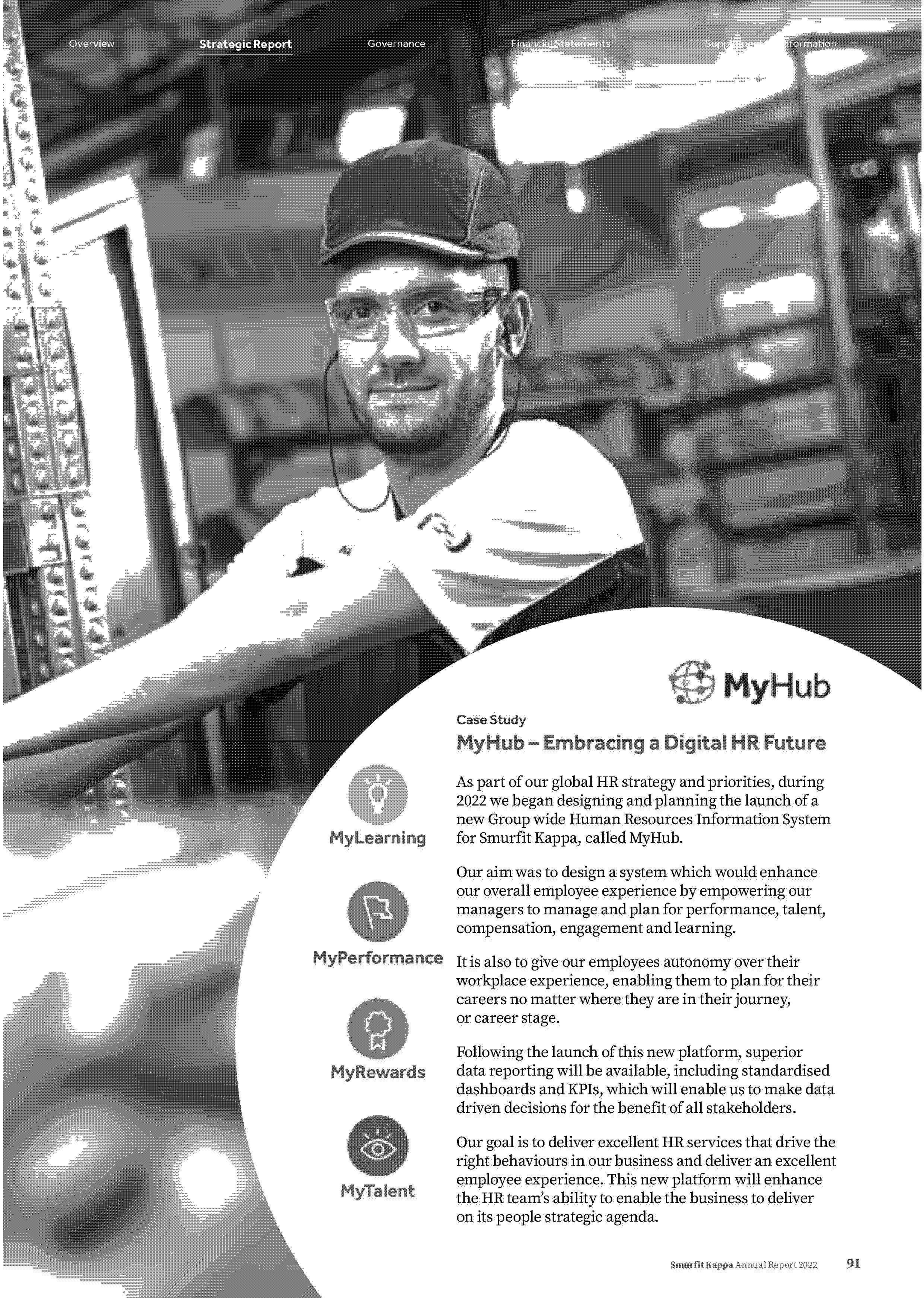
Our commitment to further developing our employee experience in Smurfit Kappa continues and as we step our way through this new world of work, we intend to double-down on our efforts to listen to what our people need to be successful.

Engaging our Employees – the War in Ukraine

When the war in Ukraine began in early 2022, we immediately focused our attention on supporting our employees who are Ukrainian, their families and communities directly impacted by the conflict, as well as the wider population affected in Ukraine.

We donated almost €2.4 million to fund various local initiatives, including re-location and accommodation of a number of Ukrainian refugees, as well as our employees who are Ukrainian. We also supported local charities involved in the humanitarian efforts and provided funds to the International Red Cross.

Colleagues across the globe also undertook various fundraising initiatives, including a 100-day, 6,500km bike ride across Europe, with all monies raised doubled by Smurfit Kappa, providing a further €105,000 to the International Red Cross.



MyHub

Case Study

MyHub – Embracing a Digital HR Future

As part of our global HR strategy and priorities, during 2022 we began designing and planning the launch of a new Group wide Human Resources Information System for Smurfit Kappa, called MyHub.

Our aim was to design a system which would enhance our overall employee experience by empowering our managers to manage and plan for performance, talent, compensation, engagement and learning.

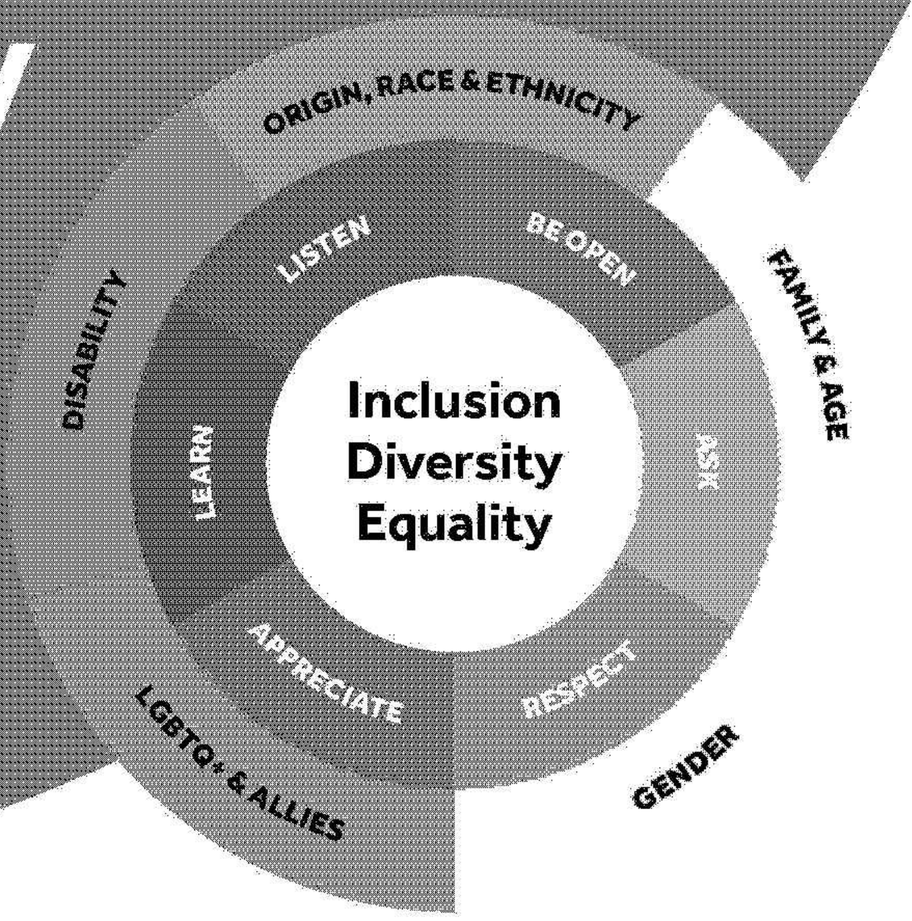
It is also to give our employees autonomy over their workplace experience, enabling them to plan for their careers no matter where they are in their journey, or career stage.

Following the launch of this new platform, superior data reporting will be available, including standardised dashboards and KPIs, which will enable us to make data driven decisions for the benefit of all stakeholders.

Our 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 enhance the HR team's ability to enable the business to deliver on its people strategic agenda.

Inclusion, Diversity and Equality

Our Ambition: **To create an inclusive workplace where everyone has a real sense of belonging and can be their authentic selves at work every day.**



One of the key evolutions of our EveryOne programme was the creation and introduction of five communities where we will continue to focus our Inclusion, Diversity and Equality ('ID&E') activities in the coming years. These communities are: Disability, Family & Age, Gender, LGBTQ+ & Allies and Origin, Race & Ethnicity.

Our five diverse communities were chosen to reflect and represent our colleagues across Smurfit Kappa. It is our ambition to focus on these five communities and support each of them with a programme of learning and activity over the coming years.

With our ambitious plans for ID&E at the forefront of our minds, we have been on an accelerated journey to step change many of the initiatives within our EveryOne programme.

Working together, with significant commitment and effort from our teams across the world, many of the key ID&E focus areas over the past few years have been collectively achieved. Some examples include formation of the Group Executive ID&E Council, establishing and defining our five diverse communities, enhanced ID&E communications and employee engagement, and the completion of our recent EveryOne ID&E Discovery insights survey.

The survey was conducted across the organisation and was a voluntary survey which attracted almost 8,000 respondents with over 9,000 employee comments. The key highlights are outlined on the graphic opposite.

Real impact is in the way we will use this feedback to inform the next phase of our Smurfit Kappa EveryOne journey. Based on the feedback received, we have created a three-year roadmap to continue to advance our ID&E journey. We now have four key focus areas:

1 ID&E education and awareness programme of events
2 Inclusive infrastructure
3 Inclusive recruitment
4 Smart Working – the future of work

During the year, we came 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 Persons with Disabilities (December).

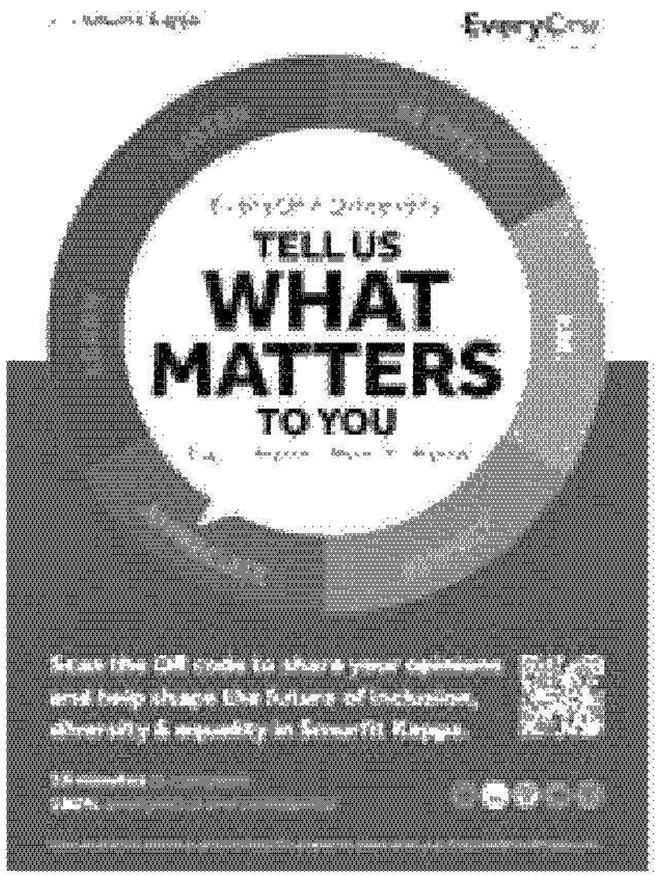


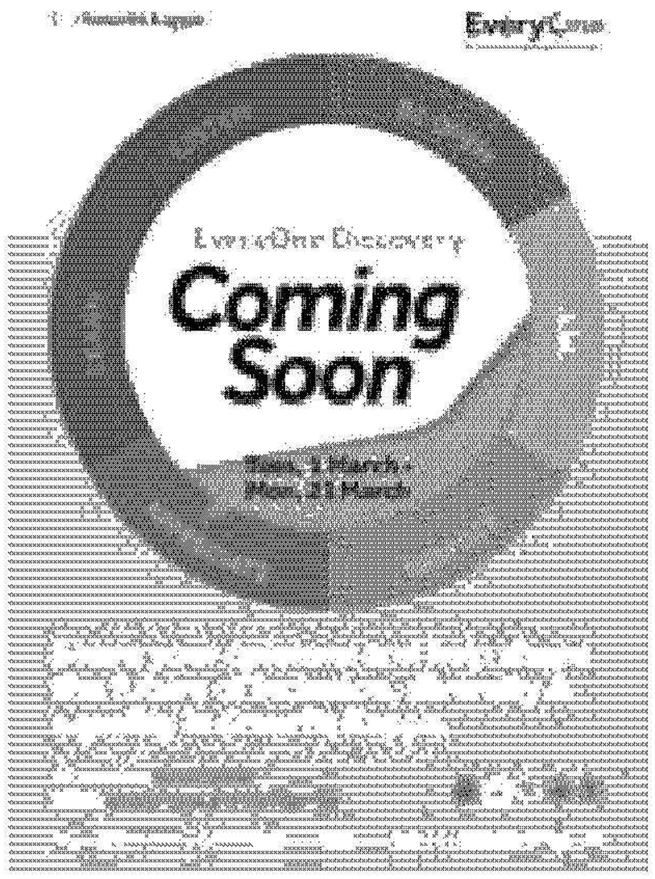
Case Study

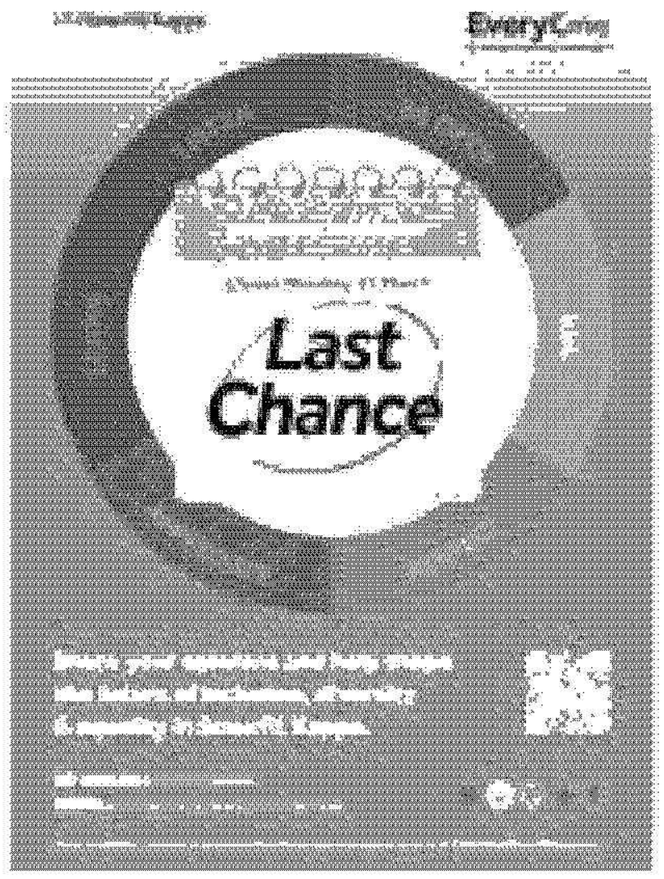
Development of our EveryOne (ID&E) Programme – Discovery Survey 2022

Since the introduction of our five community pillars to our EveryOne programme in 2021, we have continued to deliver our ambitious plans for ID&E in Smurfit Kappa.

Right across the organisation we have a strong and ambitious commitment to ID&E, with a clear strategy and senior sponsorship in place. Our EveryOne approach has been built from the bottom up, with the voice of our colleagues.







Celebrating these events helps us raise awareness of our equality programmes, while educating and inspiring everyone to focus and participate in our wider ID&E agenda. Each of these events were celebrated across the organisation with many local activities. We also launched and hosted SK Rise, our first ever female development programme.

Update on Gender Balance

In terms of the gender diversity goals we set as part of our 'Better Planet 2050' commitments, female employees currently represent 20% of our total workforce. Additionally, our manager population and Group Executive Committee female representation has increased to 23.5% and 38.5% at the end of 2022, respectively. At Board level, female representation is now at 38.5%, demonstrating progress on our journey to achieve a better gender balance.

During the year, we also continued our work with our strategic Inclusion, Diversity and Equality partners, such as The Valuable 500, the Trinity Centre for People with Intellectual Disabilities, the Employers Network for Equality and Inclusion, the Business Disability Forum, and the 30% Club.





One of our key focus areas for 2022 was to really understand how our diverse employees felt about inclusion in the workplace. Seeking employee views and feedback was important, so we embarked on a listening strategy across the organisation by developing a confidential and anonymous Inclusion, Diversity & Equality survey – called EveryOne Discovery. This was the first time in Smurfit Kappa such an initiative had taken place, and it was welcomed by our employees as it provided them with an opportunity to express their views and feelings.

Over a period of three weeks last May, almost 8,000 colleagues participated in this voluntary discovery process, and reported over 9,000 employee comments to help us plan our three-year roadmap for ID&E in Smurfit Kappa.

As a result of the feedback, we created plans to advance our ID&E journey with our employees involved which will focus on four key areas initially:

1 ID&E education and awareness programme of events
2 Inclusive infrastructure
3 Inclusive recruitment
4 Smart Working – the future of work

Rewards and Recognition

Our Ambition: **To attract, retain and recognise our employees through competitive work practices. Ensuring our people are appropriately rewarded and their achievements are valued in the workplace.**

In 2022, we continued to challenge ourselves to ensure the compensation and benefits we offer at every level of our organisation in terms of our Rewards and Recognition packages are fair, competitive and compare favourably with the market.

It is also critical that our Rewards and Recognition programmes are aligned to ensure our people can see a clear link between their compensation package and their performance, particularly 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.

This year we began digitalising our Rewards and Recognition processes. Our leaders will complete all the necessary details for these processes in the new Human Resources Information System, MyHub. This pilot will provide the organisation with a scalable approach to the process, while maintaining confidentiality and confidence.

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 several years under UK legislation, employers with more than 250 employees are required to publish key metrics on their gender pay gap and our business continues to show improvement.

Additionally, by December 2022 it became a requirement for organisations with 250 or more employees to publish gender pay gap metrics in Ireland. While not a requirement for Smurfit Kappa, as none of our companies in Ireland have more than 250 employees, we have voluntarily published our first Gender Pay Gap Report, which has shown that across our Irish businesses we have a mean (average) gender pay gap of 1.6%. This means that the mean (average) pay of men in Smurfit Kappa Ireland is higher than the mean (average) pay of women by 1.6%.

Our mean pay gap of 1.6% compares favourably with the wider marketplace. We recognise that industries such as the one we operate within, have historically attracted a lower number of female colleagues. In that light, it is positive to be able to demonstrate a very limited gender pay gap within Smurfit Kappa Ireland. However, a number of measures we have or are planning to put in place to address this gap are outlined in our Smurfit Kappa Ireland Gender Pay Gap Report 2022, which can be found on our website: smurfitkappa.com.

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

Our Rewards Policy

The objectives of our Rewards Policy are to:

Create a framework to enable the Group to attract and retain talented employees

Motivate employees at every level of the organisation to achieve the Group's strategic objectives

Provide competitive rewards and benefits that are clearly linked to performance

Digitalisation of our key processes

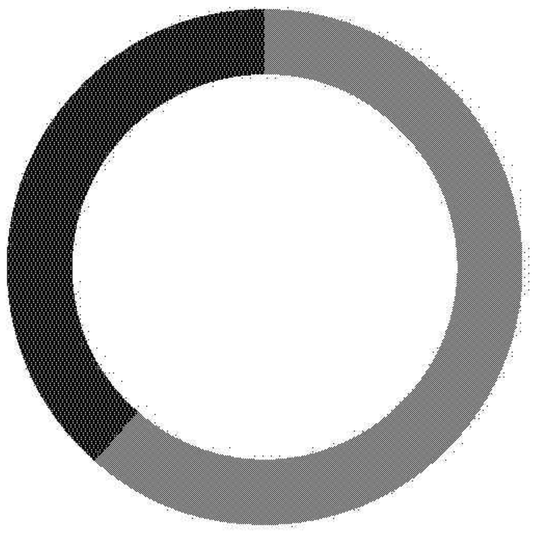
Diversity of the Executive Team

We take part in the FTSE Women Leaders 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. We also note the Financial Conduct Authority's requirements on diversity and inclusion on listed boards and executive committees to have at least 40% female representation on boards for financial years starting on or after 1 April 2022. The Board expects to be in line with the new target following the AGM in April 2023, with 45% female representation on the Board. This follows the recent appointment of Mary Lynn Ferguson-McHugh and the announcement in December 2022 that John Moloney and Gonzalo Restrepo will retire from the Board at the conclusion of the forthcoming AGM.

33.7%
Female Executive Committee and direct reports*

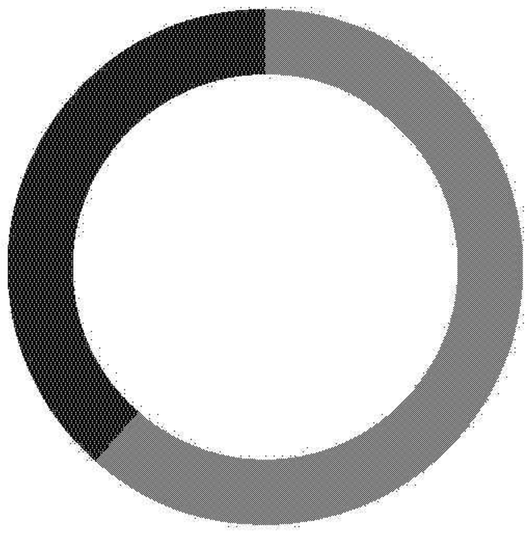
38.5%
Women on SKG plc Board**

Board of Directors (Gender split out of 13)**



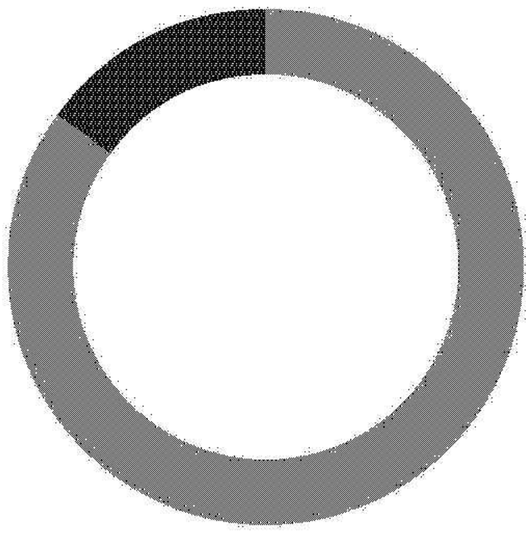
Male – **61.5%**
Female – **38.5%**

Executive Committee (Gender split out of 13)



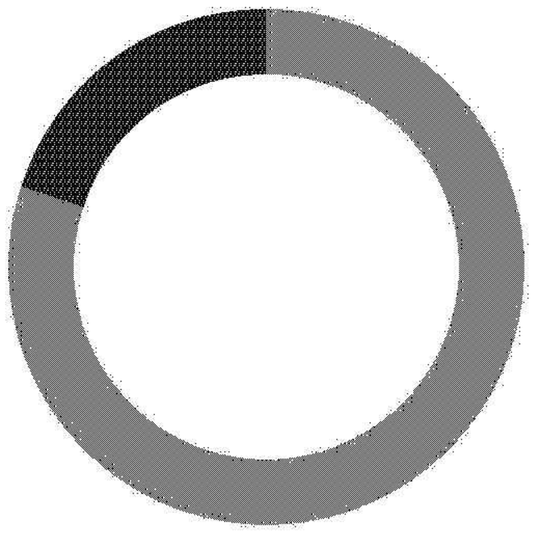
Male – **61.5%**
Female – **38.5%**

Regional Executive Committees (Gender split)



Male – **85%**
Female – **15%**

Total Permanent Employees (Gender split)



Male – **80%**
Female – **20%**

* As reported in the FTSE Women Leaders Review.
** Includes Mary Lynn Ferguson-McHugh appointed on 5 January 2023.



Health, Safety and Wellbeing

Our health, safety and wellbeing culture is founded on authenticity, empowerment and accountability, with our attention focused on our six high-risk areas, while safety is one of our core values.

One of the most important achievements of our Health, Safety and Well being programme is the continued positive performance in our TRIR trends. We challenge ourselves to improve TRIR by at least 5% per year. Using 2018 as a baseline year for our five year strategy, we have actually improved TRIR by 50%, substantially exceeding our target. However, sadly, we had one subcontractor fatality in 2022, but we will not rest until we deliver zero incidents on an ongoing basis.

To continue to improve our health and safety outcomes and to make every effort to make our workplace safe for all, this year we launched a new five-year strategy to continue our positive trajectory. This is focused on four key areas:

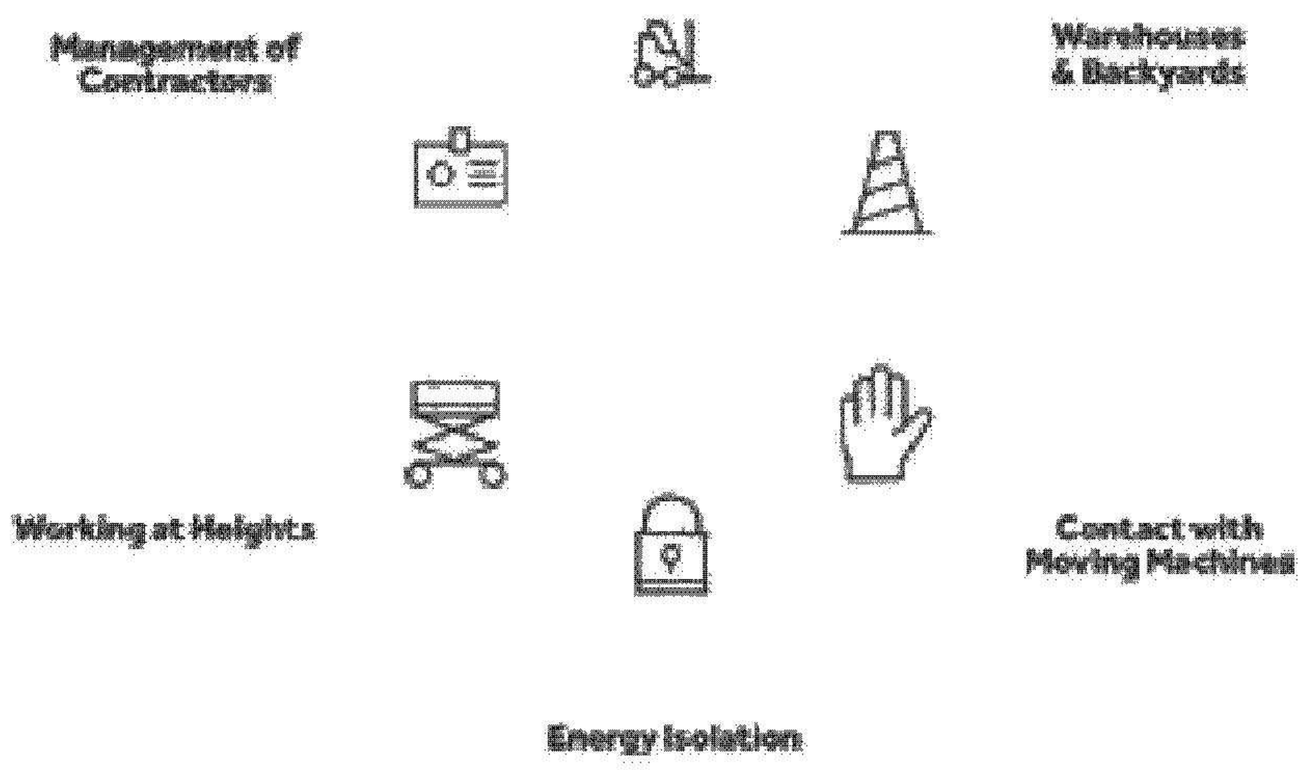
1 High risk management
2 Behavioural based safety
3 Implementation of a Group wide safety management tool
4 Health & Wellbeing

In order to deliver against these key strategic areas in our plants and mills across the world, we have designed, built and commenced the implementation of a new health and safety management system. This tool is designed to support supervisors, managers and our health and safety teams with their daily responsibilities. It makes it easy to track and report safety data, analyse trends and draw insights, meet compliance requirements and reduce administrative work. It will also help to increase visibility and continue to promote a safety culture across our organisation.

We also celebrated and implemented the following activities as part of our Annual Safety Improvement Plans to continue to drive awareness and keep attention on this key topic as outlined on the following page.



Our Six High-risk Areas



1 On World Safety Day (28 April 2022), we launched an initiative on hand safety under the strapline **'Safety is in your hands'**.
2 Through our free and confidential **Global Employee Assistance Programme**, we continued to provide support to our employees and their family members to cope with any work, life or health concerns. The service offers help to deal with any tough situation that our people and their families are not quite sure how to handle. It is easy-to-access and is available 24/7.
3 We undertook a summer health and safety campaign, under the banner of **'We're Thinking Safety'**, to reinforce the message that safety is everyone's responsibility, including contractors. This is built on our previous years' message 'I'm Thinking Safety' and continued to use our Safety for Life branding.
4 We continued with our **Safety for Leaders programme**, which we had begun to roll out during the pandemic via MS Teams. In 2022 in Europe, it became a significant face-to-face training programme to further support our managers with their health and safety responsibilities.
5 We further developed our health and safety processes with a particular focus on our Energy & Machinery Isolation Policy, **(lock out, tag out, try out – LOTOTO)**.
6 Our Health, Safety and Wellbeing agenda gathered further momentum with the implementation of our Health & Wellbeing framework. This has been supported with regular activities such as **'World Mental Health Day'**.
7 We implemented a new case management process, so that where serious injuries occur, we have a **support system** in place for those involved.
8 Three new Policies **(Management of Change, Workplace Inspection and Confined Space Entry)** were developed and deployed in the final quarter of the year.
9 In order to focus on incident causation, we continue with our Behavioural based safety training as well as Human Reliability training for front line leaders. This is a long-term safety training plan that will result in better safety performance in the coming years. Also, we developed our **'3 Steps for Safety for Life'** campaign in order to reinforce **'Safety as a value'** statement. A Safety culture based on authenticity, empowerment and accountability, highlights that Health, Safety and Wellbeing is a collective responsibility, everyone has a part to play.

Code of Conduct and Speak Up E-Learning Programme

During 2022, we continued to build awareness of Smurfit Kappa's Code of Conduct and Speak Up service. The Code of Conduct reflects Smurfit Kappa's values and standards, providing a guide to the legal and ethical responsibilities we share as members of the Smurfit Kappa family.

Since early 2020, when the worldwide launch of our Speak Up reporting system took place, we have sought to encourage transparency and drive accountability and governance at every level of the organisation.



In May 2022, to ensure that every employee fully understands their responsibilities and expected conduct as responsible corporate citizens, we launched a new online e-learning programme to support the Code of Conduct and Speak Up service. This programme guided employees through the elements of the Code relevant to them and ended with a knowledge quiz to test understanding. It will be repeated across the Group for the next two years, with updates to include any new requirements.

Our Wellbeing Pillars



Our HR Strategy



For more information on our strategy see **page 87**

Expanding operations in Brazil

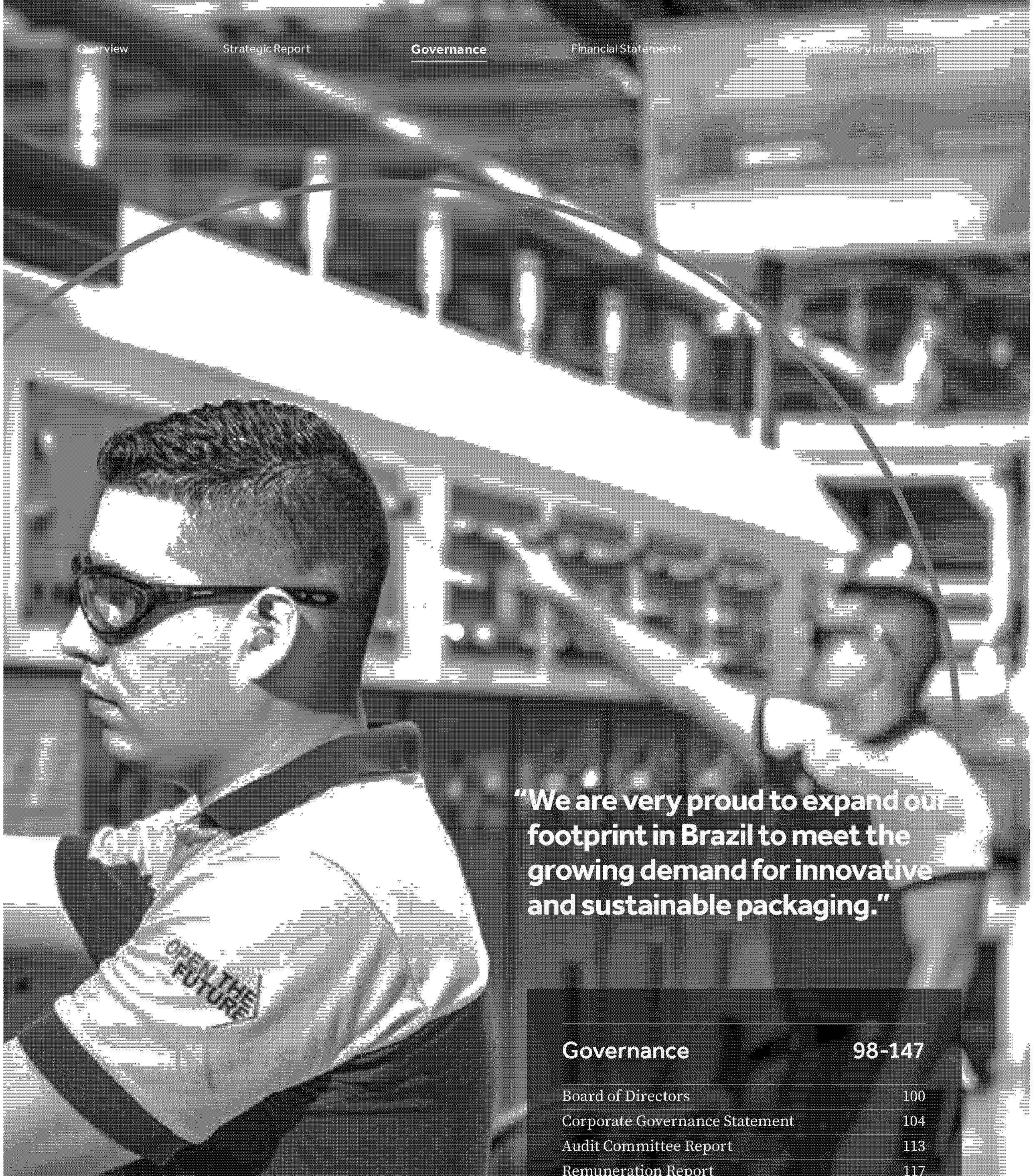
The acquisition of PaperBox expands both our presence in Brazil and our product portfolio to meet the growing demand for sustainable packaging.

PaperBox is a packaging plant located in Saquarema, 70km east of Rio de Janeiro. Brazil is the largest corrugated cardboard market in Latin America, with 7.4 billion sq m produced annually, and the Southeast region, where PaperBox is located, equates to 46% of this volume. This acquisition represents a further expansion of Smurfit Kappa's operational footprint in Brazil; we currently operate in three other states: Minas Gerais, Rio Grande do Sul and Ceará.

"We are very proud to have expanded our footprint in Brazil to meet the growing demand for innovative and sustainable packaging. This acquisition will broaden and strengthen our presence in the country, improve our production capabilities and enable us to continue to create new opportunities and form new partnerships with customers," said Laurent Sellier, CEO of Smurfit Kappa in the Americas.

Manuel Alcalá, CEO of Smurfit Kappa in Brazil, added: "Smurfit Kappa believes in Brazil and in the opportunities to deliver growth by continuing to add value to our customers' business. PaperBox has a distinguished history in the region and a special commitment to all stakeholders. This is a legacy that Smurfit Kappa will build upon."

Delivering on our Strategic Priorities



"We are very proud to expand our footprint in Brazil to meet the growing demand for innovative and sustainable packaging."

Governance 98-147

Board of Directors	100
Corporate Governance Statement	104
Audit Committee Report	113
Remuneration Report	117
Nomination Committee Report	137
Sustainability Committee Report	141
Directors' Report	144
Statement of Directors' Responsibilities	147

Board of Directors

Board Committees

Audit · Remuneration · Nomination · Sustainability · © Chair



Irial Finan, Chair

Nationality: Irish

Committee Membership:

Term of Office

Irial Finan joined the Board in February 2012. He was appointed Chair in May 2019.

Independent

Yes.*

Key External Appointments

Listed: Board member of Coca-Cola Bottlers Japan Holdings Inc. and Fortune Brands Home & Security, Inc.

Experience

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.



Anthony Smurfit, Group Chief Executive Officer

Nationality: Irish

Term of Office

Anthony Smurfit has served as a Director of the Group since 1989** and was appointed Group Chief Executive Officer in September 2015.

Independent

No.

Key External Appointments

Non-Listed: Board member of CEPI (Confederation of European Paper Industries) and member of the European Round Table of Industrialists.

Experience

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.



Ken Bowles, Group Chief Financial Officer

Nationality: Irish

Term of Office

Ken Bowles was appointed Group Chief Financial Officer in April 2016 and was appointed a Director in December 2016.

Independent

No.

Experience

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.

* On his appointment as Chair in May 2019 Irial Finan was independent.

** For Smurfit Kappa Group plc or its predecessor companies, SKG returned to Euronext Dublin and the LSE on its IPO in March 2007.



Anne Anderson, Non-executive Director

Nationality: Irish Committee Membership: ● ●

Term of Office
Anne Anderson joined the Board in January 2019.

Independent
Yes.

Key External Appointments
Non-listed: Chair of the Board of Advisers at the Institute for the Study of Diplomacy at Georgetown University, Washington DC. Board member of the Druid Theatre Galway.

Experience
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.



Frits Beurskens, Non-executive Director

Nationality: Dutch Committee Membership: ●

Term of Office
Frits Beurskens has served as a Director of the Group since December 2005.[1]

Independent
No.

Experience
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 Committee Membership: Ⓒ ●

Term of Office
Carol Fairweather joined the Board in January 2018.

Independent
Yes.

Key External Appointments
Listed: Non-executive Director of Segro plc.

Experience
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. Carol is a Fellow of the Institute of Chartered Accountants.



Mary Lynn Ferguson-McHugh, Non-executive Director

Nationality: American Committee Membership: ● ●

Term of Office
Mary Lynn Ferguson-McHugh joined the Board in January 2023.

Independent
Yes.

Key External Appointments
Listed: Molson Coors Beverage Company
Non-listed: Board member of FJ Management Inc and GOJO Industries Inc.

Experience
Mary Lynn spent over 35 years at Procter & Gamble, where she held a number of senior leadership positions, including her roles as Chief Executive Officer of Family Care (Paper Products) and P&G Ventures, positions she held since 2019 having served as Group President of Family Care (Paper Products) since 2014 and P&G Ventures since 2015. Prior to that, from 2011, she was based in Switzerland where she held the position of Group President Western Europe and then Group President Europe.

Board of Directors continued

Board Committees
Audit · Remuneration · Nomination · Sustainability · © Chair



Kaisa Hietala, Senior Independent Non-executive Director

Nationality: Finnish Committee Membership: Audit, Remuneration

Term of Office
Kaisa Hietala joined the Board in October 2020.

Independent
Yes.

Key External Appointments
Listed: Non-employee Director at Exxon Mobil Corporation and Non-executive Director of Rio Tinto.

Experience
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 was 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, Neste Oil Corporation. Kaisa was previously a Non-executive Director of Kemira Oyj from 2016 to 2021.



James Lawrence, Non-executive Director

Nationality: American Committee Membership: Audit, Sustainability

Term of Office
James Lawrence joined the Board in October 2015.

Independent
Yes.

Key External Appointments
Listed: Non-executive Director of Avnet, Inc. and Aercap Holdings N.V.
Non-listed: Chair of Lake Harriet Capital, LLC, an investment and advisory firm.

Experience
James Lawrence 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.



Lourdes Melgar, Non-executive Director

Nationality: Mexican Committee Membership: Nomination, Sustainability

Term of Office
Lourdes Melgar joined the Board in January 2020.

Independent
Yes.

Key External Appointments
Listed: Board member of Banco Santander Mexico S.A.
Non-listed: Research Affiliate at the Center for Collective Intelligence of MIT's Sloan School of Management and an Independent Board member, Global Energy Alliance for People and Planet.

Experience
Lourdes Melgar is an academic and strategic advisor recognised for her expertise in energy, sustainability and governance. As former Vice Minister for Electricity from 2012 to 2014 and Vice Minister for Hydrocarbons from 2014 to 2016, she played a key role in the design, negotiation and implementation of Mexico's 2013 Energy Reform. Previously, as a career diplomat, she held various positions in Mexico's Foreign Service and at the Ministry of Energy.



John Moloney, Non-executive Director

Nationality: Irish Committee Membership: ● C

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

Independent
Yes.

Key External Appointments
Non-listed: Board member of Shorla Pharma.

Experience
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. John will retire from the Board following the conclusion of the Annual General Meeting on 28 April 2023 and therefore will not seek re-election.



Jørgen Buhl Rasmussen, Non-executive Director

Nationality: Danish Committee Membership: ● C

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

Independent
Yes.

Key External Appointments
Non-listed: Chair of Uhrenholt A/S. Chair of the Executive Advisory Board in Blazar Capital.

Experience
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 was a Board member of Novozymes A/S from 2011 and Chair from 2017 until March 2023.



Gonzalo Restrepo, Non-executive Director

Nationality: Colombian Committee Membership: ● C

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

Independent
Yes.

Key External Appointments
Listed: Non-executive Director of Cardif Colombia Seguros Generales S.A.
Non-listed: Board member Avianca S.A. Member of the Entrepreneurs Council of Proantioquia in Colombia.

Experience
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. Gonzalo will retire from the Board following the conclusion of the Annual General Meeting on 28 April 2023 and therefore will not seek re-election.



Gillian Carson-Callan, Group Secretary

Nationality: Irish

Term of Office
Gillian Carson-Callan was appointed Group Secretary in June 2020.

Key External Appointments
Non-listed: Board member of Smurfit Kappa Foundation.

Experience
Gillian joined the Group in 2009. She held roles within the Group Finance function before her appointment as Assistant Group Secretary in 2016. Gillian is a Fellow of the Institute of Chartered Accountants of Ireland and holds a Certificate in Company Secretarial Law and Practice.

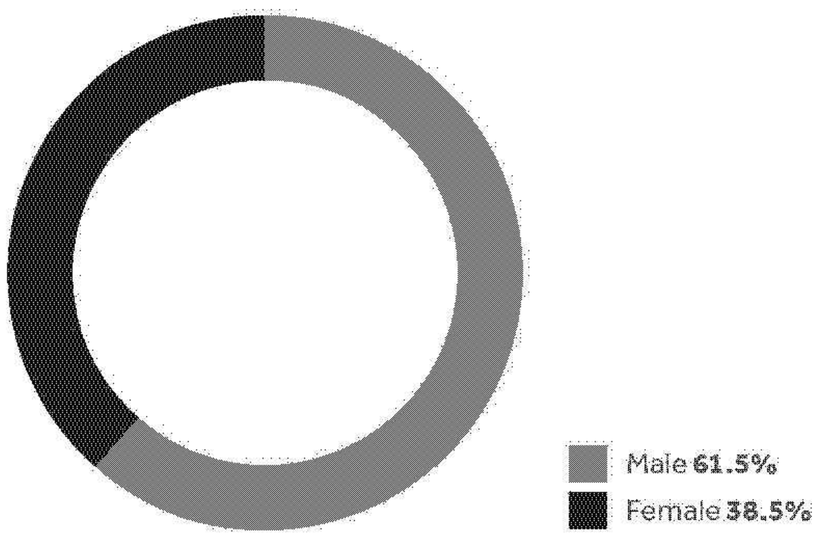
Corporate Governance Statement

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 2022, Smurfit Kappa Group plc applied the principles of the UK Corporate Governance Code ('the Code') published by the Financial Reporting Council ('FRC').

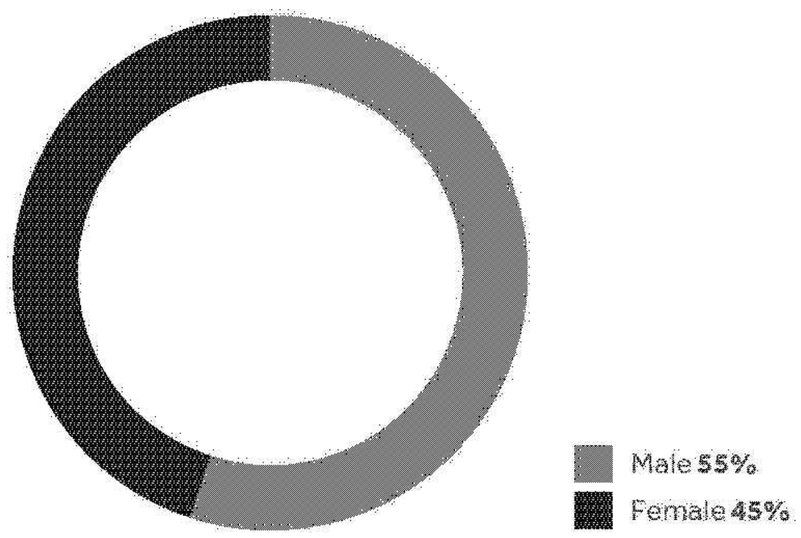
Governance at a glance

Gender Diversity

As at 14 March 2023



Post-AGM 2023

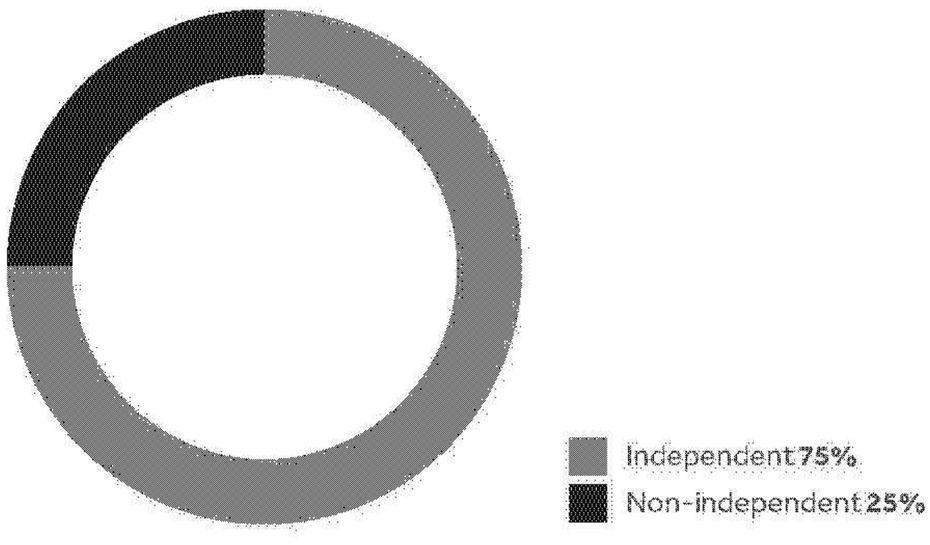


Experience and Skills of the Non-executive Directors

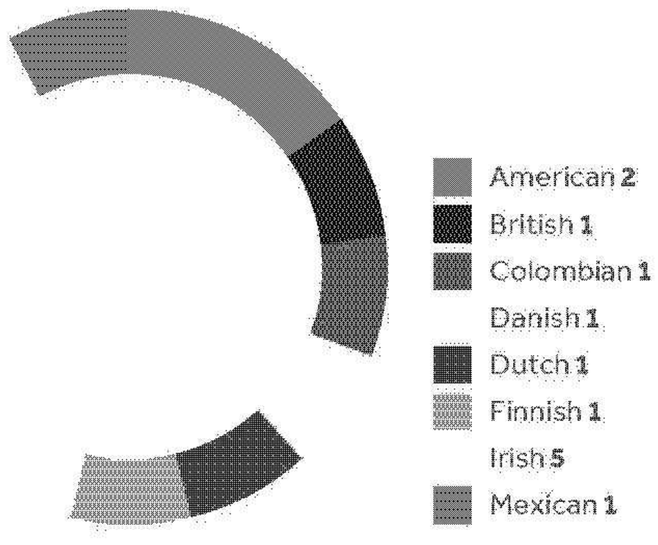
The range of key skills and experience includes the following:

Paper/Packaging	Operations
FMCG	International
Finance	
Executive Experience	Academic/Diplomacy

Director Independence*



Nationalities



* Excludes the Chair who was independent on appointment as Chair in May 2019.

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 as we 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.

Compliance with the Code

The Directors believe that the Group complies with the provisions of the Code, apart from Provision 19 for which an explanation has been provided in line with the Code. Please see Chair Succession on page 111.

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.

Board Leadership and Company Purpose

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 26 to 27;
- 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.

The Board visited our containerboard mill in Verzuolo in October 2022.



Board Meetings

The Board meets at least five times each year with additional meetings as required. The Board met eight times in 2022, six scheduled meetings and two additional ad hoc meetings to deal with specific matters of business. 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. Following the travel restrictions imposed in 2020 and 2021, the Board was very pleased to be in a position to hold two meetings at Group operation sites during 2022. The July Board meeting was held in Cali, Colombia. The October Board meeting was held in Northern Italy at our containerboard mill in Verzuolo.

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. 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.

All Directors attended all scheduled meetings that they were eligible to attend during 2022.

When Directors are unable to attend a meeting, having been advised by 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 2022

	Scheduled		Ad hoc	
Attendance Record	A*	B*	C**	D**
I. Finan	6	6	2	2
A. Smurfit	6	6	2	2
K. Bowles	6	6	2	2
A. Anderson	6	6	2	2
F. Beurskens	6	6	2	2
C. Fairweather	6	6	2	2
ML. Ferguson-McHugh***	–	–	–	–
K. Hietala	6	6	2	2
J. Lawrence	6	6	2	1
L. Melgar	6	6	2	2
J. Moloney	6	6	2	1
J. Buhl Rasmussen	6	6	2	2
G. Restrepo	6	6	2	1

* Column A indicates the number of meetings held during the period the Director was a member of the Board and was eligible to attend and Column B indicates the number of meetings attended.

** Column C indicates the number of ad hoc meetings held during the period the Director was a member of the Board and was eligible to attend and Column D indicates the number of ad hoc meetings attended.

*** Mary Lynn Ferguson-McHugh joined the Board in January 2023.

Communication with Shareholders

The Board places a high level priority on 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, there was ongoing engagement with shareholders, various in-person and virtual investor conferences and roadshows, and numerous conference calls and presentations. This engagement takes place as and when is necessary, as well as at the time of the release of the Annual Report, preliminary and interim reports, and trading statements. 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 Board reports provided in advance of Board meetings, 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 Annual General Meeting ('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 2022 AGM marked a return to an in-person physical AGM, following a closed meeting in 2020 and a virtual meeting in 2021. Shareholders were encouraged to submit a Form of Proxy appointing a proxy to attend, speak, ask questions and vote at the AGM on their behalf to ensure their votes could be represented at the AGM, if they were not attending the AGM in person. Shareholders were also invited to email any questions relating to the items on the agenda in advance of the meeting. All resolutions proposed at the 2022 AGM were duly passed by way of a poll. 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 (the 'Articles of Association') and the Irish Companies Act 2014 (as amended) (the 'Companies Act').

The Company is required to 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 ('EGM') in the notice calling such meeting. An EGM may be convened as provided by the Companies Act, including by Directors. 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 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.

The Companies Act also provides for a number of shareholder rights in respect of general meetings 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.

The arrangements regarding the exercise of shareholder rights and voting rights apply to all dematerialised shares changed 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 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 AGM.

Sustainability

In order to create long-term value, the 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 Sustainability priorities are summarised on pages 54 to 55 and are described in detail in the Sustainable Development Report for 2022 which will be available on the Group's website.

The Board Sustainability Committee is responsible for providing strategic guidance and support to management in the implementation of the Smurfit Kappa Sustainability Strategy. Please see the Sustainability Committee Report on pages 141 to 143 for details on the role and activities of the Sustainability Committee during the year under review.

Division of Responsibilities

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, there is a Sustainability Committee with responsibility to provide strategic guidance and support to management in the implementation of the Smurfit Kappa Sustainability Strategy.

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 113 to 143.

Roles and Responsibilities

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. 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.

Chair

Irial Finan, as 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 it (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 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. Please see update on the Chair Succession on page 111 and on page 139 of the Nomination Committee Report.

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 113 to 116**

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 determining 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 117 to 136**

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;
- Setting measurable objectives and targets for diversity and inclusion for the Board and senior management;
- 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 137 to 140**

Sustainability Committee

The Committee is responsible for:

- Providing strategic guidance and support to management in the implementation 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 Task Force for Climate-related Financial Disclosures compliance and reporting of climate related financial information;
- Reviewing the climate risks and opportunities of the Group including consideration of emerging trends and mitigating actions; 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 141 to 143**

Group Chief Executive Officer

The responsibilities of the Group Chief Executive Officer are set out below

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

Kaisa Hietala succeeded Gonzalo Restrepo as the Group's Senior Independent Director on 10 October 2022. Her duties 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. She 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 externally facilitated evaluation takes place.

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.

Composition, Succession and Evaluation, Membership and Board Size

There are currently 13 Directors on the Board, comprising: a Non-executive Chair, two Executive Directors and 10 Non-executive Directors. Following a recruitment process in 2022, the Board appointed Mary Lynn Ferguson-McHugh as an independent Non-executive Director effective 5 January 2023. In December 2022, the Group announced that two independent Non-executive Directors, John Moloney and Gonzalo Restrepo, would not seek re-election at the AGM in April 2023 and would retire from the Board at that time. Therefore, subject to shareholder approval of the election of Mary Lynn and the re-election of all other Directors, the Board will comprise 11 Directors following the AGM in April 2023.

The Board considers the size of the Board appropriate, that it 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 Board recognises the value of gender diversity to the Group and will have 45% female representation following the AGM in April 2023. Therefore, the Board expects to be in line with the FCA Listing Rules requirements and the FTSE Women's Leaders target of 40% representation in relation to gender diversity following the AGM. The Board also meets the requirements of the FCA Listing Rules and the recommendation of the Parker Review to have at least one Board member from an ethnic minority background.

Following the appointment of Kaisa Hietala as Senior Independent Director of the Group, on 10 October 2022, the Group complies with the FCA Listing Rules requirement that a senior board position is held by a woman.

The table below sets out the gender identity data in accordance with the FCA Listing Rules. The information presented below is as at 14 March 2023. As mentioned above, following the AGM in April 2023, the Board expects to be in line with the FCA Listing Rules and the FTSE Women's Leaders target of 40% representation in relation to gender diversity.

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number of executive management*	Percentage of executive management*
Men	8	61.5%	3	8	61.5%
Women	5	38.5%	1	5	38.5%

* Executive management is defined as our Group Executive Committee.

The Board of Directors and their biographical details are set out on pages 100 to 103.

The Group has an effective Board which provides the highest standards of governance to an internationally diverse business with interests spanning three continents and 36 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 100 to 103. 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.

Board Independence

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 current composition of the Board and determined that Anne Anderson, Carol Fairweather, Mary Lynn Ferguson-McHugh, 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.

On 5 December 2022, John Moloney had served on the Board for nine years. In advance of this date the Board undertook a specific review of John's independence taking into account the principles in relation to independence contained in the Code as set out above. The Board concluded that John remains independent and continues to provide effective challenge, advice and support to management. John has indicated to the Board that he will not be seeking re-election at the Group's forthcoming AGM and will retire at that time.

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. Irial Finan, Chair of the Board, was independent on appointment. Please see Chair Succession on page 111.

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 experience 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 an employee, director or stakeholder which complements the experience of the Executive Directors and which is a reason for the Board to continue to recommend Frits for re-election to the Board. The diversity of skills and experience are set out in the biographies of the Directors on pages 100 to 103 and in the Governance at a Glance on page 104.

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 AGM after their appointment and, pursuant to the Articles of Association, 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.

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.

Mary Lynn Ferguson-McHugh is offering herself for election, and other than John Moloney and Gonzalo Restrepo, each of the other Directors are offering themselves for re-election at the 2023 AGM.

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, external legal counsel and other advisors. In addition, they are encouraged to visit sites and meet with the local management.

For both new and existing Non-executive Directors, the ongoing training and development programme continued in 2022 with sessions that included specific business areas, innovation, cyber security and governance. The Directors received their annual update on the Market Abuse Regulation (EU 596/2014) and SKG Code of Conduct training was also rolled out during the year.

The Chair had the opportunity to visit many of our operations in Europe and the Americas during 2022, and reported back to the Board on his experiences including his engagement with employees.

The July Board meeting was held in Bogota and Cali, Colombia and the October Board meeting was held at our Verzuolo mill in Northern Italy. The Board travelled to both of these meetings and fully availed of the opportunity to visit a number of the Group's operations in both countries. As part of their visits the Directors met with management and employees and experienced first-hand the Group's operations in these countries.

Directors also receive regular briefings and presentations on a wide range of the Group's activities together with all significant analyst and rating reports. In addition to the opportunities offered by SKG to director development, all Directors are encouraged to undergo training to ensure they are kept up to date on relevant legal developments or changes in best practice.

External Directorships and Time Commitments

The Board believe that there is benefit from the experience and perspective Non-executive and Executive Directors can bring to the Group from other appointments such as directorships of other companies they may hold. In addition, the Executive Directors are encouraged to accept a small number of external appointments as Non-executive directors on industry associations.

In their roles, Directors are required to devote adequate time to perform their duties which includes attendance at the Board and Committee meetings, their preparation in advance of meetings, their attendance at training and development programmes and visits to the Group's operations. For roles such as the Chair of the Board, Chair of a Committee and the Senior Independent Director, additional time is allocated and required to fulfil these roles.

Prior to appointment, potential Non-executive Directors are required to disclose details of their other significant commitments to ensure that they have adequate capacity. For existing Directors, approval of the Board is required prior to accepting any significant additional roles or directorship. In considering additional roles consideration is given to factors including the factors set out in the Code, corporate governance requirements and the additional time commitment.

The Board is satisfied that each Director has demonstrated that they have sufficient time to meet their Board responsibilities.

External Board Evaluation

In 2022, a Board effectiveness review was conducted by Ffion Hague of Independent Board Evaluation ('IBE'). The process was completed in accordance with the requirement to have an externally facilitated evaluation every three years under Provision 21 of the Code. The evaluation considered the performance of the Board, its committees, the individual Directors and the Chair. Neither Ffion Hague nor IBE has any other connection with the Company or any individual directors.

A comprehensive brief was discussed with the assessment team at IBE by the Group Chair and the Group CEO. The review took the form of detailed interviews with each of the Directors and other key non-board contributors including members of senior management and certain external advisors including the auditor and remuneration advisor. All participants were interviewed thoroughly in accordance with a tailored agenda. The external evaluator observed the Board and each of the four Committee meetings that were held in November and December 2022. A review of agendas, minutes and papers from these meetings was also completed by the external evaluator. A report was compiled by the evaluation team based on the information and views supplied by those interviewed and observations from the Board and Committee meetings. Draft conclusions were discussed with the Group Chair and subsequently the whole Board, with Ffion Hague present. Feedback was also provided directly to each Committee Chair and the report on the Group Chair's performance was discussed with the Senior Independent Director. In addition, the Group Chair received a report with feedback on the performance of each individual Director.

The Board and each of the Committees discussed the output of the evaluations completed and identified actions to be implemented during 2023 as appropriate. Observations relating to the Committees are included within each of the Committee reports on pages 113 to 143.

In relation to the Board, on an overall basis the feedback given to the evaluation team was very positive. The Board rates its own performance highly, noting the strength of the diversity on the Board and the broad range of skills and experience. This, together with a strong culture of integrity and a well-integrated board governance process, results in a professional, candid, engaged and highly functioning Board.

The evaluation process is also an opportunity for further evolution and development. Following the presentation of the evaluation reports, there were certain actions and areas for consideration that were agreed by the Board. These include: additional structure to the Board

agendas with the inclusion of predefined, measurable, Board specific objectives; strategy discussions being further supplemented with more longer-term, blue-sky discussions; enhancement of the existing comprehensive induction process to tailor it more specifically to individual non-executive director background and their specific role on the Board including committee specific induction; development of a mentor programme for new appointments to the Board or for new Committee Chairs as appropriate; and review of the process around Board refreshment and the planning of future appointments. These actions will be considered and implemented during the year.

Internal Board Evaluation

As an externally facilitated Board evaluation was completed in 2022, an internal Board evaluation was not carried out in 2022. Externally facilitated evaluations are conducted every three years in line with the Code. In the intervening years, the Senior Independent Director co-ordinates a rigorous annual evaluation of the operation and performance of the Board, the Directors, its Committees and the performance of the Chair. This is achieved through the completion of a detailed questionnaire by each Director and separate discussions with each Director. The Committees undertake an annual evaluation of their performance and report back to the Board. At least once a year the Chair meets with the Non-executive Directors. The Board discusses the results of its evaluations in order to identify and address areas in which the effectiveness of the Board might be improved. Following a comprehensive internal evaluation completed in 2021, the Board implemented actions arising from it during 2022.

Succession Planning and Diversity

The Board has a Board Diversity Policy in place and believes that, as a global business, inclusion, diversity and equality are integral to how we do business. The Board Diversity Policy recognises and supports the importance of these values throughout the organisation to building long-term success. The Board believes that a truly diverse Board includes varying perspectives and career experience as well as diversity of gender, ethnicity, nationality and age, all of which are considered in determining the optimum composition of the Board and wherever possible, are balanced appropriately. All Board appointments and succession plans are based on merit and against objective criteria, in the context of the appropriate balance of skills, diversity of knowledge and thinking, professional and geographic backgrounds and experience which the Board as a whole requires to be effective and to be essential aspects of diversity for a company with businesses in 36 countries worldwide. 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. The Board approved Kaisa Hietala as the successor to Gonzalo Restrepo as Senior Independent Director in October 2022. As announced in December 2022, John Moloney and Gonzalo Restrepo will not be seeking re-election at the forthcoming AGM and will retire from the Board on that date. As a result of these changes, the Board have approved the following Chair designates which will be effective from the conclusion of the AGM: Anne Anderson will succeed Gonzalo Restrepo as Chair of the Nominations Committee, Jørgen Buhl Rasmussen will succeed John Moloney as Chair of the Remuneration Committee and Kaisa Hietala will succeed Jørgen as Chair of the Sustainability Committee. Mary Lynn Ferguson-McHugh was appointed as an independent Non-executive Director of the Board with effect from 5 January 2023 following a recruitment process during 2022. Please see details of the process in the Nomination Committee Report on pages 137 to 140.

Chair Succession

Tenure

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. He was appointed as Chair designate in October 2018 and became Chair at the conclusion of the AGM in May 2019.

In 2021, as Irial had then exceeded nine years on the Board, a comprehensive review of the Chair's tenure including a shareholder consultation was conducted, which was led by Gonzalo Restrepo who was the Senior Independent Director at the time. In line with Provision 19 of the Code, a clear and detailed explanation was provided in the 2021 Annual Report (pages 84 and 85) outlining the conclusions of this review, the rationale for a proposed extension to the Chair tenure, and a recommendation to shareholders that the tenure of Irial be extended by a period of up to three years (or up to the 2025 AGM). In their decision to define a time period for the extension, the Board noted its belief that this would provide clarity and certainty for all stakeholders of the Group. This recommendation was strongly supported by the Company's shareholders with over 93% of votes cast in favour of Irial's re-election at the AGM in 2022.

During the previous two years, internal evaluations conducted by the Senior Independent Director had included an evaluation of the Chair. These evaluations concluded that his performance was exceptional and that the Board were very satisfied with his support, leadership and independence as Chair. In addition to these internal evaluations, an externally facilitated evaluation of the Board including the Chair was conducted by Effion Hague of Independent Board Evaluation during 2022. The feedback was highly positive with recognition of the interpersonal dynamics Irial has established in what is considered a diverse and engaged Board. The external review also noted Irial's strong people, investor and customer focus as well as his notable understanding of our business.

As a result, following consideration of the Code, the comprehensive review completed during 2021 and the externally facilitated evaluation conducted in 2022, the Board has concluded that it remains in the best interests of the Group and of all stakeholders that the tenure of Irial continue in line with the prior year recommendation.

Succession Process

As noted in the 2021 Annual Report, the Board is committed to ensuring that an orderly succession and transition of the Chair is conducted. As a result, progressing the process remains a priority for the Senior Independent Director who is leading the succession process. During 2022, Kaisa Hietala succeeded Gonzalo Restrepo as Senior Independent Director, and is now responsible for the succession process going forward. A comprehensive handover was conducted following her appointment as Senior Independent Director. In addition, due consideration has been given to the next steps required. During 2023, a detailed specification of the role will be prepared, and an independent external recruitment firm will be selected to work with Kaisa to commence the search process for Irial's replacement as Chair of the Board.

The Board will keep shareholders informed on the matter of the Chair's succession in the Annual Report next year and through direct engagement as appropriate.

Recommendation

In conclusion, the Board has carefully considered the Chair's tenure and believes that it is in the best interests of the Company and its stakeholders that Irial remain as Chair for a period of up to two years (or up to the 2025 AGM). The Board is therefore recommending to shareholders the re-election of Irial at the forthcoming AGM in April 2023.

Corporate Governance Statement continued

Audit Risk and Internal Control

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 32 to 36.

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 review had regard to the emerging and principal risks that could affect the Group's business (as outlined on pages 34 to 36), the methods of managing those risks, the controls that are in place to contain them and the procedures to monitor them.

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.

Code of Conduct

The Smurfit Kappa Code of Conduct includes principles of best practice which apply to the Group's Board, officers and employees worldwide. We also require individuals, entities, agents or anyone acting on the Group's behalf to comply with the Code of Conduct. The Code of Conduct incorporates the Speak Up Policy and is available on the Group's website: smurfitkappa.com and is translated into 21 languages. During 2022, we continued to roll out the Group's Code of Conduct incorporating the Speak Up Policy e-learning programme and communicated this to all colleagues, both office and plant-based in local languages.

Securities Dealing Code and Share Ownership

The Group has a policy on dealing in SKG securities that applies to restricted persons comprising all Directors, senior management and certain other employees. Under this 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)).

Details of Directors' shareholdings are set out on pages 133 to 136.

Directors' Report

The Change of Control, Capital Structure and Purchase of Own Shares information are set out on page 145 of the Directors' Report and form part of this Corporate Governance Statement.

Please see the Audit Committee Report on pages 113 to 116 for details on the role and activities of the Audit Committee during the year under review.

Remuneration

Details of remuneration paid to Directors, (Executive and Non-executive) are set out in the Remuneration Report on pages 133 to 136.

As disclosed in previous years the Committee committed to aligning the Executive Directors' pension contribution rate to the wider workforce rate by means of a phased reduction. Effective 1 January 2023, the Group CEO and Group CFO's non-pensionable cash allowance reduced to 10% of salary, which is aligned to the workforce rate.

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 28 April 2023. Please see the Remuneration Committee Report on pages 117 to 136 for details on the role and activities of the Remuneration Committee during the year under review.

Audit Committee Report



"Dear Shareholders, I am pleased to present the Audit Committee report for the 2022 financial year."

Carol Fairweather
Chair of Audit Committee,
14 March 2023

Committee Members

C. Fairweather (Chair)
ML. Ferguson-McHugh
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, 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 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 2022.

Attendance Record	A*	B*	Appointment Date
C. Fairweather (Chair)	6	6	2018
ML. Ferguson-McHugh**	–	–	2023
K. Hietala	6	6	2021
J. Lawrence	6	6	2015
L. Melgar	6	6	2020
J. Moloney	6	6	2014

* Column A indicates the number of meetings held during the period the Director was a member of the Committee and was eligible to attend and Column B indicates the number of meetings attended.
** Mary Lynn Ferguson-McHugh was appointed to the Committee in January 2023.

Audit Committee Report continued

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 six independent Non-executive Directors with Mary Lynn Ferguson-McHugh joining the Committee in January 2023.

As announced in December 2022, John Moloney will not be seeking re-election at the forthcoming AGM and will retire from the Committee and the Board on that date.

I would like to thank John on behalf of the Committee for his valuable contribution over the years and to formally welcome Mary Lynn to the Committee.

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 100 to 103.

Meetings

The Committee met six 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 Head of Internal Audit and Risk, 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 Head of Internal Audit and Risk 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 Secretary, the Group finance team, the Group Head of Internal Audit and Risk, the External Auditor and the Group VP Human Resources.

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

Areas of Focus in 2022

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; ensuring the process followed to support the Viability Statement and going concern recommendations to the Board remained robust; 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 work on the continued evolution of the Group Risk Framework, risk appetite and associated KPIs, see pages 32 to 36;
- Considering the proposed evolution of the Internal Audit mandate;
- Considering the quarterly reports on cyber security and the continued investments in this area to respond to current trends and increasing cyber security threats;
- Receiving an annual tax update covering tax strategy and developments in the external tax landscape and compliance;
- Receiving an update on the Group's insurance cover in relation to property, business interruption, climate and cyber security and the continued capital investment in risk protection;
- Receiving an update from the Group's Legal Counsel on Competition Law Compliance, Sanctions, Screening and Data Protection compliance;
- Receiving regular updates on cases raised via the Speak Up process from the Group VP Human Resources;
- Engaging with KPMG in relation to the selection of and transition arrangements for the lead audit partner in respect of the year ending 31 December 2023;
- Reviewing the accounting treatment and disclosures in relation to the Group's Russian operations, following the announcement of the decision to exit Russia in April 2022; and
- 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 68 to 85 and pages 60 to 67.

Committee Evaluation

An independent externally facilitated evaluation of the Board and its Committees was conducted by Effion Hague from Independent Board Evaluation, details of which are outlined in the Corporate Governance Statement on pages 110 to 111. Overall the Committee was considered to be operating effectively and efficiently.

Priorities for the Year Ahead

This year, we will focus on:

- The progress on embedding the proposed evolution of the Internal Audit mandate;
- Working closely with KPMG to ensure a smooth transition of the lead audit partner; and
- Continuing to follow developments on audit reform and evolving best practice, including climate change reporting, and considering any other new regulations, guidance or recommendations.

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 the Group finance team who have the appropriate level of qualifications and expertise. The Committee reviewed all published financial and narrative statements of the Group, 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 provide the Viability Statement is robust. The Committee reviewed the process that had been followed and the stress testing scenarios that had been applied based on the Group's principal risks. The Committee confirmed to the Board that it was comfortable with the process that had been followed to provide the Viability Statement on page 32.

The Committee reviewed and was comfortable with the recommendation setting out the support for adopting the going concern basis in preparing the Financial Statements. The Board's statement on going concern is set out on page 33.

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 €2,455 million at 31 December 2022. 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 value 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 were reasonable and that following the €85 million impairment charge in relation to goodwill in Argentina, Peru and Russia, no further impairment to goodwill was required, and the disclosures in Note 13 to the Consolidated Financial Statements are appropriate.
Valuation of Defined Benefit Obligations The Group has net defined benefit liabilities totalling €517 million at 31 December 2022.	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.
Exceptional Items The Group has recognised exceptional charges totalling €223 million in 2022.	The Committee considered management's proposed treatment of each of the items included within exceptional charges which totalled €223 million, of which €128 million related to the impairment of assets in our Russian operations, €56 million and €11 million respectively for the impairment of goodwill in Argentina and Peru, €14 million for redundancy and reorganisation costs in the Americas, along with €14 million for the impairment of property, plant and equipment in our North American operations. The Committee was satisfied that the nature and size of the items included within the exceptional charge were consistent with the Group's accounting policy and were appropriately disclosed.

Internal Audit

The Group operates an internally resourced Internal Audit function which reports directly to the Committee. Following a comprehensive recruitment process a new Head of Internal Audit and Risk joined the Group in early 2022 allowing for a coordinated handover with the retiring incumbent.

The Committee received and reviewed the quarterly reports from the Head of Internal Audit and Risk summarising audit findings, agreed actions and recommendations and reviewed progress on addressing the actions and recommendations. The Committee noted that remote auditing, as a result of pandemic related travel restrictions, continued in the early part of 2022 and did not impact significantly on the delivery of the Internal Audit Plan.

In compliance with the Chartered Institute of Internal Auditors ('IIA') 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 2022, the Internal Audit mandate was reviewed and considered and an evolved, broadened Audit Universe was approved by the Committee. The Internal Audit Plan for the coming year was developed using a risk-based approach taking into consideration the approved Audit Universe. The Committee reviewed and approved the 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 and is appropriate for the business. The Committee met privately with the Head of Internal Audit and Risk during the year with no significant matters of concern raised.

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 97 for further details).

The Committee received regular updates on cases raised via the Speak Up process from the Group VP Human Resources. No material cases were reported to the Committee during 2022.

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 including the consideration of emerging risks;
- 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.

Having completed its review of the effectiveness of the Group's system of internal controls including risk management, the Committee confirms that it has not been advised of, or identified, any significant failings or weaknesses.

The ongoing evolution of the Group Risk Framework continued during the year. The risk appetite statements developed during 2021 were embedded into the risk processes including the introduction of KPIs and reported to the Committee and the Board. In addition, a process was undertaken to consider the interconnectivity of risk and this will be further considered during 2023 as we continue to evolve this key area.

For further details on the Group's Risk Management and Internal Control, please see the Risk Report on pages 32 to 36.

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 and effectiveness, involvement in fee negotiations and assessing their performance. KPMG has been the Group's auditor since 2018, following a formal tender process.

Prior to the commencement of the 2022 year-end audit, 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.

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 judgements; 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 of 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.

As noted in last year's Audit Committee Report, the External Auditor is required to rotate the audit partner responsible for the Group audit every five years. Roger Gillespie (who was appointed in 2018) acted as lead audit partner for the year ended 31 December 2022, his fifth and therefore final audit as lead audit partner. The Committee wishes to thank Roger for his engagement and contribution during his tenure. Barrie O'Connell will replace Roger as the incoming lead partner for the 31 December 2023 audit.

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 179. Fees paid to KPMG for non-audit work in 2022 amounted to €0.5 million and total 5% of the fees paid for the statutory audit (2021: 4%).

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.

Remuneration Report



"Dear Shareholders, I present the Remuneration Report for the financial year ended 31 December 2022."

John Moloney
Chair of Remuneration Committee,
14 March 2023

Committee Members

J. Moloney (Chair)
J. Buhl Rasmussen (Chair designate)
C. Fairweather
ML. Ferguson-McHugh
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, Group 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 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 2022.

Attendance Record	A*	B*	Appointment Date
J. Moloney (Chair)	6	6	2015
J. Buhl Rasmussen	6	6	2017
C. Fairweather	6	6	2018
ML. Ferguson-McHugh**	–	–	2023
G. Restrepo	6	6	2015

* Column A indicates the number of meetings held during the period the Director was a member of the Committee and was eligible to attend and Column B indicates the number of meetings attended.
** Mary Lynn Ferguson-McHugh was appointed to the Committee in January 2023.

Remuneration Report continued

I am pleased to report that the Group has delivered a very strong performance over the past year against a backdrop of significant cost inflation. Our talented people have continued to drive improvement in many areas of the business, providing the most innovative and sustainable packaging solutions and ensuring security of supply to our customers.

Remuneration Policy Implementation

The Remuneration Policy ('the Policy') was reviewed in 2020 and put to shareholders at the AGM in 2021, where it received 94% support. For the current year, no changes are proposed to the implementation of the Policy.

Remuneration in Context

Over the course of 2022, the Remuneration Committee monitored the exceptional rise in inflation, including energy inflation and the cost of living in many of the countries in which the Group operates. As a result, during the financial year, the Committee supported management in their proposals to award the wider workforce, excluding management, with special one-off payments and other benefits as appropriate in the countries whose inflationary pressures, particularly energy inflation, were the greatest. In terms of the salary reviews of the wider workforce, the level of inflation in each of the countries varies, and on an overall basis the increases of the wider workforce were on average 6%. The Committee will continue to monitor the economic backdrop and take further steps that are deemed appropriate to ensure that our workforce is adequately supported. In addition to financial benefits, our 'wellbeing for life' programme continued during the year. This programme is part of our EAP (Employee Assistance Programme) and includes support for employees on their financial wellbeing in addition to overall physical health and mental wellbeing.

Executive Director Salaries

The review of the salaries for the executive Directors at the year-end considered the performance of the Group and the Directors, increases of the wider workforce and the macroeconomic environment. Following consideration, the Committee approved an increase of 4% for both the Group CEO and CFO from 1 January 2023 which is below the increases of the wider workforce across the Group's operations as outlined above.

In addition, the Board, following an external review of fees, approved an increase in the fees of the Non-executive Directors and the Chair by 4% in line with the executive Directors and below the increase for the wider workforce.

Executive Director Pensions

In line with the requirements of the UK Corporate Governance Code and reflecting 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 workforce by the end of 2022 (i.e. effective 1 January 2023). The final reduction in their pension rates to 10% of salary was effective from 1 January 2023 and brought the contribution rate in line with the workforce.

2022 Performance and Incentive Out-turns

Smurfit Kappa reported strong results for 2022, with adjusted EBIT of €1,645 million and a free cash flow of €545 million. In this context, the Committee reviewed performance against the metrics and the operational and strategic objectives under the annual bonus plan for 2022 and approved a bonus of 97.9% 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 2020–2022, which resulted in a cumulative three-year earnings per share ('EPS') of 1,014 cent; three-year average return on capital employed ('ROCE') of 18%; and median total shareholder return ('TSR') performance versus the global paper and packaging peers in the TSR benchmark. Overall, the 2020 PSP award outcome was 75% of maximum, demonstrating the consistency of performance over the last three years.

In determining the outcomes of the 2022 annual bonus and the 2020 PSP cycle (including the potential for windfall gains), 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 or adjustments. Further details on performance against the targets are set out on pages 128 to 130.

2023 Performance and Incentive plans

There are no changes proposed to the operation of the annual bonus and PSP for 2023. The award levels and performance measures are consistent with those applied in 2022. Each year, the Committee reviews targets for the annual bonus and PSP to ensure that they continue to support the strategy and incentivise executives to deliver clearly defined and stretching goals. Performance targets for the 2023 award cycles have taken into account the Group's annual budgeting, medium-term strategic planning and Viability Statement processes, which consider a number of factors including external economic factors such as the OECD expectations on GDP growth.

In line with previous years, targets for the annual bonus will be published in full on a retrospective basis in next year's Annual Report. Targets for the 2023 PSP award are set out on page 121. The Committee believes the proposed targets for the period are suitably stretching to reward out-performance whilst also incentivising 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) which cumulatively constitute 15% of the targets for this award, are central in reinforcing the Company's focus on sustainability.

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, with metrics linked to these aims included in the incentive plans. As the Remuneration Committee is responsible for overseeing pay arrangements for all employees, the Committee recognises the need to engage with the wider workforce as part of its 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 and in 2022 reporting on Gender Pay Gap for Ireland (as detailed further on page 94), in recognition of the importance of transparency around matters of pay.

In 2022, the Board received wider workforce feedback on remuneration via the Sustainability Committee. In addition, the Sustainability Committee undertook a programme of employee engagement in 2022 with employees from across Europe and the Americas in a number of sessions promoting two-way dialogue, read more on pages 44 and 45. 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.

Committee Evaluation

An independent externally facilitated evaluation of the Board and its Committees was conducted by Effion Hague from Independent Board Evaluation, details of which are outlined in the Corporate Governance Statement on pages 110 to 111. Overall, the Committee was considered to be operating effectively and efficiently.

Remuneration Policy Review

In last year's report, I indicated that the Committee would be reviewing the remuneration arrangements during 2022, to ensure they remain competitive, and had expected to engage with shareholders in relation to this. Even though there is evidence that some areas of the senior executive remuneration package are below market, the Committee took the decision that the conclusion of the review would be deferred as a result of macroeconomic conditions.

The Committee has an open approach to engagement and welcomes feedback from shareholders through the AGM process and at other points throughout the year as the need arises. The current Policy was approved by shareholders in 2021; in keeping with the UK reporting requirements, with which the Company voluntarily complies, the Committee intends to seek re-approval of the Policy at the 2024 AGM (i.e., after three years). The Committee will therefore conclude its review of the Policy during 2023 and engage with key stakeholders as part of this process.

Conclusion

As announced in December 2022, I will not be seeking re-election at the forthcoming AGM and will retire from the Board on that date. Jørgen Buhl Rasmussen has been appointed Chair designate and will succeed me as Chair of the Committee at the conclusion of the forthcoming AGM.

I would like to thank shareholders, my fellow Board members and the senior management team for their support over the years and I wish SKG continuing success in the future.

Finally, on behalf of the Committee, I 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

Chair Designate

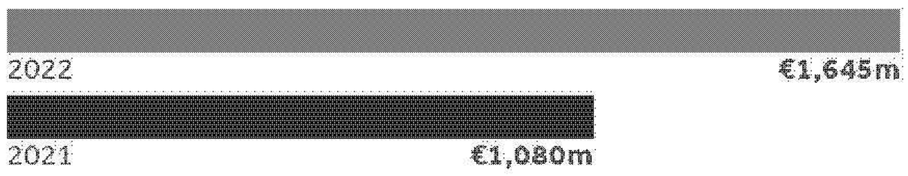
Jørgen Buhl Rasmussen was appointed Chair designate of the Committee in December 2022 and will replace John Moloney as Chair of the Committee following the conclusion of the AGM in April 2023. Jørgen has been a member of the Committee since 2017.



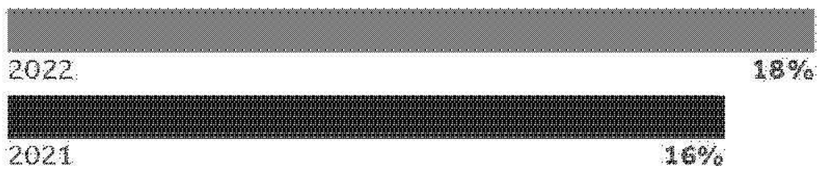
Remuneration at a glance

Our 2022 Performance

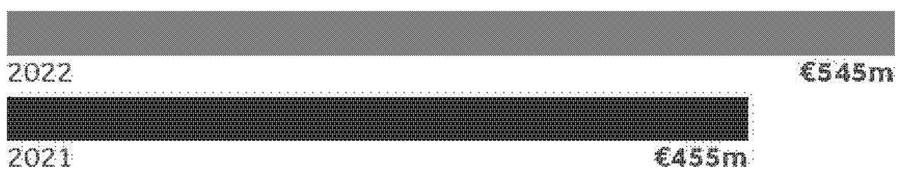
Adjusted EBIT



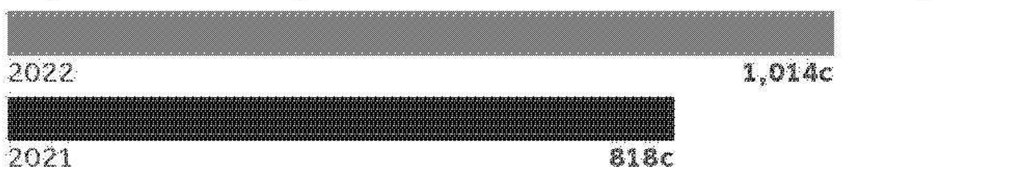
Adjusted Return on Capital Employed (three year average)



Free Cash Flow

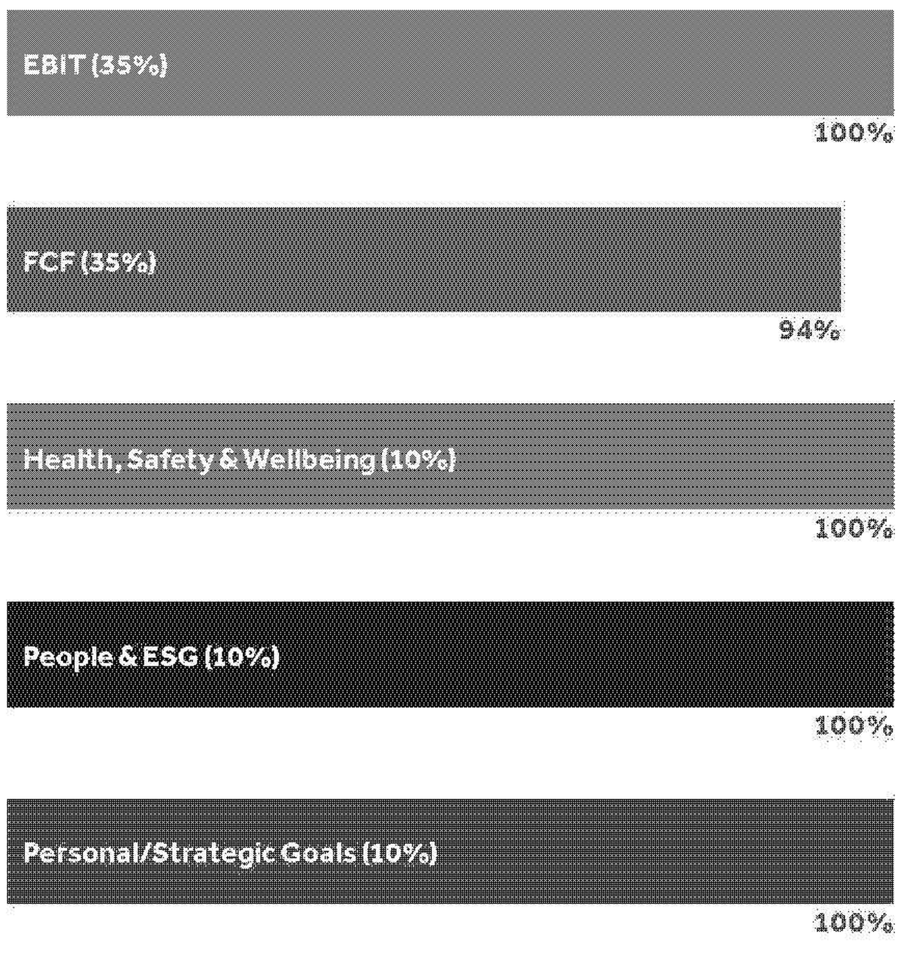


Adjusted Pre-exceptional Basic EPS (cumulative over three years)



Impact on Director Pay

Annual Bonus Outcome

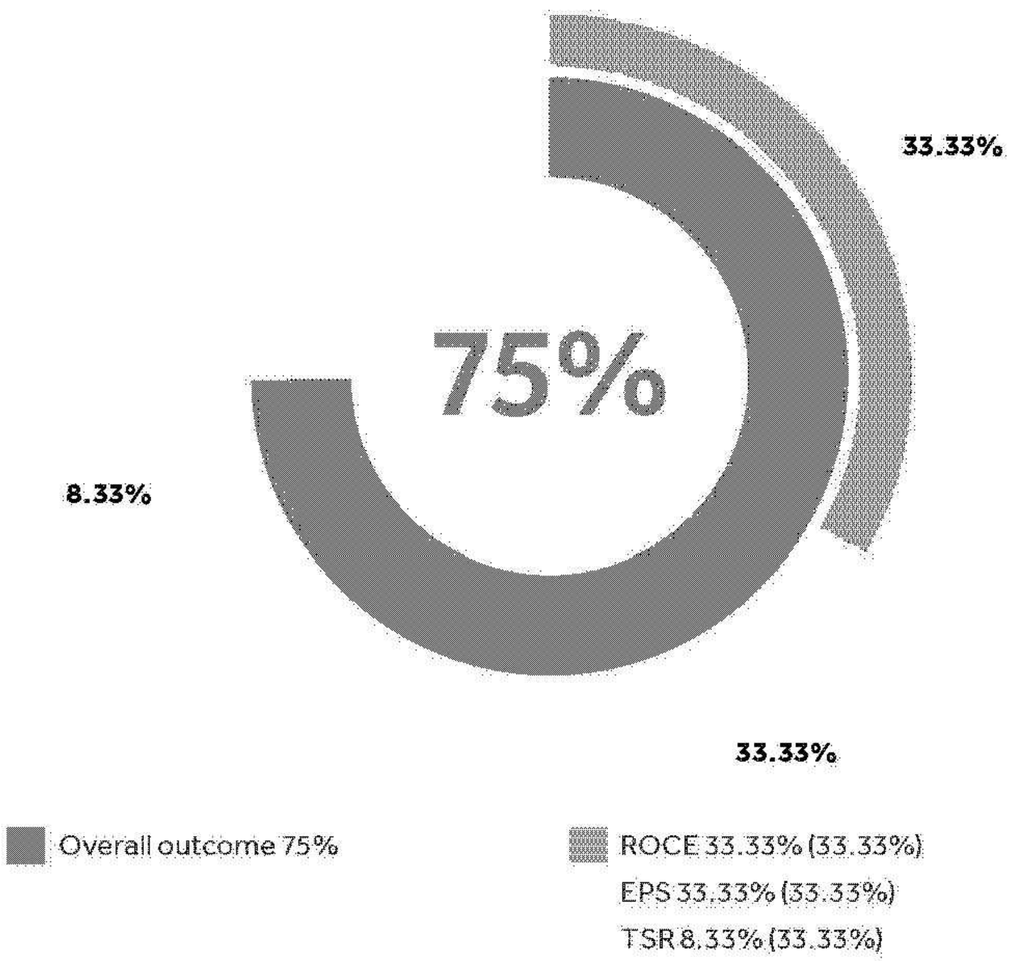


The figure in brackets represents the performance metric weighting.

The bonus outturn for the Group CEO and CFO was 146.9% of salary. Half of the bonuses were paid in cash and half are deferred under the Deferred Bonus Plan.

Read more on **pages 128 to 130**

Long-Term Incentive Plan ('LTIP')



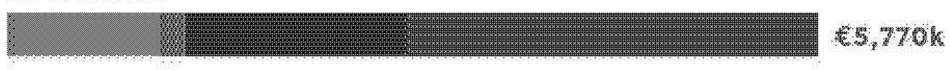
The figures in brackets represents the performance metric weighting.

The outcome of the 2020 PSP award was 75% of the maximum as a result of the achievement of the relevant performance targets in the three-year period ended 31 December 2022.

Read more on **page 130**

Total Remuneration

A. Smurfit



K. Bowles



Basic Salary | Pension | Benefits | Annual Bonus | LTIP

Read more on **page 128**

Remuneration Policy (abridged) Including 2023 Implementation

Executive Directors

Component of Pay	Implementation in 2023	
	Group Chief Executive Officer	Group Chief Financial Officer
Basic Salary	The Group CEO's and CFO's salaries are being increased by 4% from 2023 which is below the increase for the wider workforce.	
	A. Smurfit = €1,185,533 p.a.	K. Bowles = €728,000 p.a.
Benefits	Market competitive benefits provided in line with Remuneration Policy.	
Pension	A. Smurfit = 10% of salary (cash allowance)	K. Bowles = 10% of salary (cash allowance)
	Reduced from 2022 rate of 15.5%. Aligned with workforce rate from 1 January 2023.	*Reduced from 2022 rate of 13.5%. Aligned with workforce rate from 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%	970c	1,190c
ROCE (three-year average)	28%	15.0%	18.5%
Relative TSR*	29%	Median Performance	Upper Quartile
ESG – Planet			
CO_2 Emissions Reduction[1]	5%	45.25%	50.0%
Water Discharge Reduction[2]	5%	54.0%	63.0%
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 2023 Implementation continued

Non-executive Directors

The table below sets out a summary of Non-executive Director fees. The fees have increased by 4% in line with the salary increase of the Group CEO and CFO which is below the increase for the wider workforce.

	Annual Fee
Chair	€364,000
Non-executive Director base fee	€72,800
Additional Fees:	
Senior Independent Director fee	€62,400
Committee Chair fee	€62,400
Committee membership fee	€20,800

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 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 page 126.

Remuneration Policy (abridged) continued

Code	SKG Remuneration
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 121 to 126.

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.

Executive Director Policy Table continued

Component	Purpose and Link to Strategy, Long-term Interests and Sustainability	Operation	Opportunity	Performance Metrics
(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, set at 15.5% and 13.5% of salary for the CEO and CFO respectively; the contribution rates for executive Directors reduced 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.
(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.

Executive Director Policy Table continued

Component	Purpose and Link to Strategy, Long-term Interests and Sustainability	Operation	Opportunity	Performance Metrics
(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 2023 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%).
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.			

Executive Director Policy Table continued

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 on pages 123 to 125, where the terms of the payment were agreed: (i) before the Policy set out on pages 123 to 125, 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 payments 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.

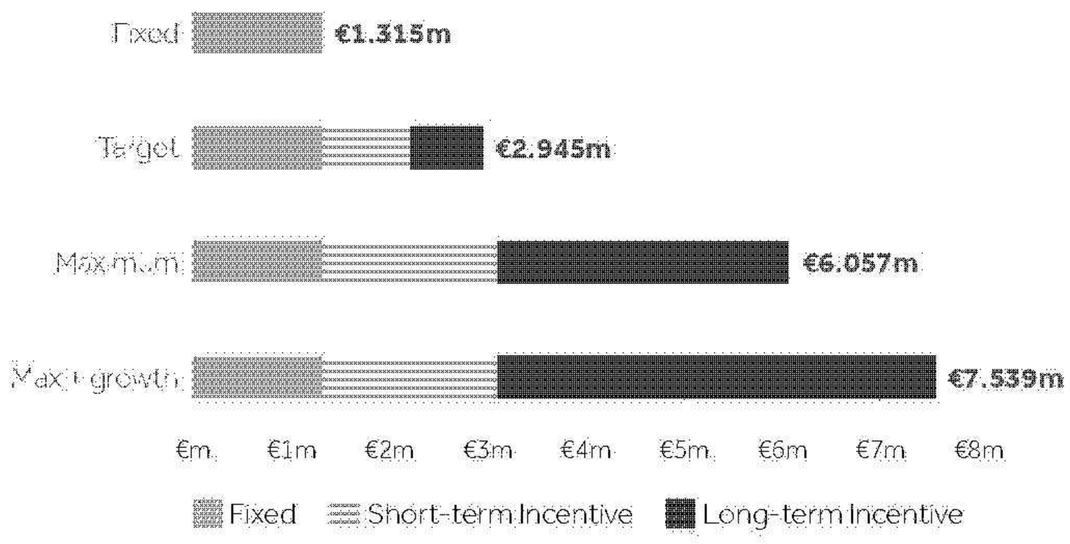
The Committee may make minor amendments to the Remuneration Policy without obtaining shareholder approval for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation. The Committee may accelerate the vesting and/or the release of awards if an executive Director moves jurisdictions following grant and there would be greater tax or regulatory burdens on the award in the new jurisdiction.

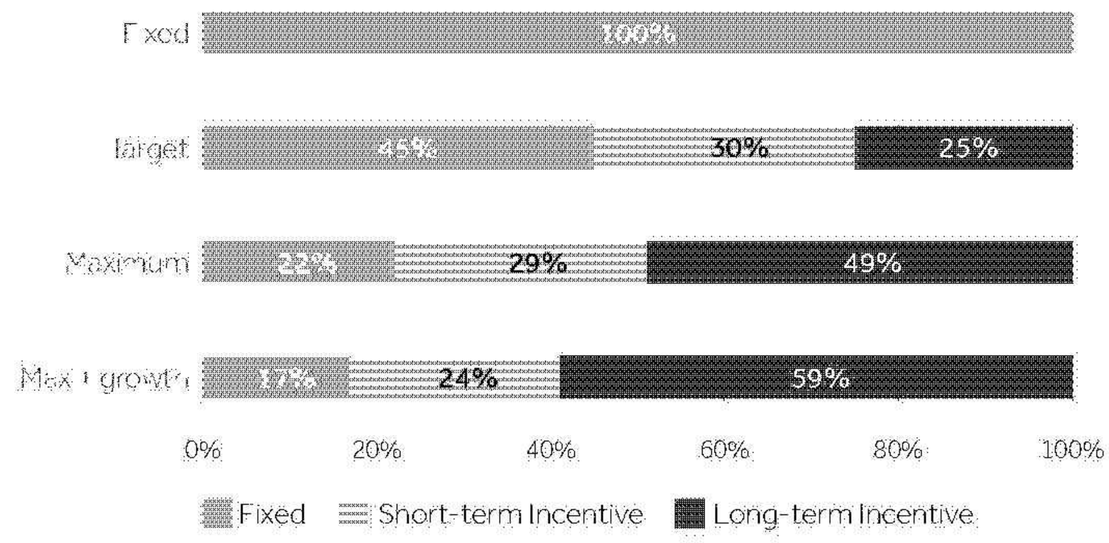
Value and Composition of Remuneration Packages

The Committee believes it is important for executive Directors and 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.

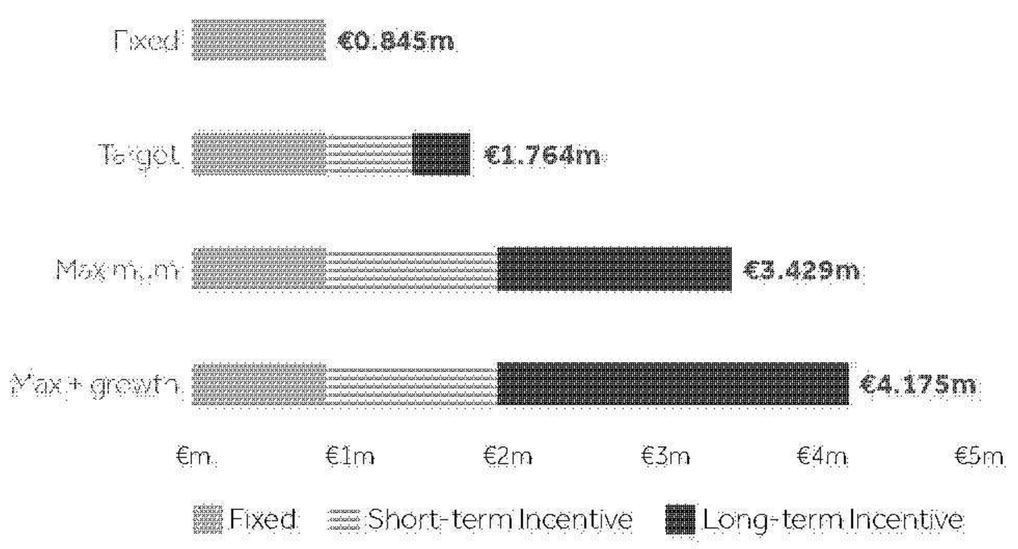
Value and Composition of Package

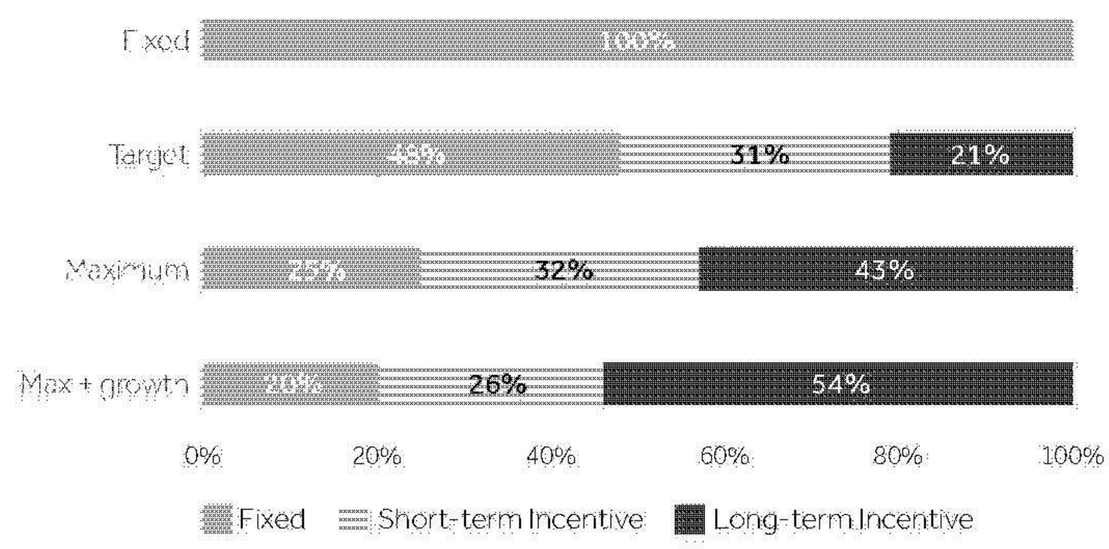
CEO





CFO





In developing the scenarios the following assumptions have been made:

- Salary: Salary at 1 January 2023.
- Benefits: Estimate based on benefits received in 2022.
- 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 2023 are earned.
- Maximum: The maximum potential under the incentive plans for 2023 is earned.
- Maximum plus share price growth of 50%: The maximum potential under the incentive plans for 2023 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 as part of the review of the Remuneration Policy during 2023.

Annual Report on Remuneration

Total Executive Directors' Remuneration in 2022

The following table shows a single figure of total remuneration for each executive Director for the years 2022 and 2021.

				Total Annual Bonus		LTIP[2]					
2022	Basic Salary €'000	Pension €'000	Benefits[1] €'000	Cash €'000	Deferred Shares €'000	PSP Shares €'000	Share Appreciation[3] €'000	Total LTIP €'000	Total Fixed €'000	Total Variable €'000	Total €'000
A. Smurfit	1,140	177	11	837	837	2,059	709	2,768	1,328	4,442	5,770
K. Bowles	700	95	44	514	514	957	329	1,286	839	2,314	3,153
2021											
A. Smurfit	1,112	228	29	832	832	1,708	1,496	3,204	1,369	4,868	6,237
K. Bowles	678	115	38	507	507	767	671	1,438	831	2,452	3,283

1 Benefits include the use of a company car, club subscriptions or cash equivalent.

2 For 2022, this represents conditional share awards granted under the Group's 2018 Performance Share Plan in 2020 ('the 2020 PSP award') at their grant price. The outcome of the 2020 PSP award was 75% of the maximum as a result of the achievement of the relevant performance targets in the three-year period ended 31 December 2022. The 2020 PSP award (post-tax) is subject to a two-year holding period post-vesting.

3 Share price appreciation element – the additional value generated through share price growth over the grant price in 2020 and 2019. In estimating the value generated for the 2020 grants a share price of €35.89, the average market price for the February 2023 vesting to eligible employees, was applied compared to the grant price of €26.70. The Committee reviewed the value attributable to share price appreciation relative to the value of the original award and, taking into account the performance of the Company over the period and based on the share price at the date of the Committee meeting, was satisfied that the outcome of the award did not give rise to windfall gains. For the 2019 grants, the share price used was €46.26 compared to the grant price of €24.66 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 2022, the non-pensionable cash allowance for Tony Smurfit represented 15.5% of salary and for Ken Bowles represented 13.5% 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. Effective 1 January 2023, the CEO and CFO's non-pensionable cash allowance reduced to 10% of salary, which is aligned to the workforce rate.

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.

2022 Annual Bonus

The key target areas, as well as their weightings and the specific targets for the 2022 annual bonus plan are set out in the table below:

Performance Metrics (weighting)	Threshold	Target	Maximum	Resultant Payout (% of max.)
EBIT (35%)			€1,645m	35.0% (100%)
	€987m	€1,272m	€1,557m	
FCF (35%)			€545m	32.9% (94.1%)
	€167m	€368m	€569m	
Health & Safety (10%)	The Group TRIR was 0.51, 100% payout for less than 0.55.			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%)

2022 Annual Bonus continued

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 ('ID&E') programmes.	• Carried out successful strategic talent review for top talent. • Detailed workforce engagement schedule developed and completed with frequent direct and indirect engagement opportunities. • ID&E Discovery insights survey was completed with outputs used to create a clear strategic plan which will inform the next phase of the EveryOne journey. • Design and launch of our new SK Rise programme for female employees, designed to support their career and personal aspirations.	100%
Sustainability	Drive Group to be a fully sustainable circular business.	• Strong progress against Sustainability objectives including approval of sustainability related capital expenditure, publication of Green Bond Allocation and Impact report and improvement across key medium-term KPIs. • Achieved strong scores with key ratings agencies such as MSCI, ISS ESG and Sustainalytics. • Announcement of SBTi validation of emissions reduction targets being consistent with levels required to meet the goals of the Paris Agreement.	100%
			Total: 10% (100%)

Personal/Strategic Goals (10% weighting)

The following table sets out the executive Directors' achievements against their personal/strategic objectives for 2022:

Executive	Objectives	Assessment	Resultant Payout (%)
A. Smurfit	**Strategy for Growth** Development of strategic plans for the Group.	• Ambitious investment and strategic plans developed, presented and approved by the Board. • Completion of four acquisitions which strategically support the Groups growth plan together with the successful integration of Verzuolo, Italy acquired in 2021. • ROCE of over 20%, demonstrating the delivery of the returns from past investments.	100%
	Digital enablement Oversee completion of Digital Strategy for the Group.	• Continued implementation of the multi-functional Digital Strategy transformation plan and delivering on operational efficiencies outlined in the plan. • Successful launch of MyHub, Digital Roadmap for HR Information System and Intelex H&S system.	100%
			Total: 10% (100%)
K. Bowles	**Strategy for Growth** Development of strategic plans for the Group.	• Ambitious investment and strategic plans developed, presented and approved by the Board. • Completion of four acquisitions which strategically support the Groups growth plan together with the successful integration of Verzuolo, Italy acquired in 2021. • ROCE of over 20%, demonstrating the delivery of the returns from past investments.	100%
	Digital enablement Oversee completion of Digital Strategy for the Group.	• Continued implementation of the multi-functional Digital Strategy transformation plan and delivering on operational efficiencies outlined in the plan. • Successful launch of MyHub, Digital Roadmap for HR Information System and Intelex H&S system.	100%
			Total: 10% (100%)

2022 Annual Bonus continued

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 2022:

	2022				
Executive Directors	(% Maximum)	Bonus Payable (% Salary)	Annual Cash Bonus €'000	Deferred Shares €'000	Total Bonus €'000
A. Smurfit	97.9%	146.9%	837	837	1,674
K. Bowles	97.9%	146.9%	514	514	1,028

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.

Performance Share Plan

Awards Vesting in Respect of Performance to 31 December 2022

In 2020, 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%)	655c	800c	1,014c	33.33%
ROCE (three-year average) (33%)	13.5%	16.5%	18%	33.33%
Relative TSR vs. a select peer group (33%)	Median	Upper quartile	Median	8.33%
Overall vesting				75%

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 at the median in terms of TSR outcome, as calculated by our external remuneration advisors Ellason, against the peer group for the performance period and was therefore at the threshold in terms of the achievement for the 2020 award.

In line with our normal approach for EPS and ROCE, we adjust the achievement for items which would affect comparability such as acquisitions and disposals and the impact of the equity raise. However, these adjustments did not impact on the vesting outcome for the 2020 award.

The Committee reviewed performance against the targets in the context of the wider performance of the Group and also considered potential windfall gains. The Committee agreed it was not necessary to apply discretion to the out-turns and approved the level of vesting of the 2020 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 2021 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 2024. 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 94 of the 2021 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 134.

	Type of Interest	Face Value €'000	Granted in 2022	Basis on Which Award Made	% Vesting at Threshold	Performance Period
Deferred Bonus[1]						
A. Smurfit	Deferred shares	832	17,779	Deferred bonus	n/a	n/a
K. Bowles	Deferred shares	507	10,836	Deferred bonus	n/a	n/a
Performance Shares[2]						
A. Smurfit	Performance shares	2,850	70,384	250% of salary	25%	01/01/2022–31/12/2024
K. Bowles	Performance shares	1,435	35,441	205% of salary	25%	01/01/2022–31/12/2024

1 Share price of deferred shares granted in March 2022 was €46.81. Awards will vest based on continued employment to February 2025 (subject to leaver provisions within the plan rules).

2 Share price of performance shares granted in March 2022 was €40.49. 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 2021 Annual Report. The Committee retains discretion to review the formulaic outturn at the end of the performance period to ensure that it is appropriate and reflective of overall performance and to ensure that no windfall gains will arise on vesting.

Annual Percentage Change in Remuneration of Directors and Employees

Details of the percentage change in the salary, annual bonus and benefits from 2021 to 2022 for the Directors of the Company, along with that applicable to an average FTE employee of Smurfit Kappa, is set out below:

	Change 2021–2022			Change 2020–2021		
	Basic Salary	**Total Bonus**	**Benefits**	Basic Salary	Total Bonus	Benefits
Executive Directors						
Group Chief Executive Officer – A. Smurfit	**3%**	**1%**	**(62%)**	0%	21%	0%
Group Chief Financial Officer – K. Bowles	**3%**	**1%**	**16%**	5%[1]	27%	(7%)
Non-executive Directors[2]						
I. Finan	**0%**	**n/a**	**n/a**	0%	n/a	n/a
A. Anderson	**0%**	**n/a**	**n/a**	0%	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
ML. Ferguson-McHugh[3]	**n/a**	**n/a**	**n/a**	n/a	n/a	n/a
K. Hietala	**10%**	**n/a**	**n/a**	671%[4]	n/a	n/a
J. Lawrence	**0%**	**n/a**	**n/a**	0%	n/a	n/a
L. Melgar	**0%**	**n/a**	**n/a**	0%	n/a	n/a
J. Moloney	**0%**	**n/a**	**n/a**	0%	n/a	n/a
J. Buhl Rasmussen	**0%**	**n/a**	**n/a**	0%	n/a	n/a
G. Restrepo	**0%**	**n/a**	**n/a**	0%	n/a	n/a
Average employee of Smurfit Kappa Group (FTE)	**6%**	**22%**	**n/a***	2%	4%	n/a*

1 During 2021, 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 135 provides the underlying single figure of remuneration for Non-executive Directors used to calculate the figures above.
3 Mary Lynn Ferguson-McHugh joined the Board in January 2023.
4 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
2022	**Irish employees**	**143**	**106**	**73**
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.

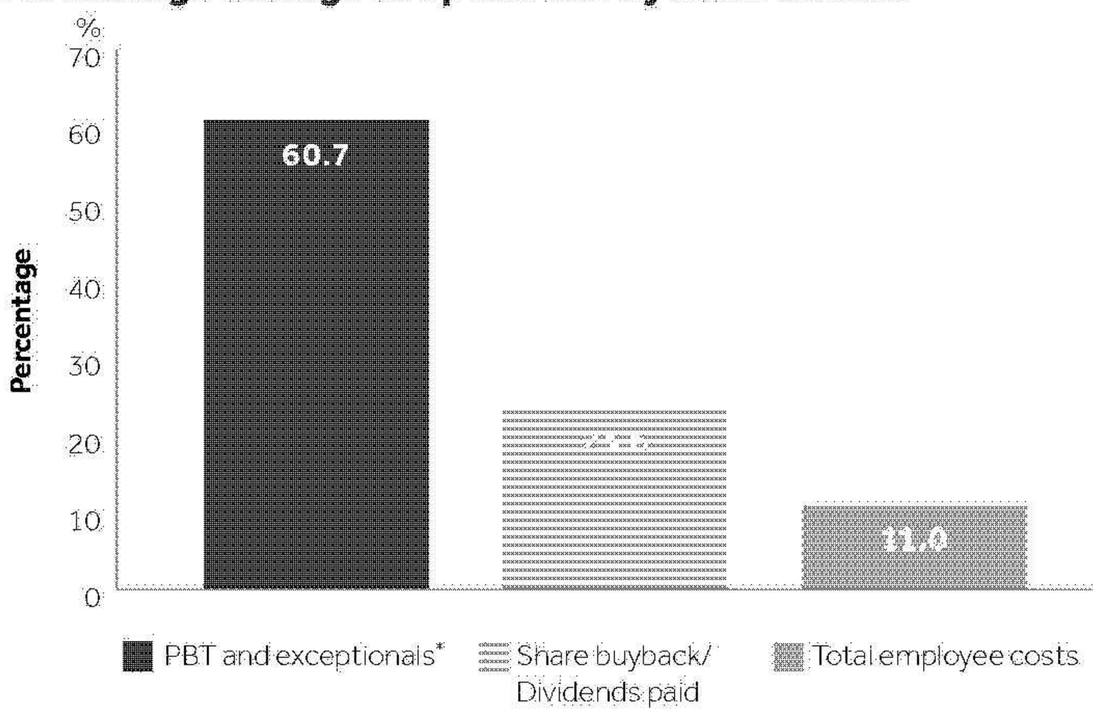
Relative Importance of Spend on Pay

The following tables set out the change in profit, share buyback, dividends and total employee costs for the financial year ended 31 December 2022 against a five-year comparative.

	2022 €m	2021 €m	2020 €m	2019 €m	2018 €m	2017 €m
Profit before income tax and exceptional items	**1,516**	944	779	872	938	601
Share buyback/dividends paid to shareholders	**374**	302	260	238	213	191
Total employee costs[1]	**2,547**	2,292	2,218	2,195	2,139	2,070
Directors Remuneration	**10**	11	9	7	6	5

1 Total employee costs (excluding Directors) 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 48,624 (2021: 47,753).

Percentage Change of Spend on Pay 2022 vs 2021

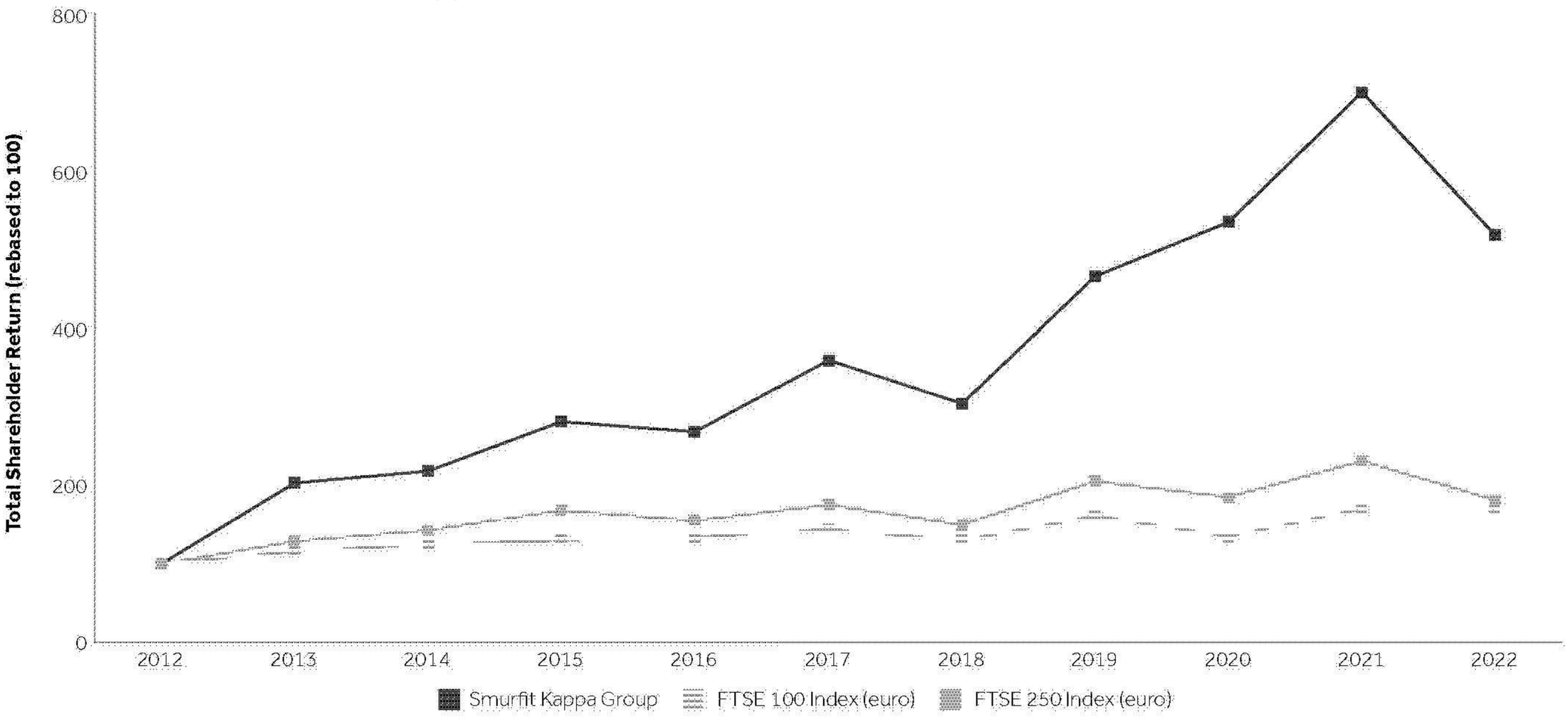


* Profit before income tax and exceptional items.

Total Shareholder Return Performance

The performance graph below shows the Group TSR performance from 31 December 2012 to 31 December 2022 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				
2022	A. Smurfit	5,770	97.9%	75%[1]
2021	A. Smurfit	6,237	99.8%	62.02%[2]
2020	A. Smurfit	5,263	82.6%	78.35%[3]
2019	A. Smurfit	3,670	71%	100%[4]
2018	A. Smurfit	3,372	97.3%	51.6%[4]
2017	A. Smurfit	2,477	41%	45%[4]
2016	A. Smurfit	2,407	35%	45%[4]
2015	A. Smurfit (appointed 1 September)	1,180	42%	67%[4]
2015	G. McGann (retired 31 August)	3,837	42%	67%[4]
2014	G. McGann	7,203	55%	75%[4]
2013	G. McGann	5,278	54%	93%[4]

1 The Performance Share award granted in 2020 had an outcome of 75% of the maximum based on the achievement of the relevant performance targets for the three-year period ending on 31 December 2022. Awards will be released after a two year holding period.
2 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.
3 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.
4 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.
* 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 165.

Pension Entitlements – Defined Benefit

	Increase/ (Decrease) in Accrued Pension During Year €'000	Transfer Value of Increase/ (Decrease) in Accrued Pension €'000	**2022 Total Accrued Pension[1] €'000**
Executive Directors			
A. Smurfit	–	–	**293**
K. Bowles	–	–	**83**

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 2022

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 2021	Beneficially Owned at 31 December 2022	Unvested Awards Not Subject to Performance Criteria (Net of Tax)	**Total Shareholding as at 31 December 2022**	Shareholding (% of Salary)	Shareholding Guideline (% of Salary)	Shareholding Guideline Met?
A. Smurfit	1,333,120	1,383,253	26,177	**1,409,430**	4,592%	300%	Yes
K. Bowles	63,546	78,423	15,287	**93,710**	497%	200%	Yes

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 Bonus Plan Awards

Deferred Share Awards

Deferred Share Awards were granted to eligible employees in 2022 in respect of the financial year ended 31 December 2021. These awards are not subject to performance conditions.

	31 December 2021	Granted (Lapsed) in Year 2022	Shares vested	31 December 2022	Market Price on Award Date	Deferral Period
Directors						
A. Smurfit						
	30,861		**(30,861)**[1]	**–**	26.13	01/01/2019 – 31/12/2021
	17,460			**17,460**[2]	33.91	01/01/2020 – 31/12/2022
	17,114			**17,114**	40.24	01/01/2021 – 31/12/2023
		17,779		**17,779**	46.81	01/01/2022 – 31/12/2024
K. Bowles						
	16,833		**(16,833)**[1]	**–**	26.13	01/01/2019 – 31/12/2021
	9,798			**9,798**[2]	33.91	01/01/2020 – 31/12/2022
	9,940			**9,940**	40.24	01/01/2021 – 31/12/2023
		10,836		**10,836**	46.81	01/01/2022 – 31/12/2024
Secretary						
G. Carson-Callan						
	3,347		**(3,347)**[1]	**–**	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
		3,435		**3,435**	46.81	01/01/2022 – 31/12/2024

1 The deferred shares vested and were released in February 2022. The market price at date of distribution was €46.26.

2 The 2020 DBP award of the Executive Directors was subject to an underpin pending the final outcome of appeals by Smurfit Kappa Italia of fines imposed on the Group subsidiary in 2019. As the outcome is not yet known, the Committee considered the vesting of the 2020 DBP and in their discretion decided to withhold 10% of the award pending the final outcome of the process for Smurfit Kappa Italia. Therefore 15,714 will vest to Tony Smurfit and 8,818 will vest to Ken Bowles.

The market price of the Company's shares at 31 December 2022 was €34.56 and the range during 2022 was €27.86 to €50.02.

Performance Share Plan Awards

PSP Awards were granted to eligible employees in 2022. Awards may vest based on the achievement of the relevant performance targets for the three-year period ending on 31 December 2024. Details of the status of the original awards is included below.

	31 December 2021	Granted (Lapsed) in Year 2022*	Shares Vested	31 December 2022	Market Price on Award Date	Performance Period**
Directors						
A. Smurfit						
	101,472	**(38,540)**	**(62,932)**[1]	**–**	24.66	01/01/2019 – 31/12/2021
	93,719	**–**	**–**	**93,719**[2]	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
	–	**70,384**	**–**	**70,384**	40.49	01/01/2022 – 31/12/2024
K. Bowles						
	45,555	**(17,302)**	**(28,253)**[1]	**–**	24.66	01/01/2019 – 31/12/2021
	43,547	**–**	**–**	**43,547**[2]	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
	–	**35,441**	**–**	**35,441**	40.49	01/01/2022 – 31/12/2024
Secretary						
G. Carson-Callan						
	6,813	**(2,588)**	**(4,225)**[1]	**–**	24.66	01/01/2019 – 31/12/2021
	7,865	**–**	**–**	**7,865**[2]	26.70	01/01/2020 – 31/12/2022
	9,495	**–**	**–**	**9,495**	40.76	01/01/2021 – 31/12/2023
	–	**11,114**	**–**	**11,114**	40.49	01/01/2022 – 31/12/2024

1 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 vesting was €46.26. The dividend equivalents that vested amounted to 6,340, 2,844 and 423 shares for A. Smurfit, K. Bowles and G. Carson-Callan respectively.

2 The Performance Share award granted in 2020 had an outcome of 75% of the maximum based on the achievement of the relevant performance targets for the three-year period ending on 31 December 2022.

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.

** The executive Directors awards (post-tax) are subject to a two-year holding period post-vesting.

Directors' Remuneration

	2022 €'000	2021 €'000
Executive Directors		
Basic salary	**1,840**	1,790
Annual cash bonus	**1,351**	1,339
Annual bonus deferred shares	**1,351**	1,339
Pension	**272**	343
Benefits	**55**	67
Total LTIP	**4,054***	4,642
Executive Directors' remuneration	**8,923**	9,520
Average number of executive Directors	**2**	2
Non-executive Directors		
Fees	**1,389**	1,380
Non-executive Directors' remuneration	**1,389**	1,380
Average number of Non-executive Directors	**10**	10
Directors' Remuneration	**10,312**	10,900

* See the Total Executive Directors' Remuneration in 2022 table on page 128 for full details of the estimated total LTIP.

Individual Remuneration for the Financial Year Ended 31 December 2022

	Total 2022 €'000	Total 2021 €'000
Non-executive Directors*		
I. Finan	**350**	350
A. Anderson	**90**	90
F. Beurskens[1]	**150**	150
C. Fairweather	**130**	130
K. Hietala	**99**	90
J. Lawrence	**90**	90
L. Melgar	**90**	90
J. Moloney	**130**	130
J. Buhl Rasmussen	**130**	130
G. Restrepo	**130**	130
	1,389	1,380

* Non-executive Director remuneration is entirely fixed.

1 Frits Beurskens' fees include additional fees of €60,000 (2021: €60,000) for services as a Director of a Group subsidiary and advisory services.

Share-based Payment

The executive Directors receive Deferred Share Awards and Performance Share Awards, details of which are outlined on page 134 of this report. The share-based payment expense recognised in the Consolidated Income Statement for the executive Directors in the year totalled €5 million (2021: €5 million).

Non-executive Directors' Interests in Share Capital at 31 December 2022

The interests of the Non-executive Directors and Secretary in the shares of the Company as at 31 December 2022 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 2022	31 December 2021
Directors		
I. Finan	**24,709**	19,709
A. Anderson*	**6,911**	6,911
F. Beurskens	**7,250**	5,300
C. Fairweather	**3,000**	3,000
K. Hietala	**1,471**	1,471
J. Lawrence	**30,000**	170,000
L. Melgar	**–**	–
J. Moloney	**10,206**	10,206
J. Buhl Rasmussen	**6,146**	6,146
G. Restrepo	**–**	–
Secretary		
G. Carson-Callan	**2,617**	1,016

* 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.

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 five Non-executive Directors. John Moloney will not seek re-election at the Group's AGM to be held on 28 April 2023 and will retire from the Committee at that date. Jørgen Buhl Rasmussen will succeed John as Chair of the Committee. Mary Lynn Ferguson-McHugh joined the Committee in January 2023. The Directors' biographical details on pages 100 to 103 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. In 2022, the Committee received advice from its independent advisors, Ellason LLP 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 Ellason, who do not have any other affiliation with the Group, was objective and independent. The total fees paid to Ellason LLP in relation to Remuneration Committee work during 2022 were £64,458 and were charged on a time and materials basis. Ellason were appointed in 2021, following a competitive tender process. 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 2022 and are available on the Group's website: smurfitkappa.com.

The Committee met six times during the year. Details of Committee members and meetings attended are provided in the table on page 117. The Group Chief Executive Officer normally attends the meetings and the Group Chief Financial Officer and Group VP Human Resources attend when appropriate (none 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 29 April 2022 AGM for the 2021 Directors' Remuneration Report and the voting outcome at the 30 April 2021 AGM for the Directors' Remuneration Policy.

Item	Votes For and Discretionary	% Votes Cast For	Votes Against	% Votes Cast Against	Total Votes Cast	Vote Withheld
Directors' Remuneration Report	169,400,028	94.0%	10,766,949	6.0%	180,166,977	5,036,054
Directors' Remuneration Policy (2021 AGM)	146,576,022	94.0%	9,420,688	6.0%	155,996,710	1,266,390

Nomination Committee Report



"Dear Shareholders, I am pleased to present the Nomination Committee report covering the work the Committee performed during the 2022 financial year."

Gonzalo Restrepo
Chair of Nomination Committee,
14 March 2023

Committee Members

G. Restrepo (Chair)
A. Anderson (Chair designate)
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;
- Set measurable objectives and targets for diversity and inclusion for the Board and senior management;
- 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 2022.

Attendance Record	A*	B*	Appointment Date
G. Restrepo (Chair)	6	6	2019
A. Anderson	6	6	2019
F. Beurskens	6	5	2013
I. Finan	6	6	2019
J. Lawrence	6	6	2015

* Column A indicates the number of meetings held during the period the Director was a member of the Committee and was eligible to attend and Column B indicates the number of meetings attended.

Nomination Committee Report continued

Membership of the Committee

The Committee is currently comprised of five Non-executive Directors. The Committee met six times during the year under review. Details of Committee members and meetings attended are provided in the table on page 137. The Group Chief Executive Officer normally attends meetings of the Committee and the Group VP Human Resources attends as appropriate. As announced in December 2022, I will not be seeking re-election at the forthcoming AGM and will retire from the Board on that date. Anne Anderson has been appointed Chair designate and will succeed me as Chair of the Committee at the conclusion of the forthcoming AGM.

Areas of Focus in 2022

The Committee has fully complied with the principles of the Code, which includes up to date guidance for Nomination Committees of companies listed on the London Stock Exchange and Euronext Dublin 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. Mary Lynn Ferguson-McHugh was appointed to the Board with effect from 5 January 2023 following a robust recruitment process, please see details of this process below.

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 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. Following the approval of the Board, Kaisa Hietala succeeded Gonzalo Restrepo as Senior Independent Director in October 2022. As announced in December 2022, John Moloney and Gonzalo Restrepo will not be seeking re-election at the forthcoming AGM and will retire from the Board on that date. As a result of these changes and to ensure an orderly succession for the Committees of the Board, the following Chair designates have been appointed: Jørgen Buhl Rasmussen will succeed John Moloney as Chair of the Remuneration Committee, Anne Anderson will succeed Gonzalo Restrepo as Chair of this Committee and Kaisa Hietala will succeed Jørgen as Chair of the Sustainability Committee.

Mary Lynn Ferguson-McHugh was appointed as a Non-executive Director of the Board with effect from 5 January 2023. This appointment was made following a process which involved Russell Reynolds Associates identifying appropriate candidates for appointment to the Board based on a profile and skillset agreed by the Chair and the Committee. After considering a number of candidates put forward by Russell Reynolds Associates as meeting the required profile and skillset, and following a robust interview process carried out in accordance with the Code's supporting principle that Board appointments should be made "on merit, against objective criteria and with due regard for the benefits of diversity on the Board", the Committee recommended the appointment of Mary Lynn to the Board. The appointment of Mary Lynn was approved by the Board and took effect from 5 January 2023. Mary Lynn brings significant global operational experience and fast-moving consumer goods knowledge to the Board and her appointment further broadens the expertise and diversity of the Board. With effect from her appointment, Mary Lynn joined both the Audit and Remuneration Committees. Mary Lynn's biography is set out on page 101. Russell Reynolds Associates have no other affiliation with the Group.



Chair Designate

Anne Anderson was appointed Chair designate of the Committee in December 2022 and will replace Gonzalo Restrepo as Chair following the conclusion of the AGM in April 2023. Anne has been a member of the Committee since 2019.

Chair Succession

Tenure

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. He was appointed as Chair designate in October 2018 and became Chair at the conclusion of the AGM in May 2019.

In 2021, as Irial had then exceeded nine years on the Board, a comprehensive review of the Chair's tenure including a shareholder consultation was conducted, which was led by Gonzalo Restrepo who was the Senior Independent Director at the time. In line with Provision 19 of the Code, a clear and detailed explanation was provided in the 2021 Annual Report (pages 84 and 85) outlining the conclusions of this review, the rationale for a proposed extension to the Chair 's tenure, and a recommendation to shareholders that the tenure of Irial be extended by a period of up to three years (or up to the 2025 AGM). In their decision to define a time period for the extension, the Board noted its belief that this would provide clarity and certainty for all stakeholders of the Group. This recommendation was strongly supported by the Company's shareholders with over 93% of votes cast in favour of Irial's re-election at the AGM in 2022.

During the previous two years, internal evaluations conducted by the Senior Independent Director had included an evaluation of the Chair. These evaluations concluded that his performance was exceptional and that the Board were very satisfied with his support, leadership and independence as Chair. In addition to these internal evaluations, an externally facilitated evaluation of the Board including the Chair was conducted by Ffion Hague of Independent Board Evaluation during 2022. The feedback was highly positive with recognition of the interpersonal dynamics Irial has established in what is considered a diverse and engaged Board. The external review also noted Irial's strong people, investor and customer focus as well as his notable understanding of our business.

As a result, following consideration of the Code, the comprehensive review completed during 2021 and the externally facilitated evaluation conducted in 2022, the Board has concluded that it remains in the best interests of the Group and of all stakeholders that the tenure of Irial continue in line with the prior year recommendation.

Succession Process

As noted in the 2021 Annual Report, the Board is committed to ensuring that an orderly succession and transition of the Chair is conducted. As a result, progressing the process remains a priority for the Senior Independent Director who is leading the succession process. During 2022, Kaisa Hietala succeeded Gonzalo Restrepo as Senior Independent Director, and is now responsible for the succession process going forward. A comprehensive handover was conducted following her appointment as Senior Independent Director. In addition, due consideration has been given to the next steps required. During 2023, a detailed specification of the role will be prepared, and an independent external recruitment firm will be selected to work with Kaisa to commence the search process for Irial's replacement as Chair of the Board.

The Board will keep shareholders informed on the matter of the Chair's succession in the Annual Report next year and through direct engagement as appropriate.

Recommendation

In conclusion, the Board has carefully considered the Chair's tenure and believes that it is in the best interests of the Company and its stakeholders that Irial remain as Chair for a period of up to two years (or up to the 2025 AGM). The Board is therefore recommending to shareholders the re-election of Irial at the forthcoming AGM in April 2023.

Board and Committee Evaluation

During 2022 a Board effectiveness review was conducted by Ffion Hague of Independent Board Evaluation ('IBE'). The process was completed in accordance with the requirement to have an externally facilitated evaluation every three years under Provision 21 of the Code. Details on the evaluation conducted are included in the Corporate Governance Statement on pages 110 to 111.

The evaluation considered the performance of this Committee. The outcome was discussed and actions were agreed to further evolve and develop certain processes which included: enhancement of the existing comprehensive induction process to tailor it more specifically to individual non-executive director background and their specific role on the Board including committee specific induction; development of a mentor programme for new appointments to the Board or for new Committee Chairs as appropriate; and review of the process around Board refreshment and the planning of future appointments. These actions will be considered and implemented during the year.

Board Balance and Effectiveness

As is the case each year, the Committee reviewed the size and performance of the Board during 2022. 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 of independent Non-executive Directors. Kaisa Hietala succeeded Gonzalo Restrepo as the Senior Independent Director in October 2022. 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 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. On 5 December 2022, John Moloney had served on the Board for nine years. In advance of this the Board undertook a specific review of John's independence taking into account the principles in relation to independence contained in the Code. The Board concluded that John remains independent and continues to provide effective challenge, advice and support to management. As mentioned above, John has indicated to the Board that he will not be seeking re-election at the Group's forthcoming AGM and will retire at that time.

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.

As part of our Better Planet 2050 Targets, we have an ambitious target of 25% of management positions to be held by women by 2024. The Board welcomed the introduction of the new FCA Listing Rules target and the FTSE Women's Leader target of 40% representation in relation to gender diversity and at least one woman in a senior leadership position. The Board is committed to ensuring that gender diversity continues to be a focus on its Board and senior management agendas and to increasing the representation of women within senior management roles. During 2022, the Terms of Reference of this Committee and the Board Diversity Policy were updated to reflect the new targets. At Board level, female representation is currently 38.5%

and the Board will have 45% female representation following the AGM in April 2023 and will therefore be in line with the new targets. In addition, the female representation of our Group Executive Committee is 38.5%. We are also pleased to be compliant with the FCA Listing Rule requirement to have at least one senior board position held by a woman, with Kaisa Hietala in the position of Senior Independent Director since October 2022. You can read more about diversity at Smurfit Kappa in our Corporate Governance Statement and our People section on page 104 and 92 to 93 respectively.

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 requirements of the FCA Listing Rules and recommendation of the Parker Review to have at least one Board member from an ethnic minority background and the Board currently meets this recommendation.

Notwithstanding our policies, any search for Board candidates and any subsequent appointments are made on merit and against objective criteria, in the context of the appropriate balance of skills, diversity of knowledge and thinking, professional and geographic backgrounds and experience which the Board as a whole requires to be effective.

We are committed to appointing the best people and ensuring that all employees have an equal opportunity of developing their careers within the Group. We have been on an accelerated journey to step change many of the initiatives with our EveryOne programme and with significant commitment and effort from our teams across the world, many of the key Inclusion, Diversity & Equality focus areas over the past few years have been collectively achieved. This evidences our progress as we continue to create a globally admired company with diverse talent who feel respected and a sense of belonging. Further information on our EveryOne programme is on pages 92 to 93.

Finally, I will be retiring at the AGM in April 2023. I would like to thank SKG for the opportunity to serve on its Board and to wish the best to all its wonderful employees in the years to come.

Gonzalo Restrepo
Chair of Nomination Committee

Sustainability Committee Report



"As Chair, I am pleased to present the 2022 report of the Sustainability Committee and outline the Committee's continued development, their objectives and their activities."

Jørgen Buhl Rasmussen
Chair of Sustainability Committee,
14 March 2023

Committee Members

J. Buhl Rasmussen (Chair)
A. Anderson
K. Hietala (Chair designate)
L. Melgar

The Role of the Sustainability Committee

The Committee has responsibility for:

- Providing strategic guidance and support to management in the implementation of the Smurfit Kappa Sustainability Strategy which is based on three key strategic sustainability and corporate responsibility pillars, People, Planet 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 and reporting of climate-related financial information;
- Reviewing the climate risks and opportunities of the Group including consideration of emerging trends and mitigating actions; 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 2022.

Attendance Record	A*	B*	Appointment Date
J. Buhl Rasmussen (Chair)	6	6	2019
A. Anderson	6	6	2019
K. Hietala	6	5	2021
L. Melgar	6	6	2020

* Column A indicates the number of meetings held during the period the Director was a member of the Committee and was eligible to attend and Column B indicates the number of meetings attended.

The Group Chief Sustainability Officer normally attends all meetings and the Group Chair, Group Chief Executive Officer, Group Chief Financial Officer, Group VP Human Resources attend when appropriate.

Sustainability Committee Report continued

Membership of the Committee

The Committee is currently comprised of four Non-executive Directors. The Committee met six times during the year under review. Details of Committee members and meetings attended are provided in the table on page 141. The Group Chief Sustainability Officer normally attends meetings of the Committee and the Group Chair, Group Chief Executive Officer, Group Chief Financial Officer and the Group VP Human Resources attend as appropriate. Kaisa Hietala was appointed Chair designate in December 2022 and will replace me as Chair of the Committee at the conclusion of the forthcoming AGM, when I take over as Chair of the Remuneration Committee, succeeding John Moloney who is retiring from the Board on that date. I will remain a member of this Committee.

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. 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.

Strategic Guidance

As the Committee of the Board with responsibility for providing guidance and support to management in the development of the Group's 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.

As a principal risk for the Group, climate change is reviewed regularly at both Board and Executive level. Climate change has been recorded as a material issue for the Group since 2007. Climate risk and opportunities reporting was developed and implemented during the year which included the consideration of emerging and mitigating actions, in addition to reviewing TCFD compliance and reporting of climate-related financial information. An enhanced disclosure consistent with the recommendations of TCFD is outlined on pages 68 to 85 of this report. There is continuous evolution in the laws and regulations in relation to climate change which are constantly monitored as part of the Group's risk management process.

Areas of Focus in 2022

The Committee had another 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.

The Group has ambitious goals and sustainability targets, Better Planet 2050, that quantify our commitment to protect what we care about – our planet, our people and our business. Our interim emissions target has been approved by the Science Based Targets initiative ('SBTi') as in line with the Paris Agreement.

The Group continued to make progress on our sustainability strategy, including the announcement of significant investments to reduce our carbon footprint, reduce our impact on the environment and initiatives that help our customers achieve their own carbon reduction and sustainability goals. We have also received improved scores from leading third party certification bodies. The opportunity to reduce CO_2 emissions is also considered as part of our acquisitions process, as relevant. 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 30 to 31.

During 2022, the Board considered a number of strategic investments, including sustainability focused projects, including the approval of the largest CO_2 reduction project in the Group's history in Cali, Colombia. This investment of almost US$100 million in a sustainable biomass boiler will reduce the Group's global Scope 1 and Scope 2 CO_2 emissions by approximately 6%. The Board of Directors visited the site of this investment during 2022 prior to its announcement. This project is an example of the circularity that permeates every aspect of our operations and demonstrates the Group's commitment to acting now to deliver on our longer-term commitments to our sustainability targets.

In April 2022, further evidence of the Group's strong sustainability credentials was demonstrated by the publication of our 15th Sustainability Development Report ('SDR'). For the first time, the Group's 16th SDR will be published simultaneously with this Annual Report. In September 2022, the Group published its first Green Bond Allocation and Impact Report. This report provided details on the use of the proceeds of the Group's inaugural €1 billion dual-tranche Green Bond issued in September 2021.



Chair Designate

Kaisa Hietala was appointed Chair designate of the Committee in December 2022 and will replace Jørgen Buhl Rasmussen as Chair of the Committee following the conclusion of the AGM in April 2023. Kaisa has been a member of the Committee since 2021 and has a strong commitment to and experience in sustainability.

As the business evolved during 2022, 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 and our increasingly sustainable operating footprint, position Smurfit Kappa as an integral part of delivering on our customers' sustainability goals. SKG's Design2Market Factory is an example of a recent innovation in our process, with this unique facility meeting customers' need for a seamless development process from packaging design through to market launch and has redefined how we collaborate with our customers.

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 10 to 13.

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 2022, we further evolved our workforce engagement with a high level of employee interaction across the year. This included engagement workshops, both in person and virtual, plant visits in Colombia and Italy, as well as regularly reviewing employee sentiment indirectly via people data from employee engagement surveys such as the Inclusion, Diversity & Equality Discovery survey; we reviewed all feedback on subjects such as ethics, health, safety and wellbeing, while we also took into account employee turnover. For further details on employee engagement, see pages 44 to 45.

Committee Evaluation

An independent externally facilitated evaluation of the Board and its Committees was conducted by Ffion Hague from Independent Board Evaluation, details of which are outlined in the Corporate Governance Statement on pages 110 to 111. Overall, the Committee was considered to be operating effectively and efficiently.

Looking Ahead

This Committee will continue to provide guidance and support to management in the development of the Group's sustainability strategy as the Group continues its sustainability journey in 2023. There are many projects in the areas of Planet, People and Impactful Business which will be delivered in 2023 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.

Following my appointment as Chair designate of the Remuneration Committee, I will be stepping down as Chair of this Committee at the conclusion of the AGM and Kaisa Hietala will be taking over the position.

I will continue as a member of the Committee going forward. I am grateful to have been involved in the formation of the Committee and to lead the Committee as it evolved and developed over the last three years.

I look forward to continuing to work with the Committee under the stewardship of Kaisa. I wish her the best of luck as Chair of the Committee.

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 2022.

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 16 to 27 and pages 37 to 97 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 157.

Financial Key Performance Indicators are set out on pages 28 to 31. The Consolidated Financial Statements for the financial year ended 31 December 2022 are set out in detail on pages 157 to 223.

Dividends
In May 2022, a final dividend of 96.1 cent per share was paid to holders of ordinary shares, and in October 2022, an interim dividend of 31.6 cent per share was paid to holders of ordinary shares. The Board is recommending a final dividend of 107.6 cent per share for 2022. Subject to shareholders' approval at the AGM on 28 April 2023, it is proposed to pay the final dividend on 12 May 2023 to all holders of ordinary shares on the share register at the close of business on 14 April 2023.

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 €8 million (2021: €7 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 100 to 103 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. Mary Lynn Ferguson-McHugh was appointed to the Board on 5 January 2023 and will offer herself for election at the 2023 AGM. Pursuant to the Articles of Association, 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 2023 AGM and other than John Moloney and Gonzalo Restrepo will put themselves forward for election or re-election.

To enable shareholders to make an informed decision on the re-election of each Director, reference should be made to pages 100 to 103 which contains a biographical note on each Director offering themselves for election or re-election and to the Notice of the AGM which explains why the Board believes the relevant Directors should be elected or 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 104 to 112 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 133, 134 and 136 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 34 to 36, 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 104 to 112 and forms part of this report. The Audit Committee Report, the Remuneration Report and the Nomination Report are set out on pages 113 to 140.

Subsidiary and Associated Undertakings
A list of the Group's principal subsidiaries and associates as at 31 December 2022 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 113.

Substantial Holdings

	31 December 2022		10 March 2023	
	Number of Shares	% of Issued Ordinary Share Capital	Number of Shares	% of Issued Ordinary Share Capital
BlackRock, Inc	18,018,850	6.96%	18,620,194	7.16%
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 2022 and 10 March 2023.

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	50 to 85
Social Matters	Social Citizenship Policy	Sustainability, People	50 to 97
Employee Matters	Code of Conduct, Health and Safety Policy, Social Citizenship Policy	Sustainability, People	50 to 97
Human Rights	Code of Conduct, Social Citizenship Policy	Sustainability	50 to 85
Anti-corruption and Bribery	Code of Conduct	Sustainability	50 to 85
Business Model		Our Business Model	24 to 25
Principal Risks		Risk Report	32 to 36
Non-Financial KPIs		Key Performance Indicators	28 to 31
EU Taxonomy		Sustainability	50 to 85

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 2022 Sustainable Development Report will be published on our website by the end of March 2023.

Purchase of Own Shares

Special resolutions will be proposed at the 2023 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 2024 AGM or 27 July 2024.

A similar authority was granted at the AGM in 2022, which is due to expire on the earlier of the date of the AGM in 2023 or 28 July 2023.

During 2022, the Company commenced and completed a share buyback transaction to mitigate the dilution of shares issued on vesting of awards under its Performance Share Plan, the shares repurchased were cancelled. Information on the acquisition and disposal of own shares is set out in Note 23 to the Consolidated Financial Statements.

Change of Control

In the event of a change of control following a bid, the lenders under the Revolving Credit Facility which has been entered into by the Group 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 may be obliged to offer to repurchase the notes.

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 2022, 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

For the purposes of Section 330 of the Companies Act, 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) of the Companies Act will continue in office.

A. Smurfit
Director

K. Bowles
Director

14 March 2023

Statement of Directors' Responsibilities

The Directors as at the date of this Annual report, whose names and functions are listed on pages 100 to 103 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 the Companies Act.

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 (as amended) 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. 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 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.

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 Code

Each of the Directors, whose names and functions are listed on pages 100 to 103 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, give a true and fair view of the assets, liabilities, and financial position of the Group and Company at 31 December 2022 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

14 March 2023

US$100 million investment to reduce emissions in Colombia

State-of-the-art biomass boiler to be powered by organic residue from the paper-making process.

We have announced an almost US$100 million investment in a sustainable biomass boiler which will reduce the Group's global Scope 1 and Scope 2 CO_2 emissions by approximately 6%.

The ambitious project is the latest example of the circularity that permeates every aspect of our operations. We have successfully implemented biomass boilers at several other locations including the Nervion, Piteå and Sangüesa paper mills in Europe. The boiler, which will be constructed at our paper mill in Yumbo, Colombia, will replace fossil fuels currently used with different types of organic waste to generate cleaner energy. The organic waste will be comprised of pine and eucalyptus bark from our own forestry plantations, waste from the wood treatment plant, and ashes and sludge generated during the paper-manufacturing process. When the new boiler is operational, the mill will significantly reduce the site's fossil fuel usage and deliver significant cost savings.

Laurent Sellier, CEO of Smurfit Kappa in the Americas, said: "This investment reinforces our commitment to Colombia, a strategic growth market, and to our sustainability targets. The commissioning of this state-of-the-art biomass boiler is a further material step towards our 2030 and net zero emissions targets and to protecting the environment and creating a greener world."

Alvaro J. Henao, CEO of Smurfit Kappa Colombia, added: "The construction of this boiler reflects the circularity that is the foundation of our sustainability strategy and runs through all of our operations, as we are finding another use for our own waste. It is also a very important project for the region, as it will contribute to expanding the use of renewable energies and is a timely response to the increased global demand for paper." The new boiler is expected to be operational by the end of 2024.

Delivering on our Strategic Priorities

Financial Statements 148-223

Independent Auditor's Report	150
Consolidated Income Statement	157
Consolidated Statement of Comprehensive Income	158
Consolidated Balance Sheet	159
Company Balance Sheet	160
Consolidated Statement of Changes in Equity	161
Company Statement of Changes in Equity	162
Consolidated Statement of Cash Flows	163
Company Statement of Cash Flows	164
Notes to the Consolidated Financial Statements	165

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 ('the Group') for the year ended 31 December 2022, contained within the reporting package 635400CPLP8II5ITDVT56-2022-12-31-en.zip, which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Statement of Cash Flows, Company Statement of Cash Flows and 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 2019/815 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 2022 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 members on 4 May 2018. The period of total uninterrupted engagement is the five years ended 31 December 2022. 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 Director's use of the going concern basis of accounting in the preparation of the Financial Statements is appropriate. Our evaluation of the Director's assessment of the Group's and Company's ability to continue to adopt the going concern basis of accounting included: considering the inherent risks to the Group's and Company's business model and analysing 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 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.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

In relation to the Group 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.

Detecting Irregularities Including Fraud

We identified the areas of laws and regulations that could reasonably be expected to have a material effect on the Financial Statements and risks of material misstatement due to fraud, using our understanding of the Group's industry, regulatory environment and other external factors and inquiry with the Directors. In addition, our risk assessment procedures included:

- Inquiring of the Directors and other management as to the Group's policies and procedures regarding compliance with laws and regulations, identifying, evaluating and accounting for litigation and claims, as well as whether they have knowledge of non-compliance or instances of litigation or claims;
- Inquiring of Directors, the Audit Committee and Internal Audit and inspection of policy documentation as to the Group's policies and procedures to prevent and detect fraud, including the Internal Audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud;
- Inquiring of Directors, the Audit Committee, Internal Audit regarding their assessment of the risk that the Financial Statements may be materially misstated due to irregularities, including fraud;
- Inspecting the Group's regulatory and legal correspondence;
- Reading Board and sub-committee meeting minutes;
- Considering remuneration incentive schemes and performance targets for management and Directors including the earnings per share target for management remuneration; and
- Performing planning analytical procedures to identify any unusual or unexpected relationships.

We discussed identified laws and regulations, fraud risk factors and the need to remain alert among the audit team. This included communication from the group to component audit teams of relevant laws and regulations and any fraud risks identified at the Group level and requests to component audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at Group.

The Group is subject to laws and regulations that directly affect the Financial Statements including companies and financial reporting legislation, taxation legislation and distributable profits legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items, including assessing the financial statement disclosures and agreeing them to supporting documentation when necessary.

The Group is also subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the Financial Statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, competition law, employment law, environmental law, regulatory capital and liquidity and certain aspects of company legislation recognising the financial and regulated nature of the Group's activities and its legal form.

Auditing standards limit the required audit procedures to identify non-compliance with these non-direct laws and regulations to inquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. These limited procedures did not identify actual or suspected non-compliance.

We assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. As required by auditing standards, we performed procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition. We did not identify any additional fraud risks.

In response to the fraud risks, we also performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation;
- Evaluating the business purpose of significant unusual transactions;
- Assessing significant accounting estimates for bias; and
- Assessing the disclosures in the Financial Statements.

As the Group is regulated, our assessment of risks involved obtaining an understanding of the legal and regulatory framework that the Group operates and gaining an understanding of the control environment including the Group's procedures for complying with regulatory requirements.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the Financial Statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the Financial Statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remains a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

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 2021, were as follows:

Group Key Audit Matters

Net Defined Benefit Pension Liability – Valuation €517 million (2021: €630 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 control. 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 expectancy. 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.

Key Audit Matters: Our Assessment of Risks of Material Misstatement continued

Goodwill Impairment Assessment €2,455 million (2021: €2,511 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 €2,455 million at 31 December 2022. 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 2022. 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 goodwill balance to the Balance Sheet and the judgement involved in forecasting and discounting cashflows.	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 with the assistance of 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; 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.

Company Key Audit Matter

Investment in Subsidiaries – Carrying Value €2,955 million (2021 – €2,915 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 judgement involved in forecasting and discounting future cash flows.	We obtained and documented our understanding of the process surrounding impairment considerations. We considered management's assessment of impairment indicators by comparing 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

Materiality for the Group and Company Financial Statements, as a whole, was determined as follows:

	Group financial statements	Company financial statements
Overall materiality	€51 million (2021: €36 million)	€29 million (2021: €29 million)
Benchmark applied and %	Group EBITDA of which materiality represents 2.2% (2021: 2.1%)	Total assets of which materiality represents 1% (2021: 1%)
Rationale for the benchmark applied and judgement involved	In applying our judgement in determining the most appropriate benchmark, the factors, which had the most significant impact were: • Our understanding that the principal item on which the attention of the users of the Group's Financial Statements tends to be focused is EBITDA; and • EBITDA is the principal item used by Management in assessing performance. In applying our judgement in determining the percentage to be applied to the benchmark, the following qualitative factors had the most significant impact: • The Group has a high public profile and operates in a regulated environment; • The Group has debt arrangements which include covenants linked to operating results; and • The Group has operations in 36 countries.	In applying our judgement in determining the most appropriate benchmark, the factors, which had the most significant impact were: • The elements of the Financial Statements; and • The nature of the Company and the fact that the Company is an investment holding company for the Group. In applying our judgement in determining the percentage to be applied to the benchmark, the following qualitative factors had the most significant impact: • The Company is listed and has a high public profile; and • The Company, through its underlying operations has operations in 36 countries.

We applied Group materiality to assist us determine the overall audit strategy. The scope of our audit was influenced by materiality, tailored to reflect the Group's structure, activities and financially significant operations. 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. Refer to the Scoping paragraph for further detail in respect of this.

Performance materiality was set at 75% (2021: 75%) of materiality for the Financial Statements as a whole, which equates to €38 million (2021: €27 million) for the group and €22 million (2021: €22 million) for the Company. We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. In applying our judgement in determining performance materiality, we considered a number of factors including; the low number and value of misstatements detected and the low number and severity of deficiencies in control activities identified in the prior year financial statement audit.

In addition, we applied materiality of €1 million (2021: €1 million) to amounts described as audited within the Remuneration Report for which we believe misstatements of lesser amounts than materiality for the Financial Statements as a whole could be reasonably expected to influence the Company's members' assessment of the financial performance of the Group.

We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding €1 million (2021: €1 million), in addition to other identified misstatements that warranted reporting on qualitative grounds.

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 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. The reporting units identified amounted to 92% (2021: 91%) of the Group's EBITDA, 76% (2021: 77%) of the Group's revenue and 75% (2021: 77%) 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.

Our Application of Materiality and an Overview of the Scope of our Audit continued

Involvement with Component Teams continued

The Group audit team approved the materiality for components, which ranged from €2.1 million to €9.4 million (2021: €1.7 million to €7.8 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. These communications and meetings were held physically or 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. The Group team also visited a number of component locations in the year in Colombia, the United States and Italy. Audit closing meetings with Group, Divisional and local management were also carried out physically and virtually.

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, the Overview, Strategic Report, Governance and Supplementary Information 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.

Corporate Governance Statement

We have reviewed the Directors' statement in relation to going concern, longer-term viability, that part of the Corporate Governance Statement 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 by the Listing Rules of Euronext Dublin and the UK Listing Authority.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the Financial Statements and our knowledge obtained during the audit:

- The Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 33;
- The Directors' explanation as to their assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 32;
- The Director's statement on whether it has a reasonable expectation that the Group will be able to continue in operation and meets its liabilities set out on pages 32 to 33;
- The Directors' statement on fair, balanced and understandable and the information necessary for shareholders to assess the Group's position and performance, business model and strategy set out on pages 115 and 147;
- The Board's confirmation that it has carried out a robust assessment of the emerging and principal risks and the disclosures in the Annual Report that describe the principal risks and the procedures in place to identify emerging risks and explain how they are being managed or mitigated set out on page 32;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on pages 32 and 116; and
- The section describing the work of the Audit Committee set out on pages 113 to 116.

The Listing Rules of Euronext Dublin also requires us to review certain elements of disclosures in the report to shareholders by the Board of Directors' Remuneration Committee.

We have nothing to report in this regard.

In addition as required by the Companies Act 2014, we report, in relation to information given in the Corporate Governance Statement on pages 104 to 112 and in the Directors' Report on pages 144 to 146 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 Company and its environment obtained in the course of our audit, we have not identified any material misstatements in that information; and

Corporate Governance Statement continued

- The Directors' Report 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 purposes 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 2021;
- 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 2021 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.

Respective Responsibilities and Restrictions on use

Responsibilities of Directors for the Financial Statements

As explained more fully in the Directors' responsibilities statement set out on page 147, 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 for the Audit of the Financial Statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

A fuller description of our responsibilities is provided on IAASA's website at https://iaasa.ie/publications/description-of-the-auditors-responsibilities-for-the-audit-of-the-financial-statements/.

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 this 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
D02 DE03

14 March 2023

Consolidated Income Statement
For the Financial Year Ended 31 December 2022

	Note	2022 Pre-exceptional €m	2022 Exceptional €m	2022 Total €m	2021 Pre-exceptional €m	2021 Exceptional €m	2021 Total €m
Revenue	4	**12,815**	**–**	**12,815**	10,107	–	10,107
Cost of sales	5	**(8,752)**	**–**	**(8,752)**	(7,015)	–	(7,015)
Gross profit		**4,063**	**–**	**4,063**	3,092	–	3,092
Distribution costs	5	**(961)**	**–**	**(961)**	(823)	–	(823)
Administrative expenses	5	**(1,440)**	**–**	**(1,440)**	(1,196)	–	(1,196)
Other operating expenses	5	**–**	**(223)**	**(223)**	–	–	–
Operating profit		**1,662**	**(223)**	**1,439**	1,073	–	1,073
Finance costs	7	**(184)**	**–**	**(184)**	(148)	(31)	(179)
Finance income	7	**35**	**–**	**35**	17	–	17
Share of associates' profit (after tax)		**3**	**–**	**3**	2	–	2
Profit before income tax		**1,516**	**(223)**	**1,293**	944	(31)	913
Income tax expense	8			**(348)**			(234)
Profit for the financial year				**945**			679
Attributable to:							
Owners of the parent				**944**			679
Non-controlling interests				**1**			–
Profit for the financial year				**945**			679
Earnings per share							
Basic earnings per share – cent	9			**365.3**			263.9
Diluted earnings per share – cent	9			**361.8**			261.1

Consolidated Statement of Comprehensive Income
For the Financial Year Ended 31 December 2022

	Note	2022 €m	2021 €m
Profit for the financial year		**945**	679
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss			
Foreign currency translation adjustments:			
Arising in the financial year		**(63)**	14
Recycled to Consolidated Income Statement		**–**	1
Effective portion of changes in fair value of cash flow hedges:			
Movement out of reserve		**–**	(3)
Fair value loss on cash flow hedges		**(5)**	–
Changes in fair value of cost of hedging:			
Movement out of reserve		**(1)**	(1)
		(69)	11
Items which will not be subsequently reclassified to profit or loss			
Defined benefit pension plans:			
Actuarial gain	25	**51**	177
Related tax	8	**(8)**	(32)
		43	145
Total other comprehensive (expense)/income		**(26)**	156
Total comprehensive income for the financial year		**919**	835
Attributable to:			
Owners of the parent		**918**	835
Non-controlling interests		**1**	–
Total comprehensive income for the financial year		**919**	835

Consolidated Balance Sheet
At 31 December 2022

	Note	2022 €m	2021 €m
ASSETS			
Non-current assets			
Property, plant and equipment	11	**4,631**	4,265
Right-of-use assets	12	**345**	346
Goodwill and intangible assets	13	**2,672**	2,722
Other investments	14	**10**	11
Investment in associates	15	**16**	13
Biological assets	16	**100**	103
Other receivables	19	**39**	26
Employee benefits assets	25	**17**	–
Derivative financial instruments	29	**2**	2
Deferred income tax assets	17	**141**	149
		7,973	7,637
Current assets			
Inventories	18	**1,231**	1,046
Biological assets	16	**10**	10
Trade and other receivables	19	**2,399**	2,137
Derivative financial instruments	29	**46**	8
Restricted cash	22	**11**	14
Cash and cash equivalents	22	**777**	855
		4,474	4,070
Assets classified as held for sale		**35**	–
		4,509	4,070
Total assets		**12,482**	11,707
EQUITY			
Capital and reserves attributable to owners of the parent			
Equity share capital	23	**–**	–
Share premium	23	**2,646**	2,646
Other reserves	23	**236**	260
Retained earnings		**2,143**	1,473
Total equity attributable to owners of the parent		**5,025**	4,379
Non-controlling interests	33	**13**	13
Total equity		**5,038**	4,392
LIABILITIES			
Non-current liabilities			
Borrowings	24	**3,600**	3,589
Employee benefits	25	**534**	630
Derivative financial instruments	29	**4**	7
Deferred income tax liabilities	17	**190**	175
Non-current income tax liabilities		**16**	17
Provisions for liabilities	27	**37**	35
Capital grants		**26**	24
Other payables	28	**10**	11
		4,417	4,488
Current liabilities			
Borrowings	24	**180**	165
Trade and other payables	28	**2,642**	2,563
Current income tax liabilities		**49**	27
Derivative financial instruments	29	**21**	14
Provisions for liabilities	27	**100**	58
		2,992	2,827
Liabilities associated with assets classified as held for sale		**35**	–
		3,027	2,827
Total liabilities		**7,444**	7,315
Total equity and liabilities		**12,482**	11,707

A. Smurfit
Director

K. Bowles
Director

Company Balance Sheet
At 31 December 2022

	Note	2022 €m	2021 €m
ASSETS			
Non-current assets			
Financial assets	14	**2,955**	2,915
		2,955	2,915
Current assets			
Amounts receivable from Group companies	19	**474**	233
		474	233
Total assets		**3,429**	3,148
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		**256**	216
Retained earnings		**429**	283
Total equity		**3,331**	3,145
LIABILITIES			
Current liabilities			
Amounts payable to Group companies	28	**98**	3
Total liabilities		**98**	3
Total equity and liabilities		**3,429**	3,148

A. Smurfit
Director

K. Bowles
Director

Consolidated Statement of Changes in Equity
For the Financial Year Ended 31 December 2022

	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 2022	–	2,646	260	1,473	4,379	13	4,392
Profit for the financial year	–	–	–	944	944	1	945
Other comprehensive income							
Foreign currency translation adjustments	–	–	(63)	–	(63)	–	(63)
Defined benefit pension plans	–	–	–	43	43	–	43
Effective portion of changes in fair value of cash flow hedges	–	–	(5)	–	(5)	–	(5)
Changes in fair value of cost of hedging	–	–	(1)	–	(1)	–	(1)
Total comprehensive (expense)/income for the financial year	–	–	(69)	987	918	1	919
Hyperinflation adjustment	–	–	–	66	66	–	66
Dividends paid	–	–	–	(332)	(332)	(1)	(333)
Share-based payment	–	–	63	–	63	–	63
Share buyback	–	–	(41)	–	(41)	–	(41)
Share cancellation	–	–	41	(41)	–	–	–
Net shares acquired by SKG Employee Trust	–	–	(28)	–	(28)	–	(28)
Derecognition of equity instruments	–	–	10	(10)	–	–	–
At 31 December 2022	–	2,646	236	2,143	5,025	13	5,038
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

* An analysis of Other Reserves is provided in Note 23.

Company Statement of Changes in Equity
For the Financial Year Ended 31 December 2022

	Equity Share Capital €m	Share Premium €m	Share-based Payment Reserve €m	Own Shares €m	Retained Earnings €m	Total Equity €m
At 1 January 2022	–	2,646	216	–	283	3,145
Profit for the financial year	–	–	–	–	519	519
Dividends paid	–	–	–	–	(332)	(332)
Share-based payment	–	–	40	–	–	40
Share buyback	–	–	–	(41)	–	(41)
Share cancellation	–	–	–	41	(41)	–
At 31 December 2022	–	2,646	256	–	429	3,331
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

Consolidated Statement of Cash Flows
For the Financial Year Ended 31 December 2022

	Note	2022 €m	2021 €m
Cash flows from operating activities			
Profit before income tax		**1,293**	913
Adjustment for:			
Net finance costs	7	**149**	162
Depreciation charge	11, 12	**581**	513
Impairment of non-current assets	11, 12	**66**	–
Impairment of goodwill	13	**85**	–
Amortisation of intangible assets	13	**49**	40
Amortisation of capital grants		**(4)**	(3)
Share-based payment expense	26	**65**	69
Profit on sale of property, plant and equipment		**(7)**	(8)
Lease modifications		**(3)**	–
Share of associates' profit (after tax)		**(3)**	(2)
Net movement in working capital	20	**(350)**	(114)
Change in biological assets	16	**(2)**	7
Italian Competition Authority fine		**–**	(124)
Change in employee benefits and other provisions		**(19)**	(81)
Other (primarily hyperinflation adjustments)		**8**	5
Cash generated from operations		**1,908**	1,377
Interest paid		**(135)**	(152)
Income taxes paid:			
Irish corporation tax (net of tax refunds) paid		**(24)**	(21)
Overseas corporation tax (net of tax refunds) paid		**(297)**	(218)
Net cash inflow from operating activities		**1,452**	986
Cash flows from investing activities			
Interest received		**9**	3
Business disposals		**–**	33
Additions to property, plant and equipment and biological assets		**(873)**	(594)
Additions to intangible assets	13	**(17)**	(21)
Receipt of capital grants		**6**	5
Purchase of investments		**(1)**	–
Disposal of property, plant and equipment		**12**	16
Dividends received from associates		**1**	1
Purchase of subsidiaries (net of acquired cash)		**(90)**	(413)
Deferred consideration paid		**(14)**	(35)
Net cash outflow from investing activities		**(967)**	(1,005)
Cash flows from financing activities			
Share buyback	23	**(41)**	–
Proceeds from bond issuance		**–**	999
Purchase of own shares (net)		**(28)**	(22)
Increase/(decrease) in other interest-bearing borrowings		**8**	(107)
Repayment of lease liabilities		**(103)**	(88)
Repayment of borrowings		**–**	(491)
Derivative termination receipts		**1**	9
Deferred debt issue costs paid		**–**	(12)
Dividends paid to shareholders		**(332)**	(302)
Dividends paid to non-controlling interests		**(1)**	–
Net cash outflow from financing activities		**(496)**	(14)
Decrease in cash and cash equivalents		**(11)**	(33)
Reconciliation of opening to closing cash and cash equivalents			
Cash and cash equivalents at 1 January	21	**841**	886
Currency translation adjustment	21	**(59)**	(12)
Decrease in cash and cash equivalents	21	**(11)**	(33)
Cash and cash equivalents at 31 December	21, 22	**771**	841

Company Statement of Cash Flows
For the Financial Year Ended 31 December 2022

	Note	2022 €m	2021 €m
Cash flows from operating activities			
Profit before income tax	32	**519**	285
Adjustment for:			
Net finance costs		**(1)**	–
Decrease in trade and other payables	28	**–**	(5)
Decrease in amounts payable to Group Companies	28	**–**	(2)
Net cash inflow from operating activities		**518**	278
Cash flows from investing activities			
Interest received		**1**	–
Net cash inflow from investing activities		**1**	–
Cash flows from financing activities			
Group loan movements	19, 28	**(146)**	23
Share buyback		**(41)**	–
Dividends paid to shareholders		**(332)**	(302)
Net cash outflow from financing activities		**(519)**	(279)
Movement in cash and cash equivalents		**–**	(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)
Cash and cash equivalents at 31 December		**–**	–

Notes to the Consolidated Financial Statements
For the Financial Year Ended 31 December 2022

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 2022 were authorised for issue in accordance with a resolution of the Directors on 14 March 2023.

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.

Climate Change

In preparing the Consolidated Financial Statements, the Group has considered the impact of climate change in the application of its accounting policies, judgements, estimates and assumptions. The Group has assessed the impact of climate change, particularly in the context of the risks identified in the Risk Report and the Task Force for Climate-related Financial Disclosures ('TCFD') and on achieving its sustainability targets, all of which are outlined in the Strategic Report. The assessment included the impact on the useful life of assets, the impairment of non-financial assets and provisions for liabilities. The assessment concluded that climate change in the medium-term is not expected to have a material impact on the Group's judgements, estimates and assumptions. The Group will continue to assess the application of its accounting policies as it further evaluates its climate risks and develops and implements measures to deliver on the targets set.

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 Group's diversified funding base and long-dated maturity profile of 4.9 years at 31 December 2022 provide a stable funding outlook. At 31 December 2022, the Group had a strong liquidity position of approximately €2.44 billion comprising cash balances of €788 million, undrawn available committed facilities of €1,343 million on its sustainability-linked Revolving Credit Facility ('RCF') and €312 million on its sustainability-linked securitisation facilities. At 31 December 2022, the strength of the Group's balance sheet, a net debt to EBITDA ratio of 1.3x (31 December 2021: 1.7x) and its BBB-/BBB-/Baa3 credit rating, continues to secure long-term strategic and financial flexibility.

Having assessed the principal risks facing the Group outlined in the Risk Report, 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.

2. Summary of Significant Accounting Policies continued

New and Amended Standards and Interpretations Effective During 2022

The Group has applied the following standards, interpretations and amendments with effect from 1 January 2022:

- *Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16;*
- *Reference to the Conceptual Framework – Amendments to IFRS 3;*
- *Onerous Contracts – Cost of Fulfilling a Contract – Amendments to IAS 37; and*
- *Annual Improvements to IFRS Standards 2018–2020.*

The amendments listed above did not result in material changes to the Consolidated Financial Statements.

The Group reassessed the classification of restricted cash during the year as a result of an agenda decision by the IFRS Interpretations Committee in 2022. Consequently restricted cash is now included as cash and cash equivalents in the Consolidated Statement of Cash Flows. The comparative balances for cash and cash equivalents within the Consolidated Statement of Cash Flows have increased at 1 January 2021 by €10 million and at 31 December 2021 by €14 million.

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.

2. Summary of Significant Accounting Policies continued

Revenue continued

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.

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.

2. Summary of Significant Accounting Policies continued

Business Combinations continued

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 cash-generating units ('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. 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.

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. The useful lives of assets could be reduced by climate-related factors, for example, because of physical risks, obsolescence or legal restrictions. The impact of climate-related factors on useful lives is considered on an asset-by-asset basis and takes into consideration the climate change targets made by the Group. Capital expenditure will continue to be required for ongoing projects in order to meet our climate change targets and the useful lives of future capital expenditure may differ from current assumptions, however there are no significant changes in the estimates of useful lives during the current financial year.

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. Costs 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.

2. Summary of Significant Accounting Policies continued

Impairment continued

Goodwill continued

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.

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.

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.

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. When the contractual restrictions do not change the nature of the demand deposit, restricted cash is included as a component of cash and cash equivalents for the purpose of the Consolidated Statement of Cash Flows. Restricted cash is stated at amortised cost.

2. Summary of Significant Accounting Policies continued

Financial Instruments continued

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 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).

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.

2. Summary of Significant Accounting Policies continued

Derivative Financial Instruments and Hedging Activities continued

Cash Flow Hedges continued

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.

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.

2. Summary of Significant Accounting Policies continued

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.

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.

2. Summary of Significant Accounting Policies continued

Retirement Benefit Obligations continued

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.

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.

2. Summary of Significant Accounting Policies continued

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 ('AGM').

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. 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 requires management to make 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. The Group considers the most probable amount of future taxable profits, based on the approach employed in impairment calculations, and taking into account applicable tax legislation in the relevant countries. The Group considered that €42 million of the €47 million of deferred tax assets on losses arise in countries where there is no expiry for losses. The remaining balance is expected to be used within the expiry period.

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, machine glazed ('MG') and graphic paper, and other paper-based packaging, such as honeycomb, 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 and sack paper; and paper-based packaging, such as folding cartons, honeycomb 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, derivative financial assets, deferred income tax assets and cash and cash equivalents. 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 includes 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 226.

4. Segment and Revenue Information continued

Revenue and results	Europe 2022 €m	The Americas 2022 €m	Total 2022 €m	Europe 2021 €m	The Americas 2021 €m	Total 2021 €m
Revenue	**9,900**	**2,915**	**12,815**	7,847	2,260	10,107
EBITDA	**1,846**	**553**	**2,399**	1,302	441	1,743
Segment exceptional items	**(58)**	**(14)**	**(72)**	–	–	–
EBITDA after exceptional items	**1,788**	**539**	**2,327**	1,302	441	1,743
Unallocated centre costs			**(44)**			(41)
Share-based payment expense			**(65)**			(69)
Depreciation and depletion (net)*			**(579)**			(520)
Amortisation			**(49)**			(40)
Impairment of non-current assets			**(66)**			–
Impairment of goodwill			**(85)**			–
Finance costs			**(184)**			(179)
Finance income			**35**			17
Share of associates' profit (after tax)			**3**			2
Profit before income tax			**1,293**			913
Income tax expense			**(348)**			(234)
Profit for the financial year			**945**			679
Assets						
Segment assets	**8,933**	**2,735**	**11,668**	8,521	2,349	10,870
Investment in associates	**1**	**15**	**16**	1	12	13
Assets classified as held for sale	**35**	**–**	**35**	–	–	–
Group centre assets			**763**			824
Total assets			**12,482**			11,707
Liabilities						
Segment liabilities	**3,174**	**805**	**3,979**	3,186	714	3,900
Liabilities associated with assets classified as held for sale	**35**	**–**	**35**	–	–	–
Group centre liabilities			**3,430**			3,415
Total liabilities			**7,444**			7,315
Other segmental disclosures						
Segment capital expenditure:						
Segment expenditure	**656**	**434**	**1,090**	864	265	1,129
Group centre expenditure			**1**			–
Total expenditure			**1,091**			1,129
Depreciation and depletion (net):						
Segment depreciation and depletion (net)	**437**	**141**	**578**	406	113	519
Group centre depreciation and depletion (net)			**1**			1
Total depreciation and depletion (net)			**579**			520
Amortisation:						
Segment amortisation	**30**	**19**	**49**	24	16	40
Total amortisation			**49**			40
Other significant non-cash charges:						
Impairment of assets included in other operating expenses	**52**	**14**	**66**	–	–	–
Impairment of goodwill included in other operating expenses	**18**	**67**	**85**	–	–	–
Total other significant non-cash charges			**151**			–

* 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 2022 €m	Revenue 2021 €m
Ireland	**118**	109
Germany	**1,861**	1,403
France	**1,521**	1,094
Mexico	**1,296**	992
Other Europe* – eurozone	**3,787**	3,071
Other Europe* – non-eurozone	**2,566**	2,134
Other Americas*	**1,666**	1,304
	12,815	10,107

	Non-current Assets 2022 €m	Non-current Assets 2021 €m
Ireland	**36**	40
The Netherlands	**594**	617
France	**552**	538
Germany	**532**	489
Other Europe* – eurozone	**1,177**	1,100
Other Europe* – non-eurozone	**1,092**	1,073
Other Americas*	**1,326**	1,081
	5,309	4,938

* No individual country represents greater than 10% of revenue or non-current assets.

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% (2021: less than 3%) of the total goodwill of the Group of €2,455 million (2021: €2,511 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.

	2022			2021		
	Paper €m	**Packaging €m**	**Total €m**	Paper €m	Packaging €m	Total €m
Revenue by product:						
Europe	**1,828**	**8,072**	**9,900**	1,328	6,519	7,847
The Americas	**254**	**2,661**	**2,915**	213	2,047	2,260
	2,082	**10,733**	**12,815**	1,541	8,566	10,107

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

	2022 €m	2021 €m
Expenses by function:		
Cost of sales	**8,752**	7,015
Distribution costs	**961**	823
Administrative expenses	**1,440**	1,196
Other operating expenses	**223**	–
	11,376	9,034
Expenses by nature:		
Raw materials and consumables	**4,564**	3,756
Change in inventories	**(101)**	(103)
Employee benefit expense excluding redundancy	**2,529**	2,294
Energy	**1,249**	657
Maintenance and repairs	**527**	452
Transportation and storage costs	**966**	829
Depreciation, amortisation and depletion	**628**	560
Impairment of assets	**209**	–
Reorganisation and restructuring costs	**22**	2
Foreign exchange gains and losses	**7**	–
Net remeasurement of loss allowance on trade receivables	**15**	(4)
Other expenses	**761**	591
Total	**11,376**	9,034

Included within the expenses by nature above are research and development expenses of €8 million (2021: €7 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.

	2022 €m	2021 €m
Exceptional items included in operating profit:		
Impairment of assets – Russian operations (including goodwill)	**128**	–
Impairment of goodwill	**67**	–
Redundancy and reorganisation costs	**14**	–
Impairment of non-current assets	**14**	–
	223	–

Exceptional items charged within operating profit in 2022 amounted to €223 million, of which €128 million related to the impairment of assets in our Russian operations, €56 million and €11 million respectively for the impairment of goodwill in Argentina and Peru, €14 million for redundancy and reorganisation costs in the Americas along with €14 million for the impairment of property, plant and equipment in our North American operations.

There were no exceptional items within operating profit in 2021.

Operations in Russia

Following the announcement by the Group on 1 April 2022 to exit the Russian market in an orderly manner, the Group has entered into an agreement to sell its Russian operations to local management. At 31 December 2022 completion of the transaction was conditional on regulatory approval being obtained from the Russian authorities.

After considering the status of the approval to dispose of its Russian operations including engagement with relevant authorities, the assets and associated liabilities have been presented as held for sale in the Consolidated Balance Sheet at 31 December 2022. The results of the operations in Russia, which represented less than 2% of any of the Group's key performance indicators, have not been presented as a discontinued operation as they do not represent a separate major line of business or geographical location.

In advance of classifying the Russian disposal group as held for sale, the recoverable value was reassessed based on the terms of the sales agreement entered into, applying the fair value less costs to sell method. This has been categorised as a Level 3 fair value. As a result the Group has recorded an exceptional impairment charge of €128 million in relation to its Russian operations. The Russian operations form part of the Europe segment.

The Group has made a number of judgements in arriving at the exceptional charges recognised relating to its Russian operations. In determining the exceptional impairment charges the Group had regard to; the continuing war in Ukraine and the significant sanctions regime in place which is expected to continue for some time. Judgements taken, which are not deemed significant judgements in the context of the scale of the Group, will be reassessed on an ongoing basis in light of restrictions in place at reporting dates as required.

The major classes of assets and liabilities reclassified as held for sale at 31 December 2022 comprise trade receivables of €26 million and trade and other payables of €30 million (2021: nil).

5. Cost and Income Analysis continued

Auditors' Remuneration

	KPMG Ireland 2022 €m	Other KPMG Network Firms 2022 €m	Total 2022 €m	KPMG Ireland 2021 €m	Other KPMG Network Firms 2021 €m	Total 2021 €m
Audit of entity financial statements	**3.1**	**7.3**	**10.4**	2.8	6.5	9.3
Other assurance services	**–**	**0.2**	**0.2**	–	0.1	0.1
Other non-audit services	**–**	**0.3**	**0.3**	0.1	0.2	0.3
	3.1	**7.8**	**10.9**	2.9	6.8	9.7

The audit fee for the Parent Company was €55,000 which is payable to KPMG, the Statutory Auditor (2021: €50,000).

6. Employee Benefit Expense

	2022 Number	2021 Number
Average number of persons employed by the Group by geographical area (full time equivalents):		
Europe	**30,792**	30,405
The Americas	**17,832**	17,348
	48,624	47,753

	Note	2022 €m	2021 €m
The employee benefit expense comprises:			
Wages and salaries		**1,978**	1,784
Social insurance costs		**380**	346
Share-based payment expense		**65**	69
Defined benefit pension expense	25	**35**	29
Defined contribution pension plan expense	25	**71**	66
Reorganisation and restructuring costs*		**8**	2
Charged to operating profit – pre-exceptional		**2,537**	2,296
Exceptional – reorganisation and restructuring		**12**	–
Finance costs	25	**8**	7
Actuarial gain on pension schemes recognised in other comprehensive income	25	**(51)**	(177)
Total employee benefit expense		**2,506**	2,126

* These non-exceptional expenses arise in respect of individually immaterial restructurings across the Group.

7. Finance Costs and Income

	Note	2022 €m	2021 €m
Finance costs:			
Interest payable on bank loans and overdrafts		**49**	25
Interest payable on leases		**10**	10
Interest payable on other borrowings		**91**	86
Exceptional finance costs associated with debt restructuring		**–**	31
Foreign currency translation loss on debt		**24**	15
Fair value loss on derivatives not designated as hedges		**–**	2
Fair value loss on financial assets		**2**	–
Interest cost on net pension liability	25	**8**	7
Net monetary loss – hyperinflation		**–**	3
Total finance costs		**184**	179
Finance income:			
Other interest receivable		**(9)**	(3)
Foreign currency translation gain on debt		**(13)**	(12)
Fair value gain on derivatives not designated as hedges		**(4)**	–
Fair value gain on financial assets/liabilities		**–**	(2)
Net monetary gain – hyperinflation		**(9)**	–
Total finance income		**(35)**	(17)
Net finance costs		**149**	162

7. Finance Costs and Income continued

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 2022.

8. Income Tax Expense

Income tax expense recognised in the Consolidated Income Statement

	2022 €m	2021 €m
Current tax:		
Europe	**249**	189
The Americas	**100**	76
	349	265
Deferred tax	**(1)**	(31)
Income tax expense	**348**	234
Current tax is analysed as follows:		
Ireland	**31**	28
Foreign	**318**	237
	349	265

The income tax expense for the financial year 2022 is €114 million higher than in the comparable period in 2021, primarily due to higher profitability.

There is a €30 million reduction in the deferred tax credit compared to the prior year. The movement is largely due to the reversal of timing differences on which deferred tax was previously recognised, offset by the recognition of other tax benefits and credits.

In 2022, there is a tax credit of €20 million on exceptional items compared to a €4 million tax credit in the prior year.

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:

	2022 €m	2021 €m
Profit before income tax	**1,293**	913
Profit before income tax multiplied by the standard rate of tax of 12.5% (2021: 12.5%)	**162**	114
Effects of:		
Income subject to different rates of tax	**179**	130
Other items	**2**	(4)
Adjustment to prior period tax	**7**	(1)
Effect of previously unrecognised losses	**(2)**	(5)
	348	234

Income Tax Recognised Within Equity

	2022 €m	2021 €m
Recognised in the Consolidated Statement of Comprehensive Income:		
Arising on defined benefit pension plans	**8**	32
Total recognised in the Consolidated Statement of Comprehensive Income	**8**	32
Arising on hyperinflation	**7**	2
Total recognised within equity	**15**	34

8. Income Tax Expense continued

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 €2,680 million (2021: €2,179 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.

Other

The total tax expense in future periods will be affected by changes to the corporation tax rates in force and legislative changes that broaden the tax base or introduce minimum and top-up 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.

	2022	2021
Profit attributable to owners of the parent (€ million)	**944**	679
Weighted average number of ordinary shares in issue (million)	**258**	257
Basic EPS (cent)	**365.3**	263.9

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.

	2022	2021
Profit attributable to owners of the parent (€ million)	**944**	679
Weighted average number of ordinary shares in issue (million)	**258**	257
Potential dilutive ordinary shares assumed (million)	**3**	3
Diluted weighted average ordinary shares (million)	**261**	260
Diluted EPS (cent)	**361.8**	261.1

Pre-exceptional

	2022	2021
Profit attributable to owners of the parent (€ million)	**944**	679
Exceptional items included in profit before income tax (€ million)	**223**	31
Income tax on exceptional items (€ million)	**(20)**	(4)
Pre-exceptional profit attributable to owners of the parent (€ million)	**1,147**	706
Weighted average number of ordinary shares in issue (million)	**258**	257
Pre-exceptional basic EPS (cent)	**444.1**	274.5
Diluted weighted average ordinary shares (million)	**261**	260
Pre-exceptional diluted EPS (cent)	**439.8**	271.6

10. Dividends

The following dividends were declared and paid by the Group:

	2022 €m	2021 €m
Final: paid 96.1 cent per ordinary share on 6 May 2022 (2021: paid 87.4 cent per ordinary share on 7 May 2021)	**250**	226
Interim: paid 31.6 cent per ordinary share on 28 October 2022 (2021: paid 29.3 cent per ordinary share on 22 October 2021)	**82**	76
	332	302

The Board is recommending a final dividend of 107.6 cent per share (approximately €280 million). It is proposed to pay this dividend on 12 May 2023 to all ordinary shareholders on the share register at the close of business on 14 April 2023, subject to the approval of the shareholders at the 2023 AGM.

11. Property, Plant and Equipment

	Land and Buildings €m	Plant and Equipment €m	Total €m
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)	(4,557)	(5,491)
Net book amount	1,175	3,090	4,265
Financial year ended 31 December 2022			
Opening net book amount	**1,175**	**3,090**	**4,265**
Reclassifications	**115**	**(112)**	**3**
Additions	**21**	**817**	**838**
Acquisitions	**43**	**15**	**58**
Depreciation charge	**(62)**	**(421)**	**(483)**
Impairments	**(25)**	**(37)**	**(62)**
Retirements and disposals	**(1)**	**(2)**	**(3)**
Hyperinflation adjustment	**8**	**36**	**44**
Foreign currency translation adjustment	**(5)**	**(24)**	**(29)**
At 31 December 2022	**1,269**	**3,362**	**4,631**
At 31 December 2022			
Cost or deemed cost	**2,227**	**8,173**	**10,400**
Accumulated depreciation and impairment losses	**(958)**	**(4,811)**	**(5,769)**
Net book amount	**1,269**	**3,362**	**4,631**

Land and Buildings

Included in land and buildings is an amount for land of €423 million (2021: €387 million).

Construction in Progress

Included in land and buildings and plant and equipment are amounts of €105 million (2021: €72 million) and €500 million (2021: €350 million) respectively, for construction in progress.

Assets Pledged as Security

Assets with a carrying value of €11 million (2021: €12 million) are pledged as security for loans held by the Group.

11. Property, Plant and Equipment continued

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:

	2022 €m	2021 €m
Contracted for	**573**	498
Not contracted for	**579**	649
	1,152	1,147

The Group's sustainability targets outlined in the Strategic Report in relation to climate change, forest, water and waste have been considered in relation to its capital commitments. In October 2022, the Group announced a US$100 million investment in a sustainable biomass boiler at its paper mill in Cali, Colombia, which will reduce its global Scope 1 and Scope 2 CO_2 emissions by approximately 6% and is a further step in the Group's target of a 55% reduction in fossil fuel emissions intensity by 2030. This investment and other material capital expenditure, not yet capitalised, which will enable the Group to make progress towards its sustainability targets have been authorised by the Directors and are included in the table above.

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. Impairment charges are recognised within other operating expenses in the Consolidated Income Statement. In 2022, the Group recorded an impairment charge of €62 million in relation to our Russian operations and two corrugated plants in our North American operations.

The Group considered the impact of climate-related risks when assessing property, plant and equipment for indicators of impairment. The impairment indicators considered related to, amongst others, the risk of obsolescence of certain property, plant and equipment due to future capital expenditure to meet our climate targets, an increased cost of repurposing certain assets and additional repairs and maintenance to mitigate the physical risks in relation to the location of certain assets. There were no impairment triggers identified in relation to climate-related risks in the year.

Capitalised Borrowing Costs

In 2022, the Group capitalised borrowing costs of €3 million (2021: €2 million) on qualifying assets. Borrowing costs were capitalised at an average rate of 2.8% (2021: 3.0%).

12. Right-of-use Assets/Lease Obligations

Amounts Recognised in the Consolidated Balance Sheet

	2022 €m	2021 €m
Right-of-use assets:		
Land and buildings	**228**	235
Vehicles	**64**	65
Plant and equipment	**53**	46
	345	346

Additions to right-of-use assets during 2022 were €108 million (2021: €98 million), of which €4 million (2021: €6 million) related to acquired right-of-use assets.

The Group presents lease liabilities in borrowings in the Consolidated Balance Sheet. The amounts included within borrowings are as follows:

	2022 €m	2021 €m
Lease liabilities:		
Current	**93**	91
Non-current	**281**	289
	374	380

12. Right-of-use Assets/Lease Obligations continued

Amounts Recognised in the Consolidated Income Statement

The Consolidated Income Statement includes the following amounts relating to leases:

	2022 €m	2021 €m
Depreciation charge of right-of-use assets:		
Land and buildings	**53**	46
Vehicles	**31**	31
Plant and equipment	**14**	11
	98	88

	2022 €m	2021 €m
Interest expense on lease liabilities	**10**	10
Expenses relating to short-term leases	**20**	14
Expenses relating to leases of low-value assets	**9**	7
Expenses relating to variable lease payments not included in the lease liabilities	**8**	7

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

	2022 €m	2021 €m
Total cash outflow for leases	**150**	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.

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 climate-related risks when assessing right-of-use assets for indicators of impairment. There were no impairment triggers identified in relation to climate change-related risks. In 2022, the Group recorded an impairment charge of €4 million in relation to two corrugated plants in our North American operations (2021: nil).

13. Goodwill and Intangible Assets

		Intangible Assets			
	Goodwill €m	Marketing Related €m	Customer Related €m	Software Assets €m	Total €m
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
Financial year ended 31 December 2022					
Opening net book amount	**2,511**	**10**	**126**	**75**	**2,722**
Additions	**–**	**–**	**–**	**17**	**17**
Acquisitions	**22**	**(1)**	**38**	**–**	**59**
Amortisation charge	**–**	**(1)**	**(28)**	**(20)**	**(49)**
Impairments	**(85)**	**–**	**–**	**–**	**(85)**
Reclassifications	**–**	**–**	**–**	**(1)**	**(1)**
Hyperinflation adjustment	**26**	**–**	**–**	**–**	**26**
Foreign currency translation adjustment	**(19)**	**–**	**–**	**2**	**(17)**
At 31 December 2022	**2,455**	**8**	**136**	**73**	**2,672**
At 31 December 2022					
Cost or deemed cost	**2,749**	**26**	**353**	**254**	**3,382**
Accumulated amortisation and impairment losses	**(294)**	**(18)**	**(217)**	**(181)**	**(710)**
Net book amount	**2,455**	**8**	**136**	**73**	**2,672**

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.

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 three 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 2022, goodwill of €58 million arose on the acquisitions of Argencraft, Atlas Packaging, PaperBox and Pusa Pack. Further information on these acquisitions is included in Note 31. During 2022, the Group made an amendment to the fair values assigned to Verzuolo and Cartonbox acquisitions which were acquired in 2021, resulting in a decrease in goodwill of €35 million and €1 million respectively.

In 2022, customer related intangible assets of €15 million arose on the acquisitions of Argencraft and Atlas Packaging. The fair values assigned to customer related intangible assets increased by €21 million and €2 million in Verzuolo and Cartonbox respectively. In addition, there was a €1 million decrease in the fair value of marketing related intangible assets in Cartonbox.

In 2021, goodwill of €119 million arose on the acquisition of Verzuolo, a containerboard mill in Northern Italy. 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.

Impairment Testing of Intangible Assets

The Group assesses whether there is an indication that an intangible asset may be impaired. In 2022, such an assessment did not give rise to an impairment charge (2021: nil).

13. Goodwill and Intangible Assets continued

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 (2021: 16) of CGUs have been identified and these are analysed between the two operating segments as follows:

	2022 Number	2021 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**	7
	16	16

A summary of the allocation of the carrying value of goodwill by operating segment is as follows:

	2022 €m	2021 €m
Europe	**2,112**	2,170
The Americas	**343**	341
	2,455	2,511

An impairment charge of €85 million arose in 2022 in relation to Argentina, Peru and Russia, and was recognised in other operating expenses. Management reassessed the expected future business performance in Argentina and Peru as a result of the continuing difficult economic conditions and consequently the projected cashflows are lower, giving rise to an impairment charge of €56 million and €11 million in Argentina and Peru respectively. Goodwill in Russia was impaired by €18 million as part of the impairment of assets in our Russian operations. The goodwill relating to our operations in Argentina pre-impairment represented 2% of the Group's total goodwill, and less than 1% in both Peru and Russia.

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 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. Forecasts also consider management's expectation of current and future trends, such as energy price inflation, which affect the Group. The cash flows, including terminal value estimations, are discounted using appropriate pre-tax discount rates. 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 €2,455 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	
	2022	2021	**2022**	2021	**2022**	2021
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)	**9.5%**	9.6%	**9.6%**	9.3%	**9.9%**	9.9%
Earnings multiple used for terminal value	**7.1**	7.1	**7.1**	7.1	**7.1**	7.1
Excess of value-in-use (€ million)	**661**	562	**500**	192	**621**	736

13. Goodwill and Intangible Assets continued

Impairment Testing Methodology and Results continued

The key assumptions used for these three CGUs are consistent with those addressed on the previous page. 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.

Sensitivity analysis was performed by adjusting the key assumptions used to determine terminal value. For all CGUs, other than Argentina and Chile and Peru, any reasonable possible movement in the assumptions used in the impairment test would not result in an impairment. Following the impairment charges booked in 2022 for goodwill in Argentina and Chile and Peru, the goodwill relating to these CGUs represents 0% of the Group's total goodwill.

14. Financial Assets

Other Investments – Group

	2022 €m	2021 €m
Listed* and unlisted debt instruments – FVPL	**10**	11
At 31 December	**10**	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 2022, fair value losses of €2 million (2021: nil) on debt instruments were recognised in finance costs.

Information about the Group's fair value measurement of its investments is included in Note 29.

Investment in Subsidiaries – Company

	2022 €m	2021 €m
At 1 January	**2,915**	2,872
Investment in the year	**40**	43
At 31 December	**2,955**	2,915

15. Investment in Associates

	2022 €m	2021 €m
At 1 January	**13**	12
Share of profit for the year	**3**	2
Dividends received from associates	**(1)**	(1)
Foreign currency translation adjustment	**1**	–
At 31 December	**16**	13

16. Biological Assets

	2022 €m	2021 €m
At 1 January	**113**	118
Increases due to new plantations	**11**	9
Harvested timber transferred to inventories	**(11)**	(10)
Change in fair value less estimated costs to sell	**13**	3
Foreign currency translation adjustment	**(16)**	(7)
At 31 December	**110**	113
Current	**10**	10
Non-current	**100**	103
At 31 December	**110**	113
Approximate harvest by volume (tonnes '000)	**898**	640

16. Biological Assets continued

At 31 December 2022, the Group's biological assets consist of 68,000 (2021: 68,000) 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 2022 was €11 million (2021: €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. There has been no change in the proportion of pine trees classified as timber wood in 2021 or 2022.

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:

	2022 €m	2021 €m
Deferred tax assets	**388**	394
Deferred tax assets/liabilities available for offset	**(247)**	(245)
	141	149
Deferred tax liabilities	**437**	420
Deferred tax assets/liabilities available for offset	**(247)**	(245)
	190	175

17. Deferred Tax Assets and Liabilities continued

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 Group considered the impact of climate-related risks to future cashflows and profitability not to be significant. Consequently, it does not expect a material impact on the recoverability of deferred tax assets.

The movement in net deferred tax balances during the year was as follows:

	Note	2022 €m	2021 €m
At 1 January		**(26)**	(19)
Movement recognised in the Consolidated Income Statement	8	**1**	31
Movement recognised in the Consolidated Statement of Comprehensive Income		**(15)**	(38)
Acquisitions and disposals		**(23)**	(5)
Reclassifications		**2**	2
Assets held for sale		**4**	–
Hyperinflation adjustment – recognised in equity	8	**(7)**	(2)
Foreign currency translation adjustment		**15**	5
At 31 December		**(49)**	(26)

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:

	Net balance at 1 January €m	Recognised in the Consolidated Income Statement €m	Recognised in the Consolidated Statement of Comprehensive Income €m	Reclassifications €m	Acquisitions and disposals €m	Foreign currency translation adjustment €m	Hyperinflation €m	Assets held for sale €m	Net €m	Balance at 31 December: Deferred tax assets €m	Balance at 31 December: Deferred tax liabilities €m
Retirement benefit obligations	106	(11)	(38)	–	–	1	–	–	58	58	–
Tax losses	83	(12)	–	–	–	1	–	–	72	72	–
Derivative fair values	1	–	–	–	–	–	–	–	1	1	–
Accelerated tax depreciation	(338)	15	–	18	(2)	1	(1)	–	(307)	–	(307)
Intangible assets fair values	(9)	–	–	(18)	(3)	–	–	–	(30)	–	(30)
Biological assets fair values	(3)	(1)	–	–	–	–	–	–	(4)	–	(4)
Other	141	40	–	2	–	2	(1)	–	184	263	(79)
At 31 December 2021	(19)	31	(38)	2	(5)	5	(2)	–	(26)	394	(420)
Retirement benefit obligations	**58**	**(5)**	**(15)**	**36**	**–**	**(1)**	**–**	**–**	**73**	**76**	**(3)**
Tax losses	**72**	**(25)**	**–**	**–**	**–**	**–**	**–**	**–**	**47**	**47**	**–**
Derivative fair values	**1**	**1**	**–**	**(2)**	**–**	**–**	**–**	**–**	**–**	**2**	**(2)**
Accelerated tax depreciation	**(307)**	**(9)**	**–**	**44**	**(14)**	**1**	**(3)**	**4**	**(284)**	**44**	**(328)**
Intangible assets fair values	**(30)**	**–**	**–**	**–**	**(9)**	**3**	**–**	**–**	**(36)**	**–**	**(36)**
Biological assets fair values	**(4)**	**1**	**–**	**–**	**–**	**–**	**–**	**–**	**(3)**	**–**	**(3)**
Other:											
Lease liabilities	**46**	**(3)**	**–**	**–**	**–**	**–**	**–**	**–**	**43**	**43**	**–**
Working capital	**73**	**8**	**–**	**–**	**–**	**–**	**–**	**–**	**81**	**94**	**(13)**
Other intangibles	**(5)**	**41**	**–**	**–**	**–**	**–**	**–**	**–**	**36**	**45**	**(9)**
Provisions	**17**	**(40)**	**–**	**–**	**–**	**–**	**–**	**–**	**(23)**	**8**	**(31)**
Other	**53**	**32**	**–**	**(76)**	**–**	**12**	**(4)**	**–**	**17**	**29**	**(12)**
At 31 December 2022	**(26)**	**1**	**(15)**	**2**	**(23)**	**15**	**(7)**	**4**	**(49)**	**388**	**(437)**

17. Deferred Tax Assets and Liabilities continued

Deferred tax assets have not been recognised in respect of the following (tax effects):

	2022 €m	2021 €m
Tax losses	**11**	14
Deferred finance costs	**7**	–
	18	14

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 €45 million (2021: €57 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 2022 €m
1 January 2023 to 31 December 2023	**3**
1 January 2024 to 31 December 2024	**–**
1 January 2025 to 31 December 2025	**–**
1 January 2026 to 31 December 2026	**1**
Greater than 4 years	**2**
Indefinite	**39**
	45

18. Inventories

	2022 €m	2021 €m
Raw materials	**383**	301
Work in progress	**57**	47
Finished goods	**549**	471
Consumables and spare parts	**242**	227
	1,231	1,046

19. Trade and Other Receivables

	Group 2022 €m	Group 2021 €m	Company 2022 €m	Company 2021 €m
Amounts falling due within one financial year:				
Trade receivables	**1,960**	1,830	**–**	–
Less: loss allowance	**(52)**	(44)	**–**	–
Trade receivables – net	**1,908**	1,786	**–**	–
Amounts receivable from associates	**1**	2	**–**	–
Other receivables	**366**	248	**–**	–
Prepayments	**124**	101	**–**	–
Amounts due from Group companies	**–**	–	**474**	233
	2,399	2,137	**474**	233
Amounts falling due after more than one financial year:				
Other receivables	**39**	26	**–**	–
	2,438	2,163	**474**	233

The carrying amount of trade and other receivables equate to their fair values due to their short-term maturities.

The Group has securitised €891 million (2021: €765 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 2022 (2021: nil) and any expected credit loss is not material.

19. Trade and Other Receivables continued

Impairment Losses

The movement in the allowance for impairment in respect of trade receivables was as follows;

	2022 €m	2021 €m
At 1 January	**44**	53
Net remeasurement of loss allowance	**15**	(4)
Trade receivables written off as uncollectable	**(7)**	(5)
At 31 December	**52**	44

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.

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 Group considered the potential impact of climate-related risks, which is a principal risk in the long-term for the Group when assessing the recoverability of its trade receivables. Given the short-term nature of the Group's trade receivables and the sustainable nature of the Group's products, no adjustments were applied to the expected loss rates to specifically incorporate the effect of climate-related risks.

There has been no significant deterioration in the aging of trade receivables or extension of debtor days in the year. Notwithstanding this, the economic risk arising from the war in Ukraine, persistent inflationary pressures, increased energy costs and the overall cost of living crisis has resulted in an increase in the expected credit loss rate, and consequently the impairment loss allowance, compared to the prior year. This reflects the increased risk facing the Group's customers and any potential future losses they may experience due to the impact of global economic uncertainty. Therefore reflecting past experience and the current uncertain economic risk to the Group, the credit loss allowance recognised in the Consolidated Income Statement as at 31 December 2022 is a charge of €15 million (2021: €4 million credit). The total provision for impairment loss at 31 December 2022 represents 2.6% (2021: 2.4%) of gross trade receivables.

On that basis, the loss allowance as at 31 December 2022 was determined as follows for trade receivables:

	2022				2021			
	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	**1,651**	**284**	**25**	**1,960**	1,586	222	22	1,830
Loss allowance	**7**	**20**	**25**	**52**	6	16	22	44

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 €7 million (2021: €5 million) written off during the period are still subject to enforcement activity.

20. Net Movement in Working Capital

	2022 €m	2021 €m
Change in inventories	**(187)**	(246)
Change in trade and other receivables	**(238)**	(492)
Change in trade and other payables	**75**	624
Net movement in working capital	**(350)**	(114)

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	Net Debt €m
At 1 January 2021	(56)	(2,859)	(346)	(5)	(3,266)	5	886	(2,375)
Cash flows*	25	(405)	88	(9)	(301)	9	(33)	(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**	**841**	**(2,885)**
Cash flows	**11**	**(19)**	**103**	**(1)**	**94**	**1**	**(11)**	**84**
Acquired	**(4)**	**–**	**(5)**	**–**	**(9)**	**–**	**–**	**(9)**
Currency translation adjustment	**(1)**	**(17)**	**(4)**	**6**	**(16)**	**(6)**	**(59)**	**(81)**
Other non-cash movements	**(30)**	**17**	**(88)**	**(1)**	**(102)**	**1**	**–**	**(101)**
At 31 December 2022	**(69)**	**(3,320)**	**(374)**	**(1)**	**(3,764)**	**1**	**771**	**(2,992)**

* 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

	2022 €m	2021 €m
Cash and current accounts	**109**	114
Short-term deposits	**679**	755
Cash and cash equivalents and restricted cash	**788**	869
Cash and cash equivalents for the purposes of the Consolidated Statement of Cash Flows		
Cash and cash equivalents	**788**	869
Bank overdrafts and demand loans used for cash management purposes	**(17)**	(28)
Cash and cash equivalents in the Consolidated Statement of Cash Flows	**771**	841

At 31 December 2022, restricted cash of €5 million (2021: €6 million) was held in securitisation bank accounts. A further €6 million (2021: €8 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.

The Group reassessed the classification of restricted cash during the year as a result of an agenda decision by the IFRS Interpretations Committee in 2022. Consequently, restricted cash is now included as cash and cash equivalents in the Consolidated Statement of Cash Flows. As a result of this reassessment, the comparative balances for cash and cash equivalents for 2021 have been increased by €14 million.

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 refuse 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 of the Company 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 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 the Company (the 'Articles'), 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 the Company 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 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

Authorised Share Capital of the Company

	2022 €m	2021 €m
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 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 1 January 2022	**2,089,514**	**2,089,514**	**786,486**	**4,965,514**	**259,033,759**	**263,999,273**	–
Issue of Performance Share Plan shares	–	–	–	–	**1,175,750**	**1,175,750**	–
Share cancellation*	–	–	–	–	**(1,175,750)**	**(1,175,750)**	–
At 31 December 2022	**2,089,514**	**2,089,514**	**786,486**	**4,965,514**	**259,033,759**	**263,999,273**	–

* During 2022, 1.2 million ordinary shares were repurchased and subsequently cancelled as a result of a share buyback transaction. The amount paid to repurchase these shares was initially recognised in the own shares reserve and was transferred to retained earnings on cancellation.

At 31 December 2022 ordinary shares represented 98.1% and convertible shares represented 1.9% of issued share capital (2021: 98.1% and 1.9% respectively). The called up, issued and fully paid share capital of the Company at 31 December 2022 was €263,999 (2021: €263,999).

Share Premium

Share premium of €2,646 million (2021: €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 2022	**575**	**1**	**1**	**(541)**	**293**	**(59)**	**(10)**	**260**
Other comprehensive income								
Foreign currency translation adjustments	–	–	–	**(63)**	–	–	–	**(63)**
Effective portion of changes in fair value of cash flow hedges	–	**(5)**	–	–	–	–	–	**(5)**
Changes in fair value of cost of hedging	–	–	**(1)**	–	–	–	–	**(1)**
Total other comprehensive expense	–	**(5)**	**(1)**	**(63)**	–	–	–	**(69)**
Share-based payment	–	–	–	–	**63**	–	–	**63**
Net shares acquired by SKG Employee Trust	–	–	–	–	–	**(28)**	–	**(28)**
Shares distributed by SKG Employee Trust	–	–	–	–	**(22)**	**22**	–	–
Share buyback	–	–	–	–	–	**(41)**	–	**(41)**
Share cancellation	–	–	–	–	–	**41**	–	**41**
Derecognition of equity instruments	–	–	–	–	–	–	**10**	**10**
At 31 December 2022	**575**	**(4)**	–	**(604)**	**334**	**(65)**	–	**236**

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 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

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 and the Deferred 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	
	2022	2021
At 1 January	**1,974,476**	1,734,281
Shares acquired by SKG Employee Trust	**574,247**	534,005
Shares distributed by SKG Employee Trust	**(915,001)**	(293,810)
At 31 December	**1,633,722**	1,974,476

As at 31 December 2022 the nominal value of own shares held was €1,634 (2021: €1,974). In 2022, own shares were purchased at an average price of €46.81 (2021: €40.24) per share. The number of own shares held represents 0.6% (2021: 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

	2022 €m	2021 €m
Revolving credit facility[1]	**4**	2
US$292.3 million 7.50% senior debentures due 2025 (including accrued interest)	**276**	260
Bank loans and overdrafts	**110**	101
€100 million receivables securitisation variable funding notes due 2026 (including accrued interest)[2,4]	**4**	4
€230 million receivables securitisation variable funding notes due 2026[3,4]	**11**	11
€250 million 2.75% senior notes due 2025 (including accrued interest)[5]	**252**	251
€1,000 million 2.875% senior notes due 2026 (including accrued interest)[5]	**1,008**	1,007
€750 million 1.5% senior notes due 2027 (including accrued interest)[5]	**748**	747
€500 million 0.5% senior green notes due 2029 (including accrued interest)[5]	**496**	495
€500 million 1.0% senior green notes due 2033 (including accrued interest)[5]	**497**	496
Leases	**374**	380
Total borrowings	**3,780**	3,754
Analysed as follows:		
Current	**180**	165
Non-current	**3,600**	3,589
	3,780	3,754

1 At 31 December 2022, 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 At 31 December 2022, the amount drawn under this facility was €5 million.
3 At 31 December 2022, the amount drawn under this facility was €13 million.
4 Secured loans and long-term obligations.
5 Unsecured loans and long-term obligations.

Included within the carrying value of borrowings are deferred debt issue costs of €26 million (2021: €33 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 €5,045 million (2021: €5,006 million) of which €3,390 million (2021: €3,351 million) was utilised at 31 December 2022. The weighted average period until maturity of undrawn committed facilities is 3.2 years (2021: 4.2 years).

Maturity of Undrawn Committed Facilities

	2022 €m	2021 €m
Within 1 year	**–**	–
Between 1 and 2 years	**–**	–
More than 2 years	**1,655**	1,655
	1,655	1,655

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 2022, as defined in the relevant facility agreement, net borrowings to EBITDA was 1.3 times (2021: 1.7 times) and EBITDA to net interest was 17.4 times (2021: 15.3 times).

The sustainability-linked Revolving Credit Facility ('RCF') has a facility size of €1,350 million and maturity of January 2026. At 31 December 2022, interest rates applicable on the RCF were relevant interbank rate + 0.64%. The following table sets out the interest rates at 31 December 2022 and 2021 for the Group's drawings under the RCF.

	Currency	2022 Interest Rate	2021 Interest Rate
RCF	US$	**5.02%**	0.75%

24. Borrowings continued

Borrowings under the RCF are available to fund the Group's working capital requirements, capital expenditure and other general requirements.

The Group has a trade receivables securitisation programme with a facility size of €100 million, margin of 1.09% and maturity of January 2026. Receivables generated by certain of its 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.

The Group also has a trade receivables securitisation programme with a facility size of €230 million, margin of 1.09% and a maturity of November 2026. Receivables generated by certain of its operating companies in the UK, Germany and France are sold to a special purpose entity to support the funding provided by Lloyds Banking Group.

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 2022 was €399 million (2021: €335 million). The gross amount of receivables collateralising the €230 million 2026 trade receivables securitisation programme at 31 December 2022 was €492 million (2021: €430 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 2022, restricted cash of €5 million (2021: €6 million) was held in securitisation bank accounts.

In September 2022, the Group published its first Green Bond Allocation and Impact Report, detailing the use of the proceeds of the €1 billion dual-tranche Green Bonds issued in 2021. Issued with coupons of 0.5% and 1% respectively, for tenors of 8 and 12 years, these coupons are the lowest in the Group's history but also the lowest achieved for a corporate issuer in our rating category.

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 Netherlands, United Kingdom, Germany and Ireland. They represent respectively 34%, 30%, 12% and 11% of the obligation thereby totalling 87% of the obligation.

The most recent valuation of the significant funded plans are as follows:

Ireland	1 January 2022
Netherlands	31 December 2022
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 2023 outlined on page 202.

The expense for defined contribution pension plans for the year ended 31 December 2022 was €71 million (2021: €66 million).

25. Employee Benefits continued

The following is a summary of the Group's employee benefit obligations and their related funding status:

	2022 €m	2021 €m
Present value of funded or partially funded obligations	**(1,713)**	(2,384)
Fair value of plan assets	**1,608**	2,276
Deficit in funded or partially funded plans	**(105)**	(108)
Present value of wholly unfunded obligations	**(410)**	(520)
Amounts not recognised as assets due to asset ceiling	**(2)**	(2)
Net pension liability	**(517)**	(630)
Defined Benefit Asset (for overfunded plans)	**17**	–
Defined Benefit Liability (for unfunded and partially funded plans)	**(534)**	(630)

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 2022 and 31 December 2021 are as follows:

	Eurozone		Rest of Europe		The Americas	
	2022 %	2021 %	2022 %	2021 %	2022 %	2021 %
Rate of increase in salaries	**1.00 – 4.00**	0.25 – 3.05	**2.30 – 6.00**	2.50 – 4.50	**1.50 – 7.48**	0.99 – 5.50
Rate of increase to pensions in payment	**Nil – 2.90**	Nil – 2.00	**Nil – 2.00**	Nil – 2.52	**Nil – 7.30**	Nil – 4.59
Discount rate for plan liabilities	**3.70**	1.15	**3.70 – 7.60**	1.15 – 4.00	**3.58 – 15.02**	2.22 – 11.50
Inflation	**2.40**	2.00	**2.00 – 4.00**	2.00 – 2.60	**1.00 – 7.48**	0.49 – 4.59

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 2022 allows for the most recent projection model factors as well as an allowance to reflect the negative future outlook on mortality due to COVID-19. In the Netherlands, the mortality table was updated to reflect the latest available mortality table (AG 2022 table, published in September 2022). In Ireland, the mortality table was updated to reflect the table used in the latest tri-annual valuation (as per 1 January 2022). 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	
	2022	2021	2022	2021	2022	2021	2022	2021
Longevity at age 65 for current pensioners (years)								
Male	**22.6**	21.9	**20.0**	20.3	**20.6**	20.5	**20.9**	20.7
Female	**25.0**	24.3	**22.4**	22.7	**24.0**	24.0	**23.7**	23.4
Longevity at age 65 for current member aged 45 (years)								
Male	**24.3**	24.2	**20.9**	21.2	**23.4**	23.3	**23.1**	22.8
Female	**26.7**	26.3	**23.6**	23.9	**26.3**	26.2	**25.8**	25.3

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.

25. Employee Benefits continued

Sensitivity Analysis continued

In each case all the other assumptions remain unchanged:

	Increase/(Decrease) in Pension Liabilities	
Change in Assumption	**2022 €m**	2021* €m
Increase discount rate by 0.50%	**(136)**	(227)
Decrease discount rate by 0.50%	**163**	257
Increase inflation rate by 0.50%	**47**	90
Decrease inflation rate by 0.50%	**(45)**	(87)
Increase in life expectancy by one year	**74**	120

* The sensitivity analysis for 2022 has been calculated on the basis of a 50 basis point variance for the discount rate and inflation rate. The analysis presented above for 2021 has been prepared on the same basis. The disclosures within the Annual Report for 2021 were prepared on the basis of a 25 basis point variance with the range for 2022 increased to take account of increased volatility in the market.

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:

	2022			2021		
	Quoted €m	**Unquoted €m**	**Total €m**	Quoted €m	Unquoted €m	Total €m
Equities	**460**	**–**	**460**	794	–	794
Corporate bonds	**292**	**–**	**292**	423	–	423
Government bonds	**516**	**–**	**516**	488	–	488
Property	**112**	**5**	**117**	105	4	109
Cash	**101**	**1**	**102**	166	–	166
Insurance contracts	**–**	**34**	**34**	–	37	37
Liability driven investment	**12**	**–**	**12**	116	–	116
Other	**75**	**–**	**75**	121	22	143
	1,568	**40**	**1,608**	2,213	63	2,276

Included in plan assets at 31 December 2022 under Property is an amount of €5.4 million (2021: €3.7 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 loss on plan assets for the year ended 31 December 2022 was €660 million (2021: a gain of €110 million).

An analysis of the assets held by the plans is as follows:

31 December 2022	**Eurozone €m**	**Rest of Europe €m**	**The Americas €m**	**Total €m**
Equities	**339**	**105**	**16**	**460**
Corporate bonds	**161**	**101**	**30**	**292**
Government bonds	**244**	**272**	**–**	**516**
Property	**82**	**35**	**–**	**117**
Cash	**14**	**87**	**1**	**102**
Insurance contracts	**31**	**3**	**–**	**34**
Liability driven investment	**81**	**(69)**	**–**	**12**
Other	**35**	**27**	**13**	**75**
Fair value of plan assets	**987**	**561**	**60**	**1,608**
Present value of plan liabilities	**(1,364)**	**(673)**	**(86)**	**(2,123)**
Amounts not recognised as assets due to asset ceiling	**–**	**(2)**	**–**	**(2)**
Net pension liability	**(377)**	**(114)**	**(26)**	**(517)**

25. Employee Benefits continued

Analysis of Plan Assets and Liabilities continued

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)

Analysis of the Amount Charged in the Consolidated Income Statement

The following tables set out the components of the defined benefit cost:

	2022 €m	2021 €m
Current service cost	**34**	33
Administrative expenses	**5**	4
Past service cost	**–**	(4)
Gain on settlement	**–**	(3)
Actuarial gain arising on other long-term employee benefits	**(4)**	(1)
Charged to operating profit	**35**	29
Net interest cost on net pension liability	**8**	7
	43	36

The defined benefit cost for 2022 includes a defined benefit cost of nil (2021: €4 million) which relates to other long-term employee benefits.

The expense recognised in the Consolidated Income Statement is charged to the following line items:

	2022 €m	2021 €m
Cost of sales	**18**	12
Administrative expenses	**17**	17
Finance costs	**8**	7
	43	36

Analysis of Actuarial (Losses)/Gains Recognised in the Consolidated Statement of Comprehensive Income

	2022 €m	2021 €m
(Loss)/gain on plan assets (excluding interest income)	**(660)**	110
Actuarial (loss)/gain due to experience adjustments	**(41)**	6
Actuarial gain due to changes in financial assumptions	**746**	54
Actuarial gain due to changes in demographic assumptions	**6**	7
	51	177

Movement in Present Value of Defined Benefit Obligation

	2022 €m	2021 €m
At 1 January	**(2,904)**	(3,075)
Current service cost	**(34)**	(33)
Contributions by plan participants	**(5)**	(5)
Interest cost	**(44)**	(29)
Actuarial gains and losses	**715**	68
Benefits paid by plans	**113**	109
Past service cost	**–**	4
Acquisitions	**–**	(4)
Decrease arising on settlement	**–**	135
Foreign currency translation adjustment	**36**	(74)
At 31 December	**(2,123)**	(2,904)

25. Employee Benefits continued

Movement in Fair Value of Plan Assets

	2022 €m	2021 €m
At 1 January	**2,276**	2,224
Interest income on plan assets	**36**	22
Return on plan assets (excluding interest income)	**(660)**	110
Administrative expenses	**(5)**	(4)
Contributions by employer	**99**	93
Contributions by plan participants	**5**	5
Benefits paid by plans	**(113)**	(109)
Decrease arising on settlements	**–**	(132)
Foreign currency translation adjustment	**(30)**	67
At 31 December	**1,608**	2,276

Movement in Asset Ceiling

	2022 €m	2021 €m
At 1 January	**(2)**	(2)
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:	Netherlands Projected Amounts €m	United Kingdom Projected Amounts €m	Germany Projected Amounts €m	Ireland Projected Amounts €m	Other Projected Amounts €m
Financial year 2023	**19**	**40**	**18**	**10**	**19**
Financial year 2024	**20**	**41**	**18**	**10**	**17**
Financial years 2025 – 2027	**69**	**128**	**55**	**33**	**72**
Financial years 2028 – 2032	**151**	**231**	**80**	**64**	**125**

The weighted average duration of the defined benefit obligation at 31 December 2022 is 14.82 years (2021: 16.90 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.

25. Employee Benefits continued

Maturity Analysis continued

The expected employee and employer contributions for the year ending 31 December 2023 for the funded schemes are €5 million and €66 million respectively. The expected employer contributions for unfunded schemes for the year ending 31 December 2023 are €27 million and the expected benefit payments made directly by the employer in respect of funded plans for the year ending 31 December 2023 are €1 million.

26. Share-based Payment

Share-based Payment Expense Recognised in the Consolidated Income Statement

	2022 €m	2021 €m
Charge arising from the Deferred Bonus Plan	**23**	21
Charge arising from the Performance Share Plan	**40**	43
	63	64

Social charges relating to equity settled share-based payments in 2022 are €2 million (2021: €5 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 2022, awards were made under the two active plans; the Deferred Bonus Plan ('DBP') and the Performance Share Plan ('PSP').

Deferred Bonus Plan

In May 2018, at the Company's AGM, shareholders approved the adoption of the DBP which replaced the deferred element of the existing long-term incentive plan, the Deferred Annual Bonus Plan ('DABP').

Participants may be granted an award of 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 2022, 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 2022 to eligible employees in respect of the financial year ended 31 December 2021. The fair value of the Deferred Share Awards granted in 2022 was €46.81 (2021: €40.24) which was the market value of the deferred shares granted. At 31 December 2022 there were 1,582,192 outstanding shares (2021: 1,940,041 shares). During 2022, 571,693 shares were granted under the DBP scheme (2021: 528,447 shares).

The total DBP charge for the year comprises a charge pertaining to the Deferred Share Awards granted in respect of 2019, 2020, 2021 and to be granted in respect of 2022. The DBP awards which were granted in 2020 in respect of the financial year ended 31 December 2019 vested in February 2023 and were released to relevant employees. The average market price for the February vesting was €35.89.

Performance Share Plan

In May 2018, at the Company's AGM, shareholders 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 of 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 and 2022 PSP awards, 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.

26. Share-based Payment continued

Performance Share Plan continued

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 2022 award, a rate of 31.5% was used (2021 award: 19.13%). The risk free interest rate used for the 2022 award was 0.723% (2021 award: (0.468%)).

The total PSP charge for the year comprises a charge pertaining to the awards granted in respect of 2020, 2021 and 2022.

A summary of the PSP schemes is presented below:

	Period to Earliest Release Date	Fair Value of EPS, ROCE and Sustainability Components	Fair Value of TSR Component	Number of Shares Initial Award[1]	Net Outstanding At 31 December 2022[2]
Granted in 2020	3 years	€26.70	€14.85	1,706,648	1,753,972
Granted in 2021	3 years	€40.79[3]	€16.11	1,113,325	1,122,636
Granted in 2022	**3 years**	**€40.49**	**€16.91**	**1,423,604**	**1,407,895**

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 2020 vested in February 2023 and were released to the relevant employees. The average market price for the February vesting was €35.89. Details of the performance targets and results for the three-year period to 31 December 2022 are set out in the Remuneration Report.

27. Provisions for Liabilities

	2022 €m	2021 €m
Current	**100**	58
Non-current	**37**	35
	137	93

	Deferred and Contingent Consideration €m	Restructuring €m	Environmental €m	Legal €m	Other €m	Total €m
At 1 January 2022	**10**	**10**	**3**	**26**	**44**	**93**
Made	**8**	**15**	**–**	**38**	**41**	**102**
Released	**–**	**(1)**	**–**	**(5)**	**(1)**	**(7)**
Utilised	**(13)**	**(7)**	**–**	**(3)**	**(30)**	**(53)**
Arising on acquisition	**–**	**–**	**2**	**–**	**–**	**2**
At 31 December 2022	**5**	**17**	**5**	**56**	**54**	**137**

The Group considered the impact of climate-related risks on environmental and remediation provisions. The measurement of our provisions is based on reasonable and supportable assumptions that represent management's current best estimate of the range of economic conditions that will exist in the foreseeable future. As outlined in the Risk Report, the Group has robust processes in place to ensure it is compliant with environmental legislation and regulation and the consideration of climate-related risks have not significantly impacted the provisions for liabilities. The Group also considered the sustainability targets and ambitions outlined in the Sustainability section in the Strategic Report and whether they give rise to any constructive obligations of the Group which would require a provision to be recognised or contingent liability to be disclosed. As any obligation which may arise depends on the future actions of the Group, which are within its control, no provision or contingent liability arises.

Deferred and Contingent Consideration

Deferred and contingent consideration represents the deferred and contingent element of acquisition consideration payable. The balance at 31 December 2022 relates to the acquisition of the following:

- Pusa Pack, Spain (2022) – deferred consideration of €2 million payable in 2023;
- PaperBox, Brazil (2022) – deferred consideration of €2 million payable in 2023; and
- Atlas Packaging, United Kingdom (2022) – deferred consideration of €1 million payable in 2024.

Restructuring

These provisions relate to irrevocable commitments in respect of restructuring programmes throughout the Group. During 2022, the Group incurred an exceptional charge of €14 million in relation to redundancy and reorganisation costs in the Americas, of which €11 million was unpaid at 31 December 2022 and is expected to be paid in 2023.

27. Provisions for Liabilities continued

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.

Legal

Legal represents provisions for certain legal claims the Group is involved in. Provisions are expensed in the Consolidated Income Statement within administrative expenses. 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 €13 million (2021: €7 million); employee compensation in certain countries in which we operate amounting to €18 million (2021: €15 million); and numerous other items which are not individually material and are not readily grouped together.

28. Trade and Other Payables

	Group 2022 €m	Group 2021 €m	**Company 2022 €m**	Company 2021 €m
Amounts falling due within one financial year:				
Trade payables	**1,410**	1,419	**–**	–
Payroll taxes	**39**	43	**–**	–
Value added tax	**117**	106	**–**	–
Social insurance	**50**	47	**–**	–
Accruals	**791**	741	**–**	–
Capital payables	**175**	155	**–**	–
Other payables	**60**	52	**–**	–
Amounts payable to Group companies	**–**	–	**98**	3
	2,642	2,563	**98**	3
Amounts falling due after more than one financial year:				
Other payables	**10**	11	**–**	–
	2,652	2,574	**98**	3

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 2022	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	–	10	–	10
Derivative financial instruments	–	44	4	48
Trade and other receivables*	2,228	–	–	2,228
Cash and cash equivalents	777	–	–	777
Restricted cash	11	–	–	11
	3,016	54	4	3,074

* Excludes statutory taxes and prepayments.

At 31 December 2022 the financial assets of the Company of €474 million consist of assets at amortised cost (2021: €233 million).

31 December 2022	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	–	–	3,780	3,780
Derivative financial instruments	16	9	–	25
Trade and other payables*	–	–	2,121	2,121
Deferred consideration	–	–	5	5
	16	9	5,906	5,931

* Excludes statutory taxes and employee benefits.

At 31 December 2022 the financial liabilities of the Company of €98 million consist of other financial liabilities (2021: €3 million).

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.

At 31 December 2021 the financial assets of the Company of €233 million consist of assets at amortised cost.

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.

At 31 December 2021 the financial liabilities of the Company of €3 million consist of other financial liabilities.

29. Financial Instruments continued

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 programmes 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.

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 may enter into interest rate swaps, options and forward rate agreements.

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 may also hedge 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 2022, the Group had fixed an average of 97% (2021: 97%) 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 €8 million assuming a one percent increase in interest rates earned on such balances over the following twelve months.

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). At the end of 2022, approximately 99% (2021: 99%) of its non-euro denominated net assets consisted of the Swedish Krona 19% (2021: 19%), Sterling 14% (2021: 17%), Latin American currencies 45% (2021: 40%), US Dollar 8% (2021: 7%) and Eastern European currencies 13% (2021: 16%). The Group believes that a strengthening of the euro exchange rate by 1% against all other foreign currencies from the 31 December 2022 rate would reduce shareholders' equity by approximately €26 million (2021: €25 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.

29. Financial Instruments continued

Key Financial Risks and Financial Risk Management Resulting from the Use of Financial Instruments and Related Sensitivity Analysis continued

Commodity Price Risk continued

Containerboard continued

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 2022 and 2021, 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 2022 and 2021, 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 2022, with a corresponding effect on Group production costs. Natural gas prices, relevant to the Group, started the year at €83.23 per megawatt-hour, increased to €308.23 in August 2022 and decreased to €116.16 per megawatt-hour in December 2022, giving an average price of €120.91 for 2022 (2021: average price of €48.10). 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.

2022 was characterised by unprecedented cost inflation, especially in energy, which moderated in the latter part of the year. The Group's overall energy costs increased by approximately 90% when compared with 2021 mainly due to higher energy market prices and increased usage due to the acquisition of the Verzuolo mill in October 2021.

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 cash equivalents and undrawn committed facilities and which represents the amount of available cash headroom in the Group's funding structure) was as follows:

	2022 €m	2021 €m
Cash and cash equivalents	**788**	869
Committed undrawn facilities	**1,655**	1,655
Liquidity reserve	**2,443**	2,524
Borrowings due within one year – contractual undiscounted cash flows	**(264)**	(237)
Net position	**2,179**	2,287

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 2022; and the Group has cash and cash equivalents of €788 million at 31 December 2022. The Group reassessed the classification of restricted cash during the year as a result of an agenda decision by the IFRS Interpretations Committee in 2022. Consequently restricted cash is now included as cash and cash equivalents in the Consolidated Statement of Cash Flows. As a result of this reassessment, the comparative balances for cash and cash equivalents for 2021 have been increased by €14 million.

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.

29. Financial Instruments continued

Key Financial Risks and Financial Risk Management Resulting from the Use of Financial Instruments and Related Sensitivity Analysis continued

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 2022, the net debt to EBITDA ratio of the Group was 1.3 times (net debt of €2,992 million) which compares to 1.7 times (net debt of €2,885 million) at the end of 2021. This gives the Group continuing headroom compared to the actual covenant level at 31 December 2022 of 3.75 times.

On the basis of pre-exceptional operating profit, the Group's return on capital employed was 21.8% compared to 16.0% in 2021. 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 2022 was €8,030 million (2021: €7,277 million).

The capital employed of the Company at 31 December 2022 was €2,955 million (2021: €2,915 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 2022 of €788 million, 38% was with financial institutions in the A rating category of Standard & Poor's or Moody's and 53% was with financial institutions in the AA/Aa or higher rating category.

The remaining 9% was largely represented by cash held with banks in Latin America which fell outside the A or higher ratings categories. At 31 December 2022, 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.

29. Financial Instruments continued

Key Financial Risks and Financial Risk Management Resulting from the Use of Financial Instruments and Related Sensitivity Analysis continued

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:

	2022 €m	2021 €m
Non-current derivative assets		
Cash flow hedges:		
Cross currency swaps	**2**	2
Total non-current derivative assets	**2**	2
Current derivative assets		
Cash flow hedges:		
Foreign currency forwards	**1**	–
Cross currency swaps	**1**	–
Not designated as hedges:		
Foreign currency forwards	**1**	1
Cross currency swaps	**34**	2
Energy hedging contracts	**9**	5
Total current derivative assets	**46**	8
Total derivative assets	**48**	10
Non-current derivative liabilities		
Cash flow hedges:		
Foreign currency forwards	**(1)**	–
Cross currency swaps	**(3)**	(7)
Total non-current derivative liabilities	**(4)**	(7)
Current derivative liabilities		
Cash flow hedges:		
Foreign currency forwards	**(5)**	(1)
Not designated as hedges:		
Foreign currency forwards	**(1)**	–
Cross currency swaps	**(6)**	(6)
Energy hedging contracts	**(9)**	(7)
Total current derivative liabilities	**(21)**	(14)
Total derivative liabilities	**(25)**	(21)
Net asset/(liability) on derivative financial instruments	**23**	(11)

29. Financial Instruments continued

Fair Value Hierarchy

Fair value measurement at 31 December 2022	Level 1 €m	Level 2 €m	Level 3 €m	Total €m
Other investments:				
Listed	**2**	**–**	**–**	**2**
Unlisted	**–**	**8**	**–**	**8**
Derivative financial instruments:				
Assets at fair value through profit or loss	**–**	**44**	**–**	**44**
Derivatives used for hedging	**–**	**4**	**–**	**4**
Derivative financial instruments:				
Liabilities at fair value through profit or loss	**–**	**(16)**	**–**	**(16)**
Derivatives used for hedging	**–**	**(9)**	**–**	**(9)**
	2	**31**	**–**	**33**

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)	–	–

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 2022 and 31 December 2021:

	Deferred Contingent Consideration €m
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	**–**
Balance at 31 December 2022	**–**

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 2021, 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 and cross currency swaps to swap its variable rate debt into fixed rates. 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).

The Group had no interest rate swaps outstanding in 2021 or 2022.

There was no material ineffectiveness in hedged risk in relation to cross currency swap hedges in 2022 and 2021. 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 in 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 2023 to 2025.

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 2023 and 2024.

The Group's hedging reserves disclosed in Note 23 relate to the following hedging instruments:

	Cost of Hedging Reserve €m	Cross Currency Swaps €m	Foreign Currency Forwards €m	Total Hedge Reserves €m
At 1 January 2022	1	2	(1)	2
Change in fair value of hedging instrument recognised in OCI	–	–	(5)	(5)
Reclassified from OCI to profit or loss – included in finance costs	(1)	(1)	–	(2)
Reclassified from OCI to profit or loss – included in revenue	–	–	1	1
At 31 December 2022	–	1	(5)	(4)

	Cost of Hedging Reserve €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

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*.

29. Financial Instruments continued

Derivatives not Designated as Hedges continued

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.

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 2022 and 31 December 2021. The Group expects to return to a level of fixed rate debt within policy parameters over the medium-term.

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 2022, 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.

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 2022 the Group had entered into €339 million (2021: €347 million) currency equivalent of forward contracts and there were no option contracts outstanding in respect of its day-to-day trading. At 31 December 2022 the Group had also entered into further short-term currency swaps of €1,300 million equivalent (2021: €893 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.

29. Financial Instruments continued

Foreign Exchange Risk Management continued

The effects of these designated foreign currency forwards on the Group's financial position and performance are mainly as follows:

	2022 €m	2021 €m
Foreign currency forwards – sales:		
Carrying amount – liability	**(3)**	(1)
Notional amount	**112**	107
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 2023 – December 2023**	January 2022 – December 2022
Hedge ratio	**1:1**	1:1
Change in fair value of outstanding hedging instrument recognised in OCI	**(4)**	(1)
Change in fair value of hedged item used to determine hedge effectiveness	**1**	1
Weighted average EUR:SEK forward contract rate	**10.85**	10.30
Weighted average GBP:SEK forward contract rate	**12.18**	12.03

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 €46 million (2021: €43 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 2022 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%**
EUR 20	**BRL 106**	**2025**	**CDI + 2.78%**	**Euribor + 2.38%**
EUR 20	**BRL 106**	**2025**	**CDI + 2.76%**	**Euribor + 2.38%**

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

The effects of the cross currency swaps designated as cash flow hedges on the Group's financial position and performance are as follows:

	2022 €m	2021 €m
Hedge of US$ debt:		
Carrying amount – asset/(liability)	**1**	(7)
Notional amount – EUR	**144**	144
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**	November 2023
Hedge ratio	**1:1**	1:1
Change in fair value of outstanding hedging instrument recognised in OCI	**–**	–
Change in fair value of hedged item used to determine hedge effectiveness	**(1)**	–
Weighted average EUR:USD hedged rate	**1.07**	1.07
Hedge – Brazil acquisition funding:		
Carrying amount – (liability)/asset	**(1)**	2
Notional amount – BRL	**469**	257
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 – October 2025**	June 2024
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	**5.65**	5.99

Energy Risk Management

The Group had the following energy hedging contracts outstanding at the end of 31 December 2022 and 2021. Gains and losses recorded in respect of these contracts have been set out elsewhere in this note.

	2022		2021	
	Notional	**Maturity**	Notional	Maturity
Energy contracts	**€4 million**	**Q1 2023 – Q4 2024**	€7 million	Q1 2022 – 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 2022	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	7.55%	–	–	–	276	–	276
2025 notes	2.96%	–	–	–	252	–	252
2026 notes	3.04%	–	–	–	1,008	–	1,008
2027 notes	1.66%	–	–	–	748	–	748
2029 green notes	0.64%	–	–	–	–	496	496
2033 green notes	1.10%	–	–	–	–	497	497
Bank loans/overdrafts	5.88%	9	–	1	5	–	15
Total		9	–	1	2,289	993	3,292
Leases	2.95%	12	10	34	127	191	374
Total fixed rate liabilities		21	10	35	2,416	1,184	3,666
Floating rate instruments							
Assets:							
Cash and cash equivalents	2.08%	777	–	–	–	–	777
Restricted cash	0.33%	11	–	–	–	–	11
Total floating rate assets		788	–	–	–	–	788
Liabilities:							
Revolving credit facility	46.90%	4	–	–	–	–	4
2026 €100 million receivables securitisation	8.55%	4	–	–	–	–	4
2026 €230 million receivables securitisation	6.42%	11	–	–	–	–	11
Bank loans/overdrafts	10.64%	95	–	–	–	–	95
Total floating rate liabilities		114	–	–	–	–	114
Total net position		653	(10)	(35)	(2,416)	(1,184)	(2,992)

29. Financial Instruments continued

Effective Interest Rates and Repricing Analysis continued

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)

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 2022	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		–	2,121	–	–	–	2,121
Revolving credit facility	3.1	–	–	–	8	–	8
2026 €100 million receivables securitisation	3.1	–	–	–	5	–	5
2026 €230 million receivables securitisation	3.9	–	–	–	13	–	13
Bank loans/overdrafts	1.1	17	53	23	16	1	110
2025 debentures	2.9	–	21	21	315	–	357
2025 notes	2.1	–	7	7	260	–	274
2026 notes	3.0	–	29	29	1,043	–	1,101
2027 notes	4.7	–	11	11	784	–	806
2029 green notes	6.7	–	3	3	7	505	518
2033 green notes	10.7	–	5	5	15	530	555
		17	2,250	99	2,466	1,036	5,868
Leases	4.7	–	104	74	139	108	425
		17	2,354	173	2,605	1,144	6,293
Derivative liabilities		–	10	–	–	–	10
Deferred consideration		–	4	1	–	–	5
Total liabilities		17	2,368	174	2,605	1,144	6,308

29. Financial Instruments continued
Liquidity Analysis continued

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

The financial liabilities of the Company of €98 million (2021: €3 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 2022	**Less Than 1 Year €m**	**1-2 Years €m**	**2-5 Years €m**	**Total €m**
Liabilities:				
Cross currency swaps	**(1,413)**	**(48)**	**(35)**	**(1,496)**
Foreign currency forwards	**(318)**	**(4)**	**(2)**	**(324)**
Total outflow	**(1,731)**	**(52)**	**(37)**	**(1,820)**
Assets:				
Cross currency swaps	**1,304**	**199**	**42**	**1,545**
Foreign currency forwards	**314**	**3**	**2**	**319**
Total inflow	**1,618**	**202**	**44**	**1,864**

31 December 2021	Less Than 1 Year €m	1-2 Years €m	2-5 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

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 2022 and 2021 the Company had no material financial assets or liabilities denominated in foreign currencies.

31 December 2022	Euro €m	Sterling €m	Latin America* €m	US Dollar €m	Other €m	Total €m
Trade and other receivables	1,278	180	269	260	241	2,228
Listed and unlisted debt instruments	10	–	–	–	–	10
Cash and cash equivalents	576	40	42	101	18	777
Restricted cash	9	–	1	–	1	11
Total assets	1,873	220	312	361	260	3,026
Trade and other payables	1,323	142	203	237	216	2,121
Revolving credit facility	(3)	–	–	7	–	4
2026 €100 million receivables securitisation	4	–	–	–	–	4
2026 €230 million receivables securitisation	11	–	–	–	–	11
Bank loans/overdrafts	25	–	66	18	1	110
2025 debentures	–	–	–	276	–	276
2025 notes	252	–	–	–	–	252
2026 notes	1,008	–	–	–	–	1,008
2027 notes	748	–	–	–	–	748
2029 green notes	496	–	–	–	–	496
2033 green notes	497	–	–	–	–	497
	4,361	142	269	538	217	5,527
Leases	166	58	15	123	12	374
Deferred consideration	5	–	–	–	–	5
Total liabilities	4,532	200	284	661	229	5,906
Impact of foreign exchange contracts	(492)	157	117	135	(67)	(150)
Total (liabilities)/assets	(2,167)	(137)	(89)	(435)	98	(2,730)

* 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 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.

29. Financial Instruments continued

Fair Value

	2022		2021	
	Carrying Value €m	**Fair Value €m**	Carrying Value €m	Fair Value €m
Trade and other receivables[1]	**2,228**	**2,228**	2,006	2,006
Listed and unlisted debt instruments[2]	**10**	**10**	11	11
Cash and cash equivalents[3]	**777**	**777**	855	855
Derivative assets[4]	**48**	**48**	10	10
Restricted cash[3]	**11**	**11**	14	14
	3,074	**3,074**	2,896	2,896
Trade and other payables[1]	**2,121**	**2,121**	2,082	2,082
Revolving credit facility[5]	**4**	**4**	2	2
2026 €100 million receivables securitisation[3]	**4**	**4**	4	4
2026 €230 million receivables securitisation[3]	**11**	**11**	11	11
Bank overdrafts[3]	**110**	**110**	101	101
2025 debentures[6]	**276**	**297**	260	318
2025 notes[6]	**252**	**246**	251	270
2026 notes[6]	**1,008**	**981**	1,007	1,103
2027 notes[6]	**748**	**672**	747	786
2029 green notes[6]	**496**	**385**	495	489
2033 green notes[6]	**497**	**349**	496	490
	5,527	**5,180**	5,456	5,656
Derivative liabilities[4]	**25**	**25**	21	21
Deferred consideration[7]	**5**	**5**	10	10
	5,557	**5,210**	5,487	5,687
Total net position	**(2,483)**	**(2,136)**	(2,591)	(2,791)

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).
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.

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 and Associates

The Consolidated Financial Statements include the Financial Statements of the Company and its subsidiaries and associates as documented in the accounting policies on page 166. A listing of the principal subsidiaries is provided on page 222.

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*.

The Group conducts certain transactions with associates in the normal course of business which are summarised as follows:

	2022 €m	2021 €m
Sale of goods	**6**	3
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 €1 million (2021: €2 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.

30. Related Party Transactions continued

The payables to related parties are nil in the current year (2021: nil).

No provision has been made in 2022 or 2021 relating to balances with related parties.

Transactions with Other Related Parties

In 2022, the Group provided funding of €2.4 million to the Smurfit Kappa Foundation. There were no other significant transactions with other related parties during 2022 or 2021.

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.

	2022 €m	2021 €m
Short-term employee benefits	5	5
Share-based payment expense	5	5
	10	10

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 2022 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:

- Argencraft, (100%, 1 April 2022) a corrugated facility in Argentina;
- Atlas Packaging, (100%, 29 April 2022), a corrugated packaging company in the United Kingdom;
- PaperBox (100%, 3 October 2022) a packaging plant in Brazil; and
- Pusa Pack (100%, 31 October 2022) a bag-in-box packaging plant in Spain.

The table below reflects the provisional fair values of the identifiable net assets acquired in respect of the acquisitions completed during the year. 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 2023 Annual Report. None of the business combinations completed during the year were considered sufficiently material to warrant separate disclosure of the fair values attributable to those combinations.

	Total* €m
Non-current assets	
Property, plant and equipment	58
Right-of-use assets	4
Intangible assets	37
Current assets	
Inventories	7
Trade and other receivables	21
Cash and cash equivalents	6
Non-current liabilities	
Deferred income tax liabilities	(23)
Provisions	(2)
Borrowings	(1)
Current liabilities	
Borrowings	(8)
Trade and other payables	(15)
Current income tax liabilities	(2)
Net assets acquired	82
Goodwill	22
Consideration	104
Settled by:	
Cash	96
Deferred consideration	8
	104

* In addition to the 2022 acquisitions, the amounts also include fair value adjustments in relation to 2021 acquisitions.

31. Business Combinations continued

During 2022 the Group made an amendment to the fair values assigned to the Verzuolo acquisition completed in late 2021. Given the proximity of the transaction to the year-end, the accounting treatment for the acquisition at 31 December 2021 was provisional, and on completion of the fair value exercise in 2022 the Group identified adjustments that were required as outlined below. The adjustments were not of a material nature and therefore have been recognised as movements within 2022 acquisitions in the 2022 Consolidated Financial Statements.

	2022 €m
Increase in property, plant and equipment	**26**
Increase in intangible assets	**21**
Increase in deferred tax liability	**(12)**
Other	**(1)**
Increase in net assets	**34**
Decrease in purchase price	**1**
Decrease in goodwill	**35**

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 arising on business combinations completed in the year is expected to be deductible for tax purposes as at 31 December 2022.

Net cash outflow arising on acquisition	€m
Cash consideration	**96**
Less cash & cash equivalents acquired	**(6)**
Total	**90**

The gross contractual value of trade and other receivables as at the respective dates of acquisition amounted to €21 million. The fair value of these receivables is estimated at €21 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 2022 have contributed €84 million to revenue and €14 million to profit after tax. The proforma revenue and profit after tax of the Group for the year ended 31 December 2022 would have been €12,855 million and €951 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 AGM and from filing it with the Registrar of Companies. A profit after tax of €519 million (2021: a profit after tax of €285 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 de 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 Iurreta, 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 of the 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 (within the meaning of Section 357 (1) (b) of the Companies Act 2014) in the statutory financial statements of such subsidiaries) for the financial year ended 31 December 2022 and as a result such subsidiaries have been exempted from the filing provisions of Section 347 and Section 348 of the Companies Act 2014. The Irish subsidiaries availing of this exemption 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 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 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 Recycling B.V., Smurfit Kappa Development Centre B.V., Smurfit Kappa Paper Services B.V., Smurfit Kappa Roermond Papier 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

	2022 €m	2021 €m
At 1 January	**13**	13
Share of profit for the financial year	**1**	–
Dividends paid	**(1)**	–
At 31 December	**13**	13

A circular approach to benefit the local community

Our Nettingsdorf paper mill in Austria is to provide heating for homes in the surrounding area.

We expect 20,000 homes across three local communities to benefit when the project is completed. The scheme will capture excess heat generated from the Nettingsdorf paper mill to provide heating for local homes, businesses, and schools. Civil works commenced on the project during 2022, with plans for a local elementary school and the kindergarten in Nettingsdorf to be the first premises to benefit in early 2023. This follows a recent €134 million programme of investment at the Nettingsdorf mill which included the installation of a new recovery boiler that allows the recovery of biomass generated in paper pulp production. This boosted energy optimisation and cut CO_2 emissions by 40,000 tonnes annually. Once fully operational, the new central heating network will provide heating to households in the neighbouring villages of Kremsdorf, Haid and Ansfelden and replace the fossil fuels previously used. The production process will generate up to 25 megawatt of heat that will help save approximately 21,000 tonnes of CO_2.

Günter Hochrathner, CEO of Smurfit Kappa Nettingsdorf, said: "This project is another important step forward in advancing sustainability here at our mill in Nettingsdorf. We will capture the waste heat in an innovative and efficient way to sustainably heat homes and businesses."

Garrett Quinn, Chief Sustainability Officer at Smurfit Kappa, added: "Supporting our local communities is every bit as important as our day-to-day business of creating packaging. The innovative district heating scheme underway at Nettingsdorf is the latest example of our community sustainability initiatives, and it will be a great resource for the area."

Commenting on the district heating project, Mayor of Ansfelden, Christian Partoll, said: "This is a momentous occasion, and we are doing everything we can to strive towards becoming a climate-neutral town. "This project has been immensely important for us, and with the help of Smurfit Kappa, it will help create a positive future for our children and grandchildren."

Delivering on our Strategic Priorities

20,000

homes to benefit from the sustainable district heating project

Supplementary Information 224-232

Alternative Performance Measures 226

Shareholder Information 232

Alternative Performance Measures

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	**2022 €m**	2021 €m
Profit for the financial year	CIS	**945**	679
Income tax expense (after exceptional items)	CIS	**348**	234
Exceptional items charged in operating profit	CIS	**223**	–
Net finance costs (after exceptional items)	Note 7	**149**	162
Share of associates' profit (after tax)	CIS	**(3)**	(2)
Share-based payment expense	Note 4	**65**	69
Depreciation, depletion (net) and amortisation	Note 4	**628**	560
EBITDA		**2,355**	1,702

B. EBITDA Margin

Definition

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

	Reference	**2022 €m**	2021 €m
EBITDA	A	**2,355**	1,702
Revenue	CIS	**12,815**	10,107
EBITDA margin		**18.4%**	16.8%

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	**2022 €m**	2021 €m
Operating profit	CIS	**1,439**	1,073
Exceptional items	CIS	**223**	–
Operating profit before exceptional items	CIS	**1,662**	1,073

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 2022	**The Americas 2022**	**Total 2022**	Europe 2021	The Americas 2021	Total 2021
EBITDA						
Currency	**–**	**7%**	**2%**	1%	(2%)	–
Acquisitions/disposals	**1%**	**5%**	**2%**	(1%)	1%	–
Underlying EBITDA change	**41%**	**13%**	**34%**	10%	20%	13%
Reported EBITDA change	**42%**	**25%**	**38%**	10%	19%	13%
Revenue						
Currency	**–**	**7%**	**2%**	–	(3%)	–
Hyperinflation	**–**	**2%**	**–**	–	1%	–
Acquisitions/disposals	**2%**	**4%**	**2%**	1%	1%	–
Underlying revenue change	**24%**	**16%**	**23%**	17%	21%	18%
Reported revenue change	**26%**	**29%**	**27%**	18%	20%	18%

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	**2022 €m**	2021 €m
Borrowings	Note 24	**3,780**	3,754
Less:			
Restricted cash	CBS	**(11)**	(14)
Cash and cash equivalents	CBS	**(777)**	(855)
Net debt		**2,992**	2,885

G. Net Debt to EBITDA

Definition

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

	Reference	**2022 €m**	2021 €m
Net Debt	F	**2,992**	2,885
EBITDA	A	**2,355**	1,702
Net debt to EBITDA (times)		**1.3**	1.7

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	2022 €m	2021 €m
Operating profit before exceptional items	C	**1,662**	1,073
Share of associates' profit (after tax)	CIS	**3**	2
Operating profit before exceptional items plus share of associates' profit (after tax)		**1,665**	1,075
Total equity – current year-end	CBS	**5,038**	4,392
Net debt – current year-end	F	**2,992**	2,885
Capital employed – current year-end		**8,030**	7,277
Total equity – prior year-end	CBS	**4,392**	3,783
Net debt – prior year-end	F	**2,885**	2,375
Capital employed – prior year-end		**7,277**	6,158
Average capital employed		**7,654**	6,718
Return on capital employed		**21.8%**	16.0%

I. Working Capital

Definition

Working capital represents total inventories, trade and other receivables and trade and other payables.

	Reference	2022 €m	2021 €m
Inventories	CBS	**1,231**	1,046
Trade and other receivables (current and non-current)	CBS	**2,438**	2,163
Trade and other payables	CBS	**(2,642)**	(2,563)
Working capital		**1,027**	646

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	2022 €m	2021 €m
Working capital	I	**1,027**	646
Annualised quarterly revenue		**12,361**	11,281
Working capital as a percentage of sales		**8.3%**	5.7%

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 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	**2022 €m**	2021 €m
EBITDA	A	**2,355**	1,702
Exceptional items	K.1	**(3)**	–
Cash interest expense	K.2	**(132)**	(109)
Working capital change	K.3	**(358)**	(114)
Capital expenditure	K.4	**(970)**	(693)
Change in capital creditors	K.4	**(24)**	(14)
Tax paid	CSCF	**(321)**	(239)
Change in employee benefits and other provisions	K.6	**(25)**	(81)
Other	K.7	**23**	3
Free cash flow	L	**545**	455
Italian Competition Authority fine	CSCF	**–**	(124)
Impairment of cash balances held in Russia	L	**(50)**	–
Share buyback	CSCF	**(41)**	–
Purchase of own shares (net)	CSCF	**(28)**	(22)
Sale of businesses and investments	K.8	**–**	37
Purchase of businesses, investments and NCI	K.9	**(110)**	(449)
Dividends	CSCF	**(333)**	(302)
Derivative termination receipts	CSCF	**1**	9
Premium on early repayment of bonds	K.2	**–**	(28)
Net cash outflow		**(16)**	(424)
Acquired net debt	K.10	**(3)**	(25)
Disposed net cash	K.11	**–**	(1)
Deferred debt issue costs amortised	K.12	**(7)**	(10)
Currency translation adjustment	Note 21	**(81)**	(50)
Increase in net debt		**(107)**	(510)

K.1 Exceptional Items

	2022 €m	2021 €m
Reorganisation and restructuring costs – paid	**(3)**	–
Per summary cash flow	**(3)**	–

K.2 Cash Interest Expense

	Reference	**2022 €m**	2021 €m
Interest paid	CSCF	**(135)**	(152)
Interest received	CSCF	**9**	3
Move in accrued interest	K.12	**(6)**	3
Initial cost of bonds repaid	Note 21	**–**	9
Premium on early repayment of bonds	K	**–**	28
Per summary cash flow		**(132)**	(109)

K.3 Working Capital Change

	Reference	**2022 €m**	2021 €m
Net movement in working capital	CSCF	**(350)**	(114)
Impairment loss on Russian trade receivables	L	**(8)**	–
Per summary cash flow		**(358)**	(114)

K. Summary Cash Flow continued

K.4 Capital Expenditure

	Reference	2022 €m	2021 €m
Additions to property, plant and equipment and biological assets	CSCF	**(873)**	(594)
Additions to intangible assets	CSCF	**(17)**	(21)
Additions to right-of-use assets	Note 12	**(104)**	(92)
Change in capital creditors	K	**24**	14
Per summary cash flow		**(970)**	(693)

K.5 Capital Expenditure as a Percentage of Depreciation

	Reference	2022 €m	2021 €m
Capital expenditure	K.4	**970**	693
Depreciation, depletion (net) and amortisation	A	**628**	560
Capital expenditure as a percentage of depreciation		**155%**	124%

K.6 Change in Employee Benefits and Other Provisions

	Reference	2022 €m	2021 €m
Change in employee benefits and other provisions	CSCF	**(19)**	(81)
Reorganisation and restructuring costs – unpaid	K.6.1	**(11)**	–
Right-of-use asset retirement obligations	K.12	**5**	–
Per summary cash flow		**(25)**	(81)

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 2022 are shown as a separate line item within 'Exceptional items' in the summary cash flow.

K.7 Other

	Reference	2022 €m	2021 €m
Other within the summary cash flow comprises the following:			
Amortisation of capital grants	CSCF	**(4)**	(3)
Profit on sale of property, plant and equipment	CSCF	**(7)**	(8)
Other (primarily hyperinflation adjustments)	CSCF	**8**	5
Receipt of capital grants	CSCF	**6**	5
Disposal of property, plant and equipment	CSCF	**12**	16
Dividends received from associates	CSCF	**1**	1
Right-of-use asset terminations/modifications	L	**7**	(13)
Per summary cash flow		**23**	3

K.8 Sale of Businesses and Investments

	Reference	2022 €m	2021 €m
Disposal of subsidiaries (net of disposed cash)	CSCF	**–**	33
Disposed cash and cash equivalents	K.11	**–**	4
Per summary cash flow		**–**	37

K.9 Purchase of Businesses, Investments and NCI

	Reference	2022 €m	2021 €m
Purchase of subsidiaries (net of acquired cash)	CSCF	**(90)**	(413)
Deferred consideration paid	CSCF	**(14)**	(35)
Acquired cash and cash equivalents	K.10	**(6)**	(1)
Per summary cash flow		**(110)**	(449)

K. Summary Cash Flow continued

K.10 Acquired Net Debt

	Reference	**2022 €m**	2021 €m
Acquired debt	Note 21	**(9)**	(26)
Acquired cash and cash equivalents	K.9	**6**	1
Per summary cash flow		**(3)**	(25)

K.11 Disposed Net Cash

	Reference	**2022 €m**	2021 €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	**2022 €m**	2021 €m
Deferred debt issue costs amortised	K	**(7)**	(10)
Additions to right-of-use assets	K.4	**(104)**	(92)
Right-of-use asset terminations/modifications	L	**7**	(13)
Move in accrued interest	K.2	**(6)**	3
Right-of-use asset retirement obligations	K.6	**5**	–
Lease modifications	CSCF	**3**	–
Other		**1**	–
Other non-cash movements	Note 21	**(101)**	(112)

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	**2022 €m**	2021 €m
Free cash flow	K	**545**	455
Reconciling items:			
Cash interest expense	K.2	**132**	109
Capital expenditure (net of change in capital creditors)	K.4	**994**	707
Tax payments	CSCF	**321**	239
Disposal of property, plant and equipment	CSCF	**(12)**	(16)
Right-of-use asset terminations/modifications	K.7	**(7)**	13
Receipt of capital grants	CSCF	**(6)**	(5)
Dividends received from associates	CSCF	**(1)**	(1)
Italian Competition Authority fine	CSCF	**–**	(124)
Impairment loss on Russian trade receivables	K.3	**(8)**	–
Impairment of cash balances held in Russia	K	**(50)**	–
Cash generated from operations	CSCF	**1,908**	1,377

Shareholder Information

Ordinary Shareholdings

On 31 December 2022, 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	232	76.32	86,438	0.03
1,001 – 5,000	62	20.39	141,178	0.06
5,001 – 10,000	6	1.97	42,415	0.02
10,001 – 100,000	3	0.99	61,830	0.02
100,001 – 500,000	–	–	–	–
Over 500,000	1	0.33	258,701,898	99.87
Total	**304**	**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	28 April 2023
Interim results announcement	2 August 2023

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 7117, Dublin 2, Ireland
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. 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 AGM. 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 AGM through the respective systems.

Confirmation of rights to use the trademarks:

FSC
www.fsc.org
FSC® C095396
The mark of responsible forestry

PEFC™
PEFC/04-31-1546
Promoting Sustainable Forest Management
www.pefc.co.uk

WORLD LAND TRUST™
www.carbonbalancedpaper.com
CBP017361

FSC
www.fsc.org
MIX
Paper from responsible sources
FSC® C169547

Printed on material from well-managed, FSC®-certified forests and other controlled sources.

This publication was printed by an FSC®-recognised printer that holds an ISO 14001 certification.

Designed and produced by emperor
Visit us at emperor.works

Smurfit Kappa Group plc
Beech Hill, Clonskeagh,
Dublin 4, D04 N2R2 Ireland
+353 1 202 7000

smurfitkappa.com

20230620269835

Årsredovisning

för

Smurfit Kappa Packaging Sweden AB

556596-1348

Räkenskapsåret

2022

Fastställelseintyg

Undertecknad styrelseledamot i Smurfit Kappa Packaging Sweden AB intygar att resultaträkningen och balansräkningen i årsredovisningen har fastställts på årsstämma 2023-06-08. Årsstämman beslutade att godkänna styrelsens förslag till resultatdisposition.

Jag intygar också att innehållet i årsredovisningen och revisionsberättelsen stämmer överens med originalen.

Piteå 2023- 06-08

Per Swärd

20230620026984

Årsredovisning

för

Smurfit Kappa Packaging Sweden AB

556596-1348

Räkenskapsåret

2022

Fotokopians överensstämmelse
med orginalet intygas:
.....
F Lundberg

Smurfit Kappa

20230620226985

Styrelsen för Smurfit Kappa Packaging Sweden AB avger följande årsredovisning för räkenskapsåret 2022.

Årsredovisningen är upprättad i svenska kronor, SEK. Om inte annat särskilt anges, redovisas alla belopp i tusentals kronor (Tkr). Uppgifter inom parentes avser föregående år.

Förvaltningsberättelse

Information om verksamheten

Smurfit Kappa Packaging Sweden AB är ett s k holdingbolag och har ingen annan operativ verksamhet. Bolagets uppgift är att äga och förvalta aktierna. Ingen förändring har ägt rum i bolaget de senaste åren. Företaget har sitt säte i Piteå.

Väsentliga händelser under räkenskapsåret

Som svar på kriget i Ukraina beslutade Smurfit Kappa-gruppen och företaget i april 2022 att lämna sin verksamhet på den ryska marknaden på ett ordnat sätt. Bolaget genomförde en försäljningsprocess och slöt ett avtal om att sälja sin ryska verksamhet den 28 oktober 2022.

Väsentliga händelser efter räkenskapsårets slut

Den 31 december 2022 förblev slutförandet av transaktionen villkorad av att myndighetsgodkännande erhölls från de ryska myndigheterna. Bolaget skrev ned värdet på sin investering till noll under det räkenskapsår som slutade den 31 december 2022. De ryska myndigheterna beviljade godkännande att avyttra aktierna den 14 mars 2023. Transaktionen slutfördes den 17 mars 2023.

Ägarförhållanden

Bolaget är ett helägt dotterbolag till Smurfit Kappa Packaging B.V (Holland) och ingår sedan 2001-05-17 i den koncern vari Smurfit Kappa B.V (Holland) är moderbolag. Denna koncern förvärvades i sin tur 2005-12-01 av JSG Packaging Limited som därefter har namnändrat till Smurfit Kappa Group Plc (Irland reg nr 380 541).

Flerårsöversikt (Tkr)	**2022**	**2021**	**2020**	**2019**
Nettoomsättning	0	0	0	0
Resultat efter finansiella poster	1 164 263	831 505	-12 931	-75 427
Balansomslutning	7 249 105	6 640 934	7 160 249	7 144 360
Soliditet (%)	31,4	24,8	16,7	16,0

För definitioner av nyckeltal, se Redovisnings- och värderingsprinciper.

20230620206986

Förändringar i eget kapital (Tkr)

	Aktie-kapital	Reserv-fond	Balanserat resultat	Årets resultat	Totalt
Belopp vid årets ingång	5 336	1 067	457 442	1 186 188	**1 650 033**
Disposition enligt beslut av årets årsstämma:					
Utdelning			-800 000		**-800 000**
Balanseras i ny räkning			1 186 188	-1 186 188	**0**
Årets resultat				1 424 116	**1 424 116**
Belopp vid årets utgång	**5 336**	**1 067**	**843 630**	**1 424 116**	**2 274 149**

Förslag till vinstdisposition
Styrelsen föreslår att till förfogande stående vinstmedel (kronor):

balanserad vinst	843 630 224
årets vinst	1 424 115 830
	2 267 746 054

disponeras så att	
till aktieägare utdelas (29 986 kronor per aktie)	1 600 000 000
i ny räkning överföres	667 746 054
	2 267 746 054

Styrelsen föreslås bemyndigas att besluta om tidpunkt då utdelningen skall betalas.

Styrelsen anser att förslaget är förenligt med försiktighetsregeln i 17 kap. 3 § aktiebolagslagen enligt följande redogörelse: Styrelsens uppfattning är att vinstutdelningen är försvarlig med hänsyn till de krav verksamhetens art, omfattning och risk ställer på storleken på det egna kapitalet, bolagets konsolideringsbehov, likviditet och ställning i övrigt.

Företagets resultat och ställning i övrigt framgår av efterföljande resultat- och balansräkning med noter.

20230620226987

Resultaträkning
Tkr

	Not	2022-01-01 -2022-12-31	2021-01-01 -2021-12-31
Nettoomsättning		0	0
		0	**0**
Rörelsens kostnader			
Övriga externa kostnader		-6 058	-9
Rörelseresultat		**-6 058**	**-9**
Resultat från finansiella poster			
Resultat från andelar i koncernföretag	2	1 261 417	900 000
Övriga ränteintäkter och liknande resultatposter	3	47 740	52 035
Räntekostnader och liknande resultatposter	4	-138 835	-120 520
Summa resultat från finansiella poster		**1 170 322**	**831 514**
Resultat efter finansiella poster		**1 164 263**	**831 505**
Bokslutsdispositioner	5	303 541	414 078
Resultat före skatt		**1 467 804**	**1 245 584**
Skatt på årets resultat	6	-43 765	-59 710
Övriga skatter		77	314
Årets resultat		**1 424 116**	**1 186 188**

20230620226988

Balansräkning

Tkr

	Not	2022-12-31	2021-12-31
TILLGÅNGAR			
Anläggningstillgångar			
Finansiella anläggningstillgångar			
Andelar i koncernföretag	7, 8	3 296 512	4 335 095
Fordringar hos koncernföretag	9	2 838 694	1 538 694
		6 135 207	**5 873 790**
Summa anläggningstillgångar		**6 135 207**	**5 873 790**
Omsättningstillgångar			
Kortfristiga fordringar			
Fordringar hos koncernföretag		1 113 844	766 841
Övriga fordringar		54	303
		1 113 898	**767 144**
Summa omsättningstillgångar		**1 113 898**	**767 144**
SUMMA TILLGÅNGAR		**7 249 105**	**6 640 934**

20230620226989

Balansräkning

Tkr

	Not	2022-12-31	2021-12-31
EGET KAPITAL OCH SKULDER			
Eget kapital	10, 11		
Bundet eget kapital			
Aktiekapital		5 336	5 336
Reservfond		1 067	1 067
		6 403	**6 403**
Fritt eget kapital			
Balanserad vinst eller förlust		843 630	457 442
Årets resultat		1 424 116	1 186 188
		2 267 746	**1 643 630**
Summa eget kapital		**2 274 149**	**1 650 033**
Långfristiga skulder			
Skulder till koncernföretag	12	4 931 190	4 931 190
Summa långfristiga skulder		**4 931 190**	**4 931 190**
Kortfristiga skulder			
Aktuella skatteskulder		43 765	59 710
Summa kortfristiga skulder		**43 765**	**59 710**
SUMMA EGET KAPITAL OCH SKULDER		**7 249 105**	**6 640 934**

20230620269930

Noter
Tkr

Not 1 Redovisnings- och värderingsprinciper

Allmänna upplysningar
Årsredovisningen är upprättad i enlighet med årsredovisningslagen och BFNAR 2012:1 Årsredovisning och koncernredovisning (K3).

Fordringar och skulder i utländsk valuta har värderats till balansdagens kurs. Kursvinster och kursförluster på rörelsefordringar och rörelseskulder redovisas i rörelseresultatet medan kursvinster och kursförluster på finansiella fordringar och skulder redovisas som finansiella poster.

För säkring av tillgång eller skuld mot valutakursrisk används valutaterminer.

Redovisningsprinciperna är oförändrade jämfört med föregående år.

Intäktsredovisning
Intäkter har tagits upp till verkligt värde av vad som erhållits eller kommer att erhållas och redovisas i den omfattning det är sannolikt att de ekonomiska fördelarna kommer att tillgodogöras bolaget och intäkterna kan beräknas på ett tillförlitligt sätt.

Finansiella instrument
Andelar i dotterföretag
Andelar i dotterföretag redovisas till anskaffningsvärde efter avdrag för eventuella nedskrivningar. I anskaffningsvärdet ingår köpeskillingen som erlagts för aktierna samt förvärvskostnader. Eventuella kapitaltillskott läggs till anskaffningsvärdet när de uppkommer.

Kundfordringar/kortfristiga fordringar
Kundfordringar och kortfristiga fordringar redovisas som omsättningstillgångar till det belopp som förväntas bli inbetalt efter avdrag för individuellt bedömda osäkra fordringar.

Inkomstskatter
Total skatt utgörs av aktuell skatt och uppskjuten skatt. Skatter redovisas i resultaträkningen, utom då underliggande transaktion redovisas direkt mot eget kapital varvid tillhörande skatteeffekter redovisas i eget kapital.

Aktuell skatt
Aktuell skatt avser inkomstskatt för innevarande räkenskapsår samt den del av tidigare räkenskapsårs inkomstskatt som ännu inte redovisats. Aktuell skatt beräknas utifrån den skattesats som gäller per balansdagen.

Uppskjuten skatt
Uppskjuten skatt är inkomstskatt som avser framtida räkenskapsår till följd av tidigare händelser. Redovisning sker enligt balansräkningsmetoden. Enligt denna metod redovisas uppskjutna skatteskulder och uppskjutna skattefordringar på temporära skillnader som uppstår mellan bokförda respektive skattemässiga värden för tillgångar och skulder samt för övriga skattemässiga avdrag eller underskott.

20230620226991

Uppskjutna skattefordringar nettoredovisas mot uppskjutna skatteskulder endast om de kan betalas med ett nettobelopp. Uppskjuten skatt beräknas utifrån gällande skattesats på balansdagen. Effekter av förändringar i gällande skattesatser resultatförs i den period förändringen lagstadgats. Uppskjuten skattefordran redovisas som finansiell anläggningstillgång och uppskjuten skatteskuld som avsättning.

Uppskjuten skattefordran avseende underskottsavdrag eller andra framtida skattemässiga avdrag redovisas i den omfattning det är sannolikt att avdragen kan avräknas mot framtida skattemässiga överskott.

På grund av sambandet mellan redovisning och beskattning särredovisas inte den uppskjutna skatteskulden som är hänförlig till obeskattade reserver.

Koncernförhållanden
Företaget är moderföretag men med hänvisning till undantagsreglerna i årsredovisningslagen 7 kap 2§ upprättas ingen egen koncernredovisning. Det överordnade moderföretaget Smurfit Kappa Group Plc, organisationsnummer 380 541 med säte på Irland upprättar koncernredovisning.

Koncernredovisning kan beställas under adress Smurfit Kappa Group Plc, Beech Hill Clonskeagh, Dublin 4, Ireland.

Nyckeltalsdefinitioner
Nettoomsättning
Rörelsens huvudintäkter, fakturerade kostnader, sidointäkter samt intäktskorrigeringar.

Resultat efter finansiella poster
Resultat efter finansiella intäkter och kostnader men före bokslutsdispositioner och skatter.

Balansomslutning
Företagets samlade tillgångar.

Soliditet (%)
Justerat eget kapital (eget kapital och obeskattade reserver med avdrag för uppskjuten skatt) i procent av balansomslutning.

Uppskattningar och bedömningar
Upprättandet av bokslut och tillämpning av redovisningsprinciper, baseras ofta på ledningens bedömningar, uppskattningar och antaganden som anses vara rimliga vid den tidpunkt då bedömningen görs. Uppskattningar och bedömningar är baserade på historiska erfarenheter och ett antal andra faktorer, som under rådande omständigheter anses vara rimliga. Resultatet av dessa används för att bedöma de redovisade värdena på tillgångar och skulder, som inte annars framgår tydligt från andra källor. Det verkliga utfallet kan avvika från dessa uppskattningar och bedömningar. Uppskattningar och antaganden ses över regelbundet.

Enligt företagsledningen är väsentliga bedömningar avseende tillämpade redovisningsprinciper samt källor till osäkerhet i uppskattningar, främst relaterade till värdering av aktier i dotterföretag.

20230620202693

Not 2 Resultat från andelar i koncernföretag

	2022	2021
Erhållna utdelningar	2 300 000	900 000
Nedskrivningar	-1 038 583	0
	1 261 417	**900 000**

Not 3 Övriga ränteintäkter och liknande resultatposter

	2022	2021
Ränteintäkter från koncernföretag	47 739	52 034
Kursdifferenser	1	0
	47 740	**52 035**

Not 4 Räntekostnader och liknande resultatposter

	2022	2021
Räntekostnader till koncernföretag	-138 778	-120 509
Övriga räntekostnader	-11	-12
Kursdifferenser	-45	0
	-138 835	**-120 520**

Not 5 Bokslutsdispositioner

	2022	2021
Erhållna koncernbidrag	303 541	414 078
	303 541	**414 078**

Not 6 Aktuell och uppskjuten skatt

	2022	2021
Skatt på årets resultat		
Aktuell skatt	-43 765	-59 710
	-43 765	**-59 710**

20230620026993

Not 7 Andelar i koncernföretag

	2022-12-31	2021-12-31
Ingående anskaffningsvärden	4 335 095	4 335 095
Utgående ackumulerade anskaffningsvärden	**4 335 095**	**4 335 095**
Årets nedskrivningar	-1 038 583	0
Utgående ackumulerade nedskrivningar	**-1 038 583**	**0**
Utgående redovisat värde	**3 296 512**	**4 335 095**

Nedskrivningsprövning som är gjord i form av impairment test har visat behov av nedskrivning av andelarnas redovisade värde för SK Moskow till 0 kr.

Not 8 Specifikation andelar i koncernföretag

Namn	Kapital-andel	Rösträtts-andel	Antal andelar	Bokfört värde
Smurfit Kappa Kraftliner Piteå AB	100%	100%	10 000 000	3 296 512
AO Smurfit Kappa Moscow Soyuz	100%	100%	12 565	0
				3 296 512

Namn	Org.nr	Säte
Smurfit Kappa Kraftliner Piteå AB	556040-5960	Piteå
AO Smurfit Kappa Moscow Soyuz	102770049426	Moskva

Not 9 Fordringar hos koncernföretag

	2022-12-31	2021-12-31
Ingående anskaffningsvärden	1 538 694	2 556 264
Tillkommande fordringar	1 300 000	0
Avgående fordringar	0	-1 017 570
Utgående ackumulerade anskaffningsvärden	**2 838 694**	**1 538 694**
Utgående redovisat värde	**2 838 694**	**1 538 694**

Not 10 Antal aktier och kvotvärde

Namn	Antal aktier	Kvot-värde
Antal A-Aktier	53 358	100
	53 358	

20230620226994

Not 11 Disposition av vinst eller förlust

	2022-12-31
Förslag till vinstdisposition	
Styrelsen föreslår att till förfogande stående vinstmedel:	
balanserad vinst	843 630
årets vinst	1 424 116
	2 267 746
disponeras så att	
till aktieägare utdelas (29 986 kronor per aktie)	1 600 000
i ny räkning överföres	667 746
	2 267 746

Not 12 Skulder till koncernföretag

	2022-12-31	2021-12-31
Förfallotidpunkt, 1-5 år från balansdagen	-4 931 190	-4 931 190
	-4 931 190	**-4 931 190**

Not 13 Uppgifter om moderföretag

Moderföretag i den största koncern där företaget ingår och som upprättar koncernredovisning är Smurfit Kappa Group Plc med organisationsnummer 380541 med säte i Irland.

Not 14 Väsentliga händelser efter räkenskapsårets slut

Den 31 december 2022 förblev slutförandet av transkationen villkorad av att myndighetsgodkännande erhölls från de ryska myndigheterna. Bolaget skrev ned värdet på sin investering till noll under det räkenskapsår som slutade den 31 december 2022. De ryska myndigheterna beviljade godkännande att avyttra aktierna den 14 mars 2023. Transaktionen slutfördes den 17 mars 2023.

20230620226995

Resultat- och balansräkningen kommer att föreläggas på årsstämma för fastställelse.

2023- 06- 07

Kenneth Bowles
Ordförande

Per Swärd

Lindmark Ulf

Revisorspåteckning

Vår revisionsberättelse har lämnats 2023-

KPMG AB

Hök Olov Forsberg
Auktoriserad revisor

20230620026996

Not 11 Disposition av vinst eller förlust

	2022-12-31
Förslag till vinstdisposition	
Styrelsen föreslår att till förfogande stående vinstmedel:	
balanserad vinst	843 630
årets vinst	1 424 116
	2 267 746
disponeras så att	
till aktieägare utdelas (29 986 kronor per aktie)	1 600 000
i ny räkning överföres	667 746
	2 267 746

Not 12 Skulder till koncernföretag

	2022-12-31	2021-12-31
Förfallotidpunkt, 1-5 år från balansdagen	-4 931 190	-4 931 190
	-4 931 190	**-4 931 190**

Not 13 Uppgifter om moderföretag

Moderföretag i den största koncern där företaget ingår och som upprättar koncernredovisning är Smurfit Kappa Group Plc med organisationsnummer 380541 med säte i Irland.

Not 14 Väsentliga händelser efter räkenskapsårets slut

Den 31 december 2022 förblev slutförandet av transkationen villkorad av att myndighetsgodkännande erhölls från de ryska myndigheterna. Bolaget skrev ned värdet på sin investering till noll under det räkenskapsår som slutade den 31 december 2022. De ryska myndigheterna beviljade godkännande att avyttra aktierna den 14 mars 2023. Transaktionen slutfördes den 17 mars 2023.

20230620026997

Resultat- och balansräkningen kommer att föreläggas på årsstämma för fastställelse.

2023- 06 - 07

Kenneth Bowles
Ordförande

Lindmark Ulf

Per Swärd

Revisorspåteckning

Vår revisionsberättelse har lämnats 2023- 06 -07

KPMG AB

Hök Olov Forsberg
Auktoriserad revisor

20230620026998

Revisionsberättelse

Till bolagsstämman i Smurfit Kappa Packaging Sweden AB, org. nr 556596-1348

Rapport om årsredovisningen

Uttalanden

Vi har utfört en revision av årsredovisningen för Smurfit Kappa Packaging Sweden AB för år 2022.

Enligt vår uppfattning har årsredovisningen upprättats i enlighet med årsredovisningslagen och ger en i alla väsentliga avseenden rättvisande bild av Smurfit Kappa Packaging Sweden ABs finansiella ställning per den 31 december 2022 och av dess finansiella resultat för året enligt årsredovisningslagen. Förvaltningsberättelsen är förenlig med årsredovisningens övriga delar.

Vi tillstyrker därför att bolagsstämman fastställer resultaträkningen och balansräkningen.

Grund för uttalanden

Vi har utfört revisionen enligt International Standards on Auditing (ISA) och god revisionssed i Sverige. Vårt ansvar enligt dessa standarder beskrivs närmare i avsnittet Revisorns ansvar. Vi är oberoende i förhållande till Smurfit Kappa Packaging Sweden AB enligt god revisorssed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

Styrelsens ansvar

Det är styrelsen som har ansvaret för att årsredovisningen upprättas och att den ger en rättvisande bild enligt årsredovisningslagen. Styrelsen ansvarar även för den interna kontroll som den bedömer är nödvändig för att upprätta en årsredovisning som inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller misstag.

Vid upprättandet av årsredovisningen ansvarar styrelsen för bedömningen av bolagets förmåga att fortsätta verksamheten. Den upplyser, när så är tillämpligt, om förhållanden som kan påverka förmågan att fortsätta verksamheten och att använda antagandet om fortsatt drift. Antagandet om fortsatt drift tillämpas dock inte om styrelsen avser att likvidera bolaget, upphöra med verksamheten eller inte har något realistiskt alternativ till att göra något av detta.

Revisorns ansvar

Våra mål är att uppnå en rimlig grad av säkerhet om huruvida årsredovisningen som helhet inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller misstag, och att lämna en revisionsberättelse som innehåller våra uttalanden. Rimlig säkerhet är en hög grad av säkerhet, men är ingen garanti för att en revision som utförs enligt ISA och god revisionssed i Sverige alltid kommer att upptäcka en väsentlig felaktighet om en sådan finns. Felaktigheter kan uppstå på grund av oegentligheter eller misstag och anses vara väsentliga om de enskilt eller tillsammans rimligen kan förväntas påverka de ekonomiska beslut som användare fattar med grund i årsredovisningen.

Som del av en revision enligt ISA använder vi professionellt omdöme och har en professionellt skeptisk inställning under hela revisionen. Dessutom:

- identifierar och bedömer vi riskerna för väsentliga felaktigheter i årsredovisningen, vare sig dessa beror på oegentligheter eller misstag, utformar och utför granskningsåtgärder bland annat utifrån dessa risker och inhämtar revisionsbevis som är tillräckliga och ändamålsenliga för att utgöra en grund för våra uttalanden. Risken för att inte upptäcka en väsentlig felaktighet till följd av oegentligheter är högre än för en väsentlig felaktighet som beror på misstag, eftersom oegentligheter kan innefatta agerande i maskopi, förfalskning, avsiktliga utelämnanden, felaktig information eller åsidosättande av intern kontroll.
- skaffar vi oss en förståelse av den del av bolagets interna kontroll som har betydelse för vår revision för att utforma granskningsåtgärder som är lämpliga med hänsyn till omständigheterna, men inte för att uttala oss om effektiviteten i den interna kontrollen.
- utvärderar vi lämpligheten i de redovisningsprinciper som används och rimligheten i styrelsens uppskattningar i redovisningen och tillhörande upplysningar.
- drar vi en slutsats om lämpligheten i att styrelsen använder antagandet om fortsatt drift vid upprättandet av årsredovisningen. Vi drar också en slutsats, med grund i de inhämtade revisionsbevisen, om huruvida det finns någon väsentlig osäkerhetsfaktor som avser sådana händelser eller förhållanden som kan leda till betydande tvivel om bolagets förmåga att fortsätta verksamheten. Om vi drar slutsatsen att det finns en väsentlig osäkerhetsfaktor, måste vi i revisionsberättelsen fästa uppmärksamheten på upplysningarna i årsredovisningen om den väsentliga osäkerhetsfaktorn eller, om sådana upplysningar är otillräckliga, modifiera uttalandet om årsredovisningen. Våra slutsatser baseras på de revisionsbevis som inhämtas fram till datumet för revisionsberättelsen. Dock kan framtida händelser eller förhållanden göra att ett bolag inte längre kan fortsätta verksamheten.
- utvärderar vi den övergripande presentationen, strukturen och innehållet i årsredovisningen, däribland upplysningarna, och om årsredovisningen återger de underliggande transaktionerna och händelserna på ett sätt som ger en rättvisande bild.

Vi måste informera styrelsen om bland annat revisionens planerade omfattning och inriktning samt tidpunkten för den. Vi måste också informera om betydelsefulla iakttagelser under revisionen, däribland de eventuella betydande brister i den interna kontrollen som vi identifierat.

Rapport om andra krav enligt lagar och andra författningar

Uttalanden

Utöver vår revision av årsredovisningen har vi även utfört en revision av styrelsens förvaltning för Smurfit Kappa Packaging Sweden AB för år 2022 samt av förslaget till dispositioner beträffande bolagets vinst eller förlust.

Vi tillstyrker att bolagsstämman disponerar vinsten enligt förslaget i förvaltningsberättelsen och beviljar styrelsens ledamöter ansvarsfrihet för räkenskapsåret.

20230620026999

Grund för uttalanden

Vi har utfört revisionen enligt god revisionssed i Sverige. Vårt ansvar enligt denna beskrivs närmare i avsnittet Revisorns ansvar. Vi är oberoende i förhållande till Smurfit Kappa Packaging Sweden AB enligt god revisorssed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

Styrelsens ansvar

Det är styrelsen som har ansvaret för förslaget till dispositioner beträffande bolagets vinst eller förlust. Vid förslag till utdelning innefattar detta bland annat en bedömning av om utdelningen är försvarlig med hänsyn till de krav som bolagets verksamhetsart, omfattning och risker ställer på storleken av bolagets egna kapital, konsolideringsbehov, likviditet och ställning i övrigt.

Styrelsen ansvarar för bolagets organisation och förvaltningen av bolagets angelägenheter. Detta innefattar bland annat att fortlöpande bedöma bolagets ekonomiska situation och att tillse att bolagets organisation är utformad så att bokföringen, medelsförvaltningen och bolagets ekonomiska angelägenheter i övrigt kontrolleras på ett betryggande sätt.

Revisorns ansvar

Vårt mål beträffande revisionen av förvaltningen, och därmed vårt uttalande om ansvarsfrihet, är att inhämta revisionsbevis för att med en rimlig grad av säkerhet kunna bedöma om någon styrelseledamot i något väsentligt avseende:

- företagit någon åtgärd eller gjort sig skyldig till någon försummelse som kan föranleda ersättningsskyldighet mot bolaget, eller
- på något annat sätt handlat i strid med aktiebolagslagen, årsredovisningslagen eller bolagsordningen.

Vårt mål beträffande revisionen av förslaget till dispositioner av bolagets vinst eller förlust, och därmed vårt uttalande om detta, är att med rimlig grad av säkerhet bedöma om förslaget är förenligt med aktiebolagslagen.

Rimlig säkerhet är en hög grad av säkerhet, men ingen garanti för att en revision som utförs enligt god revisionssed i Sverige alltid kommer att upptäcka åtgärder eller försummelser som kan föranleda ersättningsskyldighet mot bolaget, eller att ett förslag till dispositioner av bolagets vinst eller förlust inte är förenligt med aktiebolagslagen.

Som en del av en revision enligt god revisionssed i Sverige använder vi professionellt omdöme och har en professionellt skeptisk inställning under hela revisionen. Granskningen av förvaltningen och förslaget till dispositioner av bolagets vinst eller förlust grundar sig främst på revisionen av räkenskaperna. Vilka tillkommande granskningsåtgärder som utförs baseras på vår professionella bedömning med utgångspunkt i risk och väsentlighet. Det innebär att vi fokuserar granskningen på sådana åtgärder, områden och förhållanden som är väsentliga för verksamheten och där avsteg och överträdelser skulle ha särskild betydelse för bolagets situation. Vi går igenom och prövar fattade beslut, beslutsunderlag, vidtagna åtgärder och andra förhållanden som är relevanta för vårt uttalande om ansvarsfrihet. Som underlag för vårt uttalande om styrelsens förslag till dispositioner beträffande bolagets vinst eller förlust har vi granskat styrelsens motiverade yttrande samt ett urval av underlagen för detta för att kunna bedöma om förslaget är förenligt med aktiebolagslagen.

Stockholm den 7 juni 2023

KPMG AB

Hök Olov Forsberg
Auktoriserad revisor

Fotokopians överensstämmelse med orginalet intygas:

.....

Smurfit Kappa

Smurfit Kappa Piteå
Besöksadress: Kolugnsvägen 30
Postadress: 941 86 Piteå
Tel: 0911-970 00
info.kraftliner@smurfitkappa.se
smurfitkappa.se/pitea

Smurfit Kappa

20230620270000

Bolagsverket
Årsredovisningar
851 98 Sundsvall

Piteå den 19 juni 2023

Smurfit Kappa Packaging Sweden AB (556596-1348) – Årsredovisning 2022

Bilagt översänds årsredovisning för ovanstående bolag avseende räkenskapsåret 2022.

Med vänlig hälsning

Fredrik Uusitalo
Skattechef
070- 229 27 90
Fredrik.Uusitalo@smurfitkappa.se

Smurfit Kappa Group public limited company. Registered in Ireland No. 433527. Registered office: Beech Hill, Clonskeagh, Dublin 4, D04 N2R2.