

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Green Finance Instruments
Selection Criteria

Smurfit Kappa Group Plc
10 September 2021

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	<ul style="list-style-type: none">• Green Financial Instruments
Relevant standards	<ul style="list-style-type: none">• ICMA Green Bond Principles 2021• Loan Market Association Green Loan Principles 2021
Scope of verification	<ul style="list-style-type: none">• Smurfit Kappa Group Green Finance Framework (as of 10.09.2021)• Smurfit Kappa Group Selection criteria (as of 10.09.2021)
Lifecycle	<ul style="list-style-type: none">• Pre-issuance verification
Validity	<ul style="list-style-type: none">• Until material changes are made to the Green Finance Framework and selection criteria

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Scope of work

Smurfit Kappa Group (Smurfit Kappa) commissioned ISS ESG to assist with its Green Finance Instruments by assessing three core elements to determine the sustainability quality of the instruments:

1. Green Finance Instrument link to Smurfit Kappa's sustainability strategy – drawing on Smurfit Kappa's overall sustainability profile and issuance-specific Use of Proceeds categories.
2. Smurfit Kappa's Green Finance Framework (August 2021 version) – benchmarked against the International Capital Market Association's (ICMA) Green Bond Principles (GBPs) and Green Loan Principles (GLPs) of the Loan Market Association (LMA).
3. The Selection criteria – whether the projects contribute positively to the UN SDGs and perform against ISS ESG's issue-specific key performance indicators (KPIs) (See Annex 2).

ISS ESG ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION ¹
<p>Part 1:</p> <p>Green Finance Instrument link to issuer's sustainability strategy</p>	<p>According to the ISS ESG Corporate Rating published on 02.09.2021, the issuer shows a high sustainability performance against the industry peer group on key ESG issues faced by the Packaging sector. The issuer is rated 3rd out of 42 companies within its sector.</p> <p>The Use of Proceeds financed through this green finance instrument are consistent with the issuer's sustainability strategy and material ESG topics for the issuer's industry. The rationale for issuing green finance instruments is clearly described by the issuer.</p>	<p>Consistent with the ICMA, LMA Principles</p>
<p>Part 2:</p> <p>Alignment with GBPs, GLPs</p>	<p>The issuer has defined a formal concept for its Green Finance Instruments regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the Green Bond and Green Loan Principles.</p>	<p>Positive</p>
<p>Part 3:</p> <p>Sustainability quality of the Selection criteria</p>	<p>The overall sustainability quality of the selection criteria in terms of sustainability benefits, risk avoidance and minimization is good based upon the ISS ESG assessment. The Green Finance Instrument will (re-)finance eligible asset categories which include: circular economy adapted products, production technologies and processes and environmentally sustainable management of living natural resources and land use.</p> <p>Those use of proceeds categories have a significant contribution to SDG 12 'Responsible Consumption and Production' and a limited contribution to SDG 15 'Life on Land'. The environmental and social risks associated with those use of proceeds categories have been well managed.</p>	<p>Aligned</p>

¹ ISS ESG's evaluation is based on the Smurfit Kappa's Green Finance Framework (September 2021 version), on the analysed Selection criteria as received on the 10.09.2021, and on the ISS ESG Corporate Rating applicable at the SPO delivery date (updated on the 10.09.2021).

ISS ESG SPO ASSESSMENT

PART I: GREEN FINANCE INSTRUMENT LINK TO SMURFIT KAPPA'S SUSTAINABILITY STRATEGY

A. ASSESSMENT OF SMURFIT KAPPA'S ESG PERFORMANCE

The ISS ESG Corporate Rating provides material and forward-looking environmental, social and governance (ESG) data and performance assessments.

COMPANY	SECTOR	DECILE RANK	TRANSPARENCY LEVEL
SMURFIT KAPPA	PACKAGING	1	VERY HIGH

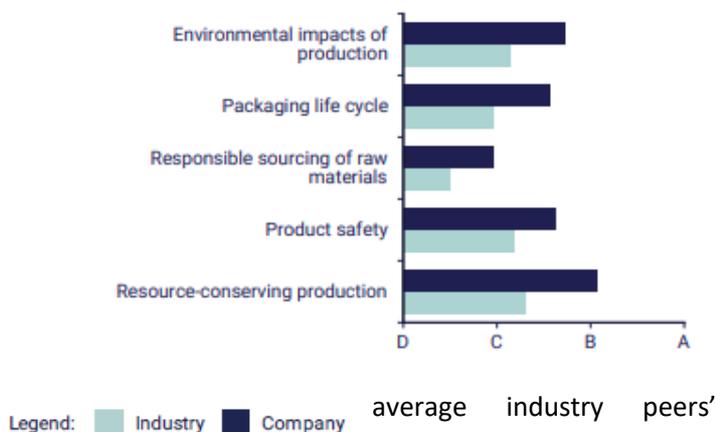
This means that the company currently shows a high sustainability performance against peers on key ESG issues faced by the Packaging sector and obtains a Decile Rank relative to industry group of 1, given that a decile rank of 1 indicates highest relative ESG performance out of 10.

ESG performance

As of 14.07.2021, this Rating places Smurfit Kappa 3rd out of 42 companies rated by ISS ESG in the Packaging sector.

Key challenges faced by companies in terms of sustainability management in this sector are displayed in the chart on the right, as well as the issuer's performance against those key challenges in comparison to the performance.

Key Issue Performance



Sustainability Opportunities

As a paper packaging producer, Smurfit Kappa uses more than 75% recycled fibers (in 2020). Thus, it is estimated that a significant amount of its product portfolio contributes to the global sustainability challenge of resource scarcity, e.g., reusable packaging and packaging based on recycled fibers. Of the 25% of raw materials that are fresh virgin fibers, 58% are from sustainably managed forests certified under the FSC, PEFC and/or SFI schemes and the balance are, at least, from sustainable non-controversial origin, risk assessed through Smurfit Kappa's FSC and/or PEFC Chain of Custody system

and verified by a third party (Controlled Wood status), which contributes to the global sustainability challenge of sustainable forestry².

Sustainability Risks

To ensure product safety in the social domain, Smurfit Kappa has implemented externally verified hygiene management systems at least for its main operations.

In the environmental domain, the company has certified environmental management systems at sites with major environmental impacts and has set up a comprehensive climate change strategy. The company is also committed to setting a science-based greenhouse gas emissions reduction target. In addition, basic steps are taken to ensure environmental management in the supply chain. Regarding the environmental impacts from the value chain of products, the company conducts life cycle assessments to understand the carbon footprint of products, but details and results are not publicly available. Moreover, the company demonstrates convincing measures to enhance material efficiency in its products and production processes. As a paper packaging company, Smurfit Kappa engages in fresh fiber and wood sourcing: The company has established a reasonable sustainable sourcing policy as well as some measures to ensure compliance. Furthermore, there is a general approach to monitor and restrict substances of concern in products.

Governance opinion

The majority of the board members, including the chairman (Irial Finan, as at April 16, 2021), are considered to be independent. The company has established fully independent audit and remuneration committees as well as a partly independent nomination committee. Besides, the company discloses its remuneration policy for some executives, including long-term incentive components.

Regarding the company's governance of sustainability, an entirely independent board committee dealing with sustainability issues has been set up. In addition, remuneration components include general ESG targets to incentivize sustainable value creation. The company's code of conduct covers several important issues including antitrust and insider dealings. Several compliance measures, such as audits, anonymous and confidential reporting channels as well as whistleblower protection, are implemented.

Sustainability impact of products and services portfolio

Using a proprietary methodology, ISS ESG assessed the contribution of Smurfit Kappa's current products and services portfolio to the Sustainable Development Goals defined by the United Nations (UN SDGs). This analysis is limited to the evaluation of final product characteristics and does not include practices along Smurfit Kappa's production process.

PRODUCT/SERVICES PORTFOLIO	ASSOCIATED PERCENTAGE OF REVENUE	DIRECTION OF IMPACT	UN SDGS
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² This assessment differs from that of the ISS ESG Ratings methodology

Products from relevant certified sustainable forestry	15%	CONTRIBUTION	
Products made from recycled materials	70% ³	CONTRIBUTION	
Recycling services	2%	CONTRIBUTION	

Breaches of international norms and ESG controversies

The company is not facing any controversies.

B. CONSISTENCY OF GREEN FINANCE INSTRUMENT WITH SMURFIT KAPPA'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the issuer

Smurfit Kappa's ambition is to deliver sustainable growth for the benefit of all stakeholders, based on three pillars: Planet, People and Impactful Business.

The company's main strategic priorities are presented in the figure below:

EXISTING FOCUS	STRATEGIC TARGET	ACHIEVEMENT SO FAR ⁴
Climate Change	Net Zero: SKG's ambition is to have Net Zero emissions by 2050 with a 55% reduction in fossil fuel emissions intensity by 2030	37.3% reduction in fossil fuel emissions intensity since 2005
Forest	>95% packaging solutions sold as Chain of Custody certified to customers by 2025	93.8% packaging solutions sold as Chain of Custody certified in 2020
Water	60% reduction in Chemical Oxygen Demand intensity ⁵ by 2025	38.2% reduction in Chemical Oxygen Demand intensity since 2005
Waste	30% reduction in waste to landfill intensity by 2025	23.7% reduction in waste to landfill intensity since 2013

³ This percentage was calculated according to ISS ESG internal methodology and refers to products sold by the company. Smurfit Kappa raw material use is composed of 75% recycled fibers.

⁴ Progresses against the company's targets were reported on page 5 of the 2020 Smurfit Kappa Sustainable Development Report and received limited assurance by an external third-party.

⁵ The chemical oxygen demand (COD) test is commonly used to indirectly measure the amount of organic compounds in liquid waste.

Health and Safety	5% reduction in Total Recordable Injury Rate annually	29% reduction in Total Recordable Injury Rate in 2020
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Smurfit Kappa’s purpose is to create innovative and sustainable paper-based packaging solutions for its customers, protect products in transit and precious resources for future generations while caring for each other, the environment, and the planet. At the core of this approach is the fact that Smurfit Kappa operates a circular business.



Figure 1: SKG's Closed Loop cycle

Smurfit Kappa’s activities have a strong focus on circularity. The EU Commission has proposed a categorization system for the circular economy⁶. The proposed system includes 14 circular categories. Group 1 focuses on circular design and production models. Within this group the following categories are relevant to Smurfit Kappa’s business model:

EU CATEGORIZATION FOR CIRCULAR ECONOMY	CIRCULARITY CRITERIA	SMURFIT KAPPA’S BUSINESS MODEL
1.a Design and production of products and assets that enable circular economy strategies through e.g. (i) increased resource efficiency, durability, functionality, modularity, upgradability, easy disassembly, and repair; (ii) use of materials that are	For activities under the circular categories 1.a, 1.b, and 1.c to substantially contribute to a circular economy, they must demonstrate that: 1. The activity results in significant overall net resource savings and impact reductions as compared to a benchmark asset/process that meets the current EU or international industry standards	<ul style="list-style-type: none"> SKG’s circular business model gives it the capability to make its operations restorative. The closed loop model starts with 100% renewable and sustainably sourced primary raw materials. The recyclable, renewable biodegradable nature of corrugated paper packaging is also highly complementary to the EU

⁶ European Commission, Categorization System for the Circular Economy <https://op.europa.eu/o/opportal-service/download-handler?identifier=ca9846a8-6289-11ea-b735-01aa75ed71a1&format=pdf&language=en&productionSystem=cellar&part=>

<p>reusable, recyclable or compostable</p>	<p>2. The activity supports or enables circular value retention or recovery strategies</p>	<p>“single use plastics directive”</p>
<p>1.b Development and deployment of process technologies that enable circular economy strategies;</p>	<p>3. The materials/products/assets produced have comparable or increased quality, properties, technical functionality and application areas as compared to a relevant benchmark that meets the current EU or international industry standards</p>	<ul style="list-style-type: none"> ▪ SKG’s primary raw material are natural fibers 75% of which is recycled.
<p>1.c Development and sustainable production of new materials (including bio-based materials) that are reusable, recyclable or compostable;</p>	<p>4. Bio-based materials used are demonstrably traceable to sustainable biomass production</p>	<ul style="list-style-type: none"> ▪ The remaining 25% of the fresh fibers used are derived from the sustainably sourced virgin fibers. All the fibrous raw materials, recycled and virgin, are Chain of Custody certified to FSC, PEFC or SFI.
<p>1.e Substitution of virgin materials with secondary raw materials and by-products.</p>	<p>AND (in addition only for circular category 1.e)</p> <p>1. Secondary raw materials used satisfy current EU or international or national industry specific standards and legislation</p> <p>2. Secondary raw materials used do not increase safety and health risks for users and the environment throughout value chains.</p>	<ul style="list-style-type: none"> ▪ The material recovery rate from its packages is 84.2% of the weight of the product. ▪ SKG reached its target to sell over 90% of packaging solutions as Chain of Custody certified at the end of 2016, and during 2020 this increased to 93.8%. This ensures that the bio- based materials used are demonstrably traceable ▪ SKG’s corrugated plants recover clippings and send them back to paper production in the mills.

Measures taken by Smurfit Kappa support the alignment of its business model with the categorization system, such as the sourcing of recovered paper, collecting used boxes/containers for further processing, improving recycling rates, designing packaging in such a way that material use is minimized and designed for easy recycling, reducing waste in the production processes, responsible use of water in the production process and increasing energy efficiency. SKG’s measures towards sourcing of recovered paper, collecting used boxes/containers for further processing, and stakeholder engagement programs through training courses and round-table discussions also in part contribute toward the 3.a⁷ and 3.b⁸ categories of the EU categorization system.

⁷ Category 3.a includes the separate collection and reverse logistics of waste as well as redundant products, parts and materials enabling circular value retention and recovery strategies.

⁸ Category 3.b includes recovery of materials from waste in preparation for circular value retention and recovery strategies (excluding feedstock covered under 3.c)

Smurfit Kappa has announced targeting at least net zero emissions by 2050. And with a 37.3% reduction in emissions intensity in 2020 compared to a 2005 baseline, the company is making progresses towards reaching the intermediate 2030 target of 55% reduction in line with the EU Green Deal objectives. Smurfit Kappa has committed to having its intermediate CO₂ reduction target validated by the Science Based Target initiative (“SBTi”). While further targets related to forests, water, waste and health and safety are outlined in the table above.

Rationale for issuance

Circularity has been SKG’s business model since inception. SKG’s operations influence the whole packaged goods value chain. Smurfit Kappa has decided to further integrate the sustainability ambitions at the core of its business model into its funding strategy by developing the Smurfit Kappa Green Finance Framework. The vast majority of the volume of the eligible pool of assets and expenditures will come from the productive assets related to reclamation, recycling, milling and packaging conversion.

This instrument will serve the purpose of financing certified forestry initiatives, responsibly sourced raw materials, and circular production technologies and processes for the production of circular, bio-based paper packaging products. The instruments will also serve to support improvements in processes to make these solutions in a more sustainable way through lower energy consumption, less water intensity and improved waste management.

The Framework is applicable for the issuance of Green Finance Instruments including Green Bonds, Green Hybrid Bonds, Green Commercial Papers, Green Loans, or Green Private Placements, and other types of debt instruments where the proceeds will be exclusively applied to finance or refinance, in part or in full, new and/or existing eligible green projects with clear environmental benefits.

Contribution of Use of Proceeds categories to sustainability objectives and priorities

ISS ESG mapped the Use of Proceeds categories financed under this Green Finance Instrument with the sustainability objectives defined by the issuer, and with the key ESG industry challenges as defined in the ISS ESG Corporate Rating methodology for the Packaging sector. Key ESG industry challenges are key issues that are highly relevant for a respective industry to tackle when it comes to sustainability, e.g. climate change and energy efficiency in the buildings sector. From this mapping, ISS ESG derived a level of contribution to the strategy of each Use of Proceeds categories.

USE OF PROCEEDS CATEGORY	SUSTAINABILITY OBJECTIVES FOR THE ISSUER	KEY ESG INDUSTRY CHALLENGES	CONTRIBUTION
Assets and expenditures associated with the sustainable and responsible production of circular paper-based packaging products	✓	✓	Contribution to a material objective

<p>Certified Sustainable forests and Purchasing costs of responsibly sourced raw materials or ingredients (such as wood, pulp, paper, recovered paper)</p>	<p style="text-align: center;">✓</p>	<p style="text-align: center;">✓</p>	<p>Contribution to a material objective</p>
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Opinion: *ISS ESG finds that the Use of Proceeds financed through this instrument are consistent with the issuer’s sustainability strategy and material ESG topics for the issuer’s industry. The rationale for issuing green finance instruments is clearly described by the issuer.*

PART II: ALIGNMENT WITH GREEN BOND AND GREEN LOAN PRINCIPLES

1. Use of Proceeds

Smurfit Kappa intends to allocate an amount at least equal to the net proceeds of green financing instruments issued under this Framework to finance and/or refinance a portfolio of eligible assets and expenditures (“Eligible Green Projects”) in the eligible project categories defined by the Green Bond Principles (GBP) and Green Loan Principles (GLP) outlined below (“Eligible Green Project Portfolio”).

Refinancing eligible operating expenditures and capital expenditures will have a look-back period of no longer than three years from the year of issuance. Green assets shall qualify without a specific look-back period provided that at the time of issuance and throughout the life of the instrument they follow the eligibility criteria outlined below. The Green Finance Committee will regularly monitor and validate that Eligible Green Projects continue to meet the eligibility criteria defined in the framework and are aligned with relevant market best practices and standards.

Eligible Green Projects

ELIGIBLE GREEN PROJECT CATEGORY	ELIGIBILITY CRITERIA
Circular economy adapted products, production technologies and processes and/or certified eco-efficient products	<p>Assets and expenditures associated with the sustainable and responsible production of circular paper-based packaging products through circular processes, including:</p> <ul style="list-style-type: none"> ▪ Reclamation of used fibres ▪ Recycling of used fibres ▪ Paper milling ▪ Packaging conversion
Environmentally sustainable management of living natural resources and land use	<p>Certified Sustainable forests and Purchasing costs of responsibly sourced raw materials (such as wood, pulp, paper, recovered paper)</p> <p>Forests and Products certified in accordance with:</p> <ul style="list-style-type: none"> ▪ Forest Stewardship Council (FSC) standards ▪ Sustainable Forestry Initiative (SFI) ▪ Programme for the Endorsement of Forest Certification (PEFC)

Opinion: ISS ESG considers the Use of Proceeds description provided by Smurfit Kappa’s Green Finance Framework as aligned with the Green Bond and Loan Principles. Smurfit Kappa will report on the relative share of new financing and re-financing; it has also defined a lookback period for re-financing which represents ICMA best practice.

2. Process for Project Evaluation and Selection

Smurfit Kappa's Green Finance Committee includes representatives from treasury, finance, sustainability and procurement, who are jointly responsible for the evaluation and selection of projects in line with the eligibility criteria.

The Green Finance Committee is responsible for:

- Designating, reviewing and updating the Eligible Green Project Portfolio;
- To the extent feasible, removing or replacing assets and expenditures that no longer comply with the Eligibility Criteria or for which the Green Finance Committee has otherwise determined should not be funded under this framework;
- To the extent feasible, reviewing and updating the content of the Green Finance Framework and managing any future updates of this document to reflect relevant changes in the Group's corporate strategy, technology and market developments;
- Preparing annual reporting for investors.

The Green Finance Committee will meet at least on an annual basis.

The eligible assets and expenditures relate to activities that are subject to continual improvement, as in the production of circular paper-based packaging products, Smurfit Kappa takes the following aspects of its fully circular approach into account:

- Monitoring and reducing water consumption in its manufacturing activities
- Decreasing the organic content of process water before it is returned to public water bodies
- Increasing onsite renewable energy generation
- Increasing energy efficiency in its manufacturing facilities
- Reducing waste (unwanted plastic, metals, glass, textiles, sand and other non-usable materials in recovered paper bales, for example) sent to landfill

Smurfit Kappa also takes care that all selected assets and expenditures comply with official national and international environmental and social standards, local laws and regulations to the extent feasible. Furthermore, Smurfit Kappa's Sustainability Guidelines and Policies define minimum standards for the business processes, including those financed with the proceeds of Green Finance Instruments under this Framework. Smurfit Kappa also applies risk management measures in its capital allocation decisions which are supported by company-wide planning, reporting and controlling systems.

In the Environmental Policy Statement and Sustainable Forestry Policy, Smurfit Kappa set out a commitment to ensuring that the human and natural environment with which the company interacts is protected both today and into the future. Smurfit Kappa is committed to managing its suppliers in accordance with its sustainability objectives, which is set out in the Sustainable Sourcing Policy and the Supplier Code of Conduct. Smurfit Kappa requires its suppliers to comply (as a minimum) with relevant national and international environmental legislation concerning sustainability issues and seek

to achieve best practice from suppliers through the promotion of continuous improvement programmes.

As set out in the Social Citizenship Policy Statement, Smurfit Kappa is committed to the application of the principles expressed in the United Nations Guiding Principles on Business and Human Rights and the Fundamental Principles and Rights at Work developed by the International Labour Organisation in all of the countries in which the Group has (or will have) a presence in respect of the following: freedom of association, child labour, forced labour and abuse, indigenous peoples, employee respect, diversity and non-discrimination, fair compensation, employee development, internal communication, and employee recognition. Suppliers (strategic) will also be requested to join the UN Global Compact initiative and requested to commit, in their Code of Business Conduct, to Smurfit Kappa's principles in the areas of human rights, labour, environment and anti-corruption.

Opinion: ISS ESG considers the Process for Project Evaluation and Selection description provided by Smurfit Kappa's Green Finance Framework as aligned with the Green Bond and Loan Principles. The Green Financing Framework defines project category-specific eligibility criteria and the process for project selection is clearly laid out. Responsibilities are clearly defined and transparently communicated; various internal stakeholders are involved in the process.

3. Management of Proceeds

The proceeds will be allocated and managed by Smurfit Kappa's Treasury department on a portfolio basis. Proceeds from Green Finance instruments will be allocated to the Eligible Green Project Portfolio, selected in accordance with the use of proceeds criteria and evaluation and selection process presented above.

Smurfit Kappa will strive, over time, to achieve a level of allocation for the Eligible Green Project Portfolio which matches or exceeds the balance of net proceeds from the outstanding Green Finance Instruments. There may be periods where the net proceeds of the Green Finance Instruments temporarily exceed the value of the eligible Green Project Portfolio. Whilst any proceeds from Green Finance Instruments remain unallocated such proceeds will be held in accordance with Smurfit Kappa's normal liquidity management policy.

Opinion: ISS ESG finds that Management of Proceeds proposed by Smurfit Kappa's Green Finance Framework is well aligned with the Green Bond and Loan Principles. The proceeds are tracked by the issuer.

4. Reporting

Smurfit Kappa will publish a report annually until maturity or full allocation on the allocation and impact of Green Finance Instruments issued under this framework. Where relevant Smurfit Kappa will seek to align the reporting with the latest standards and practices publicised by the ICMA. The report will include updates on the allocation of proceeds and an impact evaluation of the funded assets and expenditures. The report will be made available to investors on the Smurfit Kappa website, <https://www.smurfitkappa.com/investors>.

Allocation reporting

Smurfit Kappa will report on the percentage of proceeds allocated to the Eligible Green Project Portfolio, the outstanding volume of Green Finance Instruments, the balance of unallocated proceeds, the relative share of new financing and refinancing. A look-back period of 3 years for eligible operating and capital expenditure is permitted. Green assets shall qualify without a specific look-back period provided that at the time of issuance and throughout the life of the instrument they follow the eligibility criteria.

Impact reporting

In order to give a comprehensive view on the impact of the Eligible Green Project Portfolio, the impact reporting may vary by Use of Proceeds category as defined in this Green Finance Framework.

The impact metrics selected may include the following:

Circular Economy Adapted Products, Production Technologies and Processes and/or Certified Eco-Efficient Products

- Increase in the share of production awarded an internationally recognised eco-label or energy, eco-efficiency or other relevant environmental certification
- Volume of used products collected from customers for recycling
- % reduction in waste to landfill intensity
- Waste sent to recovery (tonnes)
- % packaging solutions sold as Chain of Custody Certified
- % reduction in carbon intensity in CO₂ emissions intensity
- Water reuse and/or water use avoided
- Annual volume of wastewater treated (million/m³)
- Emissions reduction based on selected indicator (COD)
- % of recycled fibres from certified sustainable sources
- Volume of recycled fibres from certified sustainable sources
- Type of certification

Environmentally Sustainable Management of Living Natural Resources and Land Use

- % of fresh fibres from certified sustainable sources
- Type of certification
- Area under certified land management (km² or hectares)

The impact reporting occurs on a portfolio basis, but certain projects may be highlighted to provide examples. Smurfit Kappa will, to the extent feasible, include a section on the methodology used to calculate the impact metrics.

Opinion: ISS ESG finds that the reporting proposed by Smurfit Kappa's Green Finance Framework is aligned with the Green Bond and Loan Principles. The issuer commits to report not only on the allocation of proceeds, but also on the impact of financed projects, using category specific KPIs.

External review

Smurfit Kappa intends to request an annual third-party audit of a management statement on the allocation of the Green Finance Instrument proceeds to the Eligible Green Project Portfolio which may also be made available on the website, <https://www.smurfitkappa.com/investors>.

PART III: SUSTAINABILITY QUALITY OF THE ISSUANCE

A. CONTRIBUTION OF THE GREEN FINANCE INSTRUMENT TO THE UN SDGs

Based on the assessment of the sustainability quality of the Green Finance Selection criteria and using a proprietary methodology, ISS ESG assessed the contribution of the Smurfit Kappa’s Green Finance Instrument to the Sustainable Development Goals defined by the United Nations (UN SDGs).

This assessment is displayed on 5-point scale (see Annex 2 for methodology):



Each of the Green Finance Instrument’s Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
<p>Circular economy adapted products, production technologies and processes and/or certified eco-efficient products</p> <p>Reclamation of used fibers Recycling of used fibers Paper milling Packaging conversion</p>	Significant Contribution	
<p>Environmentally sustainable management of living natural resources and land use</p> <p>Forests and Products certified in accordance with FSC, PEFC, SFI</p>	Limited Contribution	

B. MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS ASSOCIATED WITH THE SELECTION CRITERIA

Key performance indicators (KPIs)

The table below presents the findings of an ISS ESG assessment of the Selection Criteria against ISS ESG KPIs.

ASSESSMENT AGAINST ISS ESG KPI

Biodiversity

- ✓ ~94% of SKG's packaging deliveries to customers are Chain of Custody certified. In the production process, of the 25% of fibers that are from a renewable forest source, 100% are at least from sustainable non-controversial origin, risk assessed through FSC and/or PEFC Chain of Custody system and verified by a third party (Controlled Wood status).

Circular economy & Waste management

- ✓ Of the waste that is sent to landfill, ~98% is generated from production sites; 40% of these sites have an ISO14001 or comparable certification.

Labor Health & Safety

- ✓ 100% of the manufacturing sites are covered by a H&S management system which is aligned to the OHSAS 18001 H&S management system requirements. SKG also has a well-established audit protocol which is designed to meet the requirements of ISO accreditation.
- ~40% of relevant employees (estimated) are covered by a health and safety management system that is certified to the OHSAS 18001 or ISO 45001 standards.

Users safety

- ✓ 100% of the paper mills have a certified hygiene standard in place.
- ✓ 100% of the corrugated sites that supply applications within the food industry comply with one or more of the criteria including British Retail Consortium (BRC) AIB International (American Institute for Baking), ISO 22000 (Food Safety Management), IFS PAC secure and FEFCO.

Water management and wastewater treatment

- ✓ ~90% of the withdrawn water is treated and returned to the environment in the form of treated water and steam. The company is committed to reduce its water use by 1% every year.

DISCLAIMER

1. Validity of the SPO: Until material changes are made to the Green Finance Framework and selection criteria.
2. ISS ESG uses a scientifically based rating concept to analyse and evaluate the environmental and social performance of companies and countries. In doing so, we adhere to the highest quality standards which are customary in responsibility research worldwide. In addition, we create a Second Party Opinion (SPO) on green finance instruments based on data from the issuer.
3. We would, however, point out that we do not warrant that the information presented in this SPO is complete, accurate or up to date. Any liability on the part of ISS ESG in connection with the use of these SPO, the information provided in them and the use thereof shall be excluded. In particular, we point out that the verification of the compliance with the selection criteria is based solely on random samples and documents submitted by the issuer.
4. All statements of opinion and value judgements given by us do not in any way constitute purchase or investment recommendations. In particular, the SPO is no assessment of the economic profitability and credit worthiness of a green finance instrument but refers exclusively to the social and environmental criteria mentioned above.
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ANNEX 1: Methodology

ISS ESG GREEN KPIS

The ISS ESG Green Finance Instrument KPIS serve as a structure for evaluating the sustainability quality – i.e. the social and environmental added value – of the use of proceeds of Smurfit Kappa’s Green Finance Instrument.

It comprises firstly the definition of the use of proceeds category offering added social and/or environmental value, and secondly the specific sustainability criteria by means of which this added value and therefore the sustainability performance of the assets can be clearly identified and described.

The sustainability criteria are complemented by specific indicators, which enable quantitative measurement of the sustainability performance of the assets and which can also be used for reporting. If a majority of assets fulfill the requirement of an indicator, this indicator is then assessed positively. Those indicators may be tailor-made to capture the context-specific environmental and social risks.

To review the KPIS used in this SPO, please contact Federico Pezzolato (details below) who will send them directly to you.

Environmental and social risks assessment methodology

ISS ESG evaluates whether the assets included in the asset pool match the eligible project category and criteria listed in the Green Finance Instrument KPIS.

All percentages refer to the amount of assets within one category (e.g. wind power). Additionally, the assessment “no or limited information is available” either indicates that no information was made available to ISS ESG or that the information provided did not fulfil the requirements of the ISS ESG Green Finance Instrument KPIS.

The evaluation was carried out using information and documents provided to ISS ESG on a confidential basis by Smurfit Kappa (e.g. Due Diligence Reports). Further, national legislation and standards, depending on the asset location, were drawn on to complement the information provided by the issuer.

Assessment of the contribution and association to the SDG

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method, ISS ESG identifies the extent to which Smurfit Kappa’s Green Finance Instrument contributes to related SDGs.

ANNEX 2: ISS ESG Corporate Rating Methodology

The following pages contain methodology description of the ISS ESG Corporate Rating.

Methodology - Overview

The ESG Corporate Rating methodology was originally developed by Institutional Shareholder Services Germany (formerly oekom research) and has been consistently updated for more than 25 years.

ESG Corporate Rating - The ESG Corporate Rating universe, which is currently expanding from more than 8,000 corporate issuers to a targeted 10,000 issuers in 2020, covers important national and international indices as well as additional companies from sectors with direct links to sustainability and the most important bond issuers that are not publicly listed companies.

The assessment of a company's social & governance and environmental performance is based on approximately 100 environmental, social and governance indicators per sector, selected from a pool of 800+ proprietary indicators. All indicators are evaluated independently based on clearly defined performance expectations and the results are aggregated, taking into account each indicator's and each topic's materiality-oriented weight, to yield an overall score (rating). If no relevant or up-to-date company information with regard to a certain indicator is available, and no assumptions can be made based on predefined standards and expertise, e.g. known and already classified country standards, the indicator is assessed with a D-

In order to obtain a comprehensive and balanced picture of each company, our analysts assess relevant information reported or directly provided by the company as well as information from reputable independent sources. In addition, our analysts actively seek a dialogue with the assessed companies during the rating process and companies are regularly given the opportunity to comment on the results and provide additional information.

Analyst Opinion - Qualitative summary and explanation of the central rating results in three dimensions:

- (1) Opportunities - assessment of the quality and the current and future share of sales of a company's products and services, which positively or negatively contribute to the management of principal sustainability challenges.
- (2) Risks - summary assessment of how proactively and successfully the company addresses specific sustainability challenges found in its business activity and value chain, thus reducing its individual risks, in particular regarding its sector's key issues.
- (3) Governance - overview of the company's governance structures and measures as well as of the quality and efficacy of policies regarding its ethical business conduct.

Norm-Based Research - Severity Indicator - The assessment of companies' sustainability performance in the ESG Corporate Rating is informed by a systematic and comprehensive evaluation of companies' ability to prevent and mitigate ESG controversies. ISS ESG conducts research and analysis on corporate involvement in verified or alleged failures to respect recognized standards for responsible business conduct through Norm-Based Research.

Norm-Based Research is based on authoritative standards for responsible business conduct such as the UN Global Compact, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles for Business and Human Rights and the Sustainable Development Goals.

As a stress-test of corporate disclosure, Norm-Based Research assesses the following:

- Companies' ability to address grievances and remediate negative impacts
- Degree of verification of allegations and claims
- Severity of impact on people and the environment, and systematic or systemic nature of malpractices

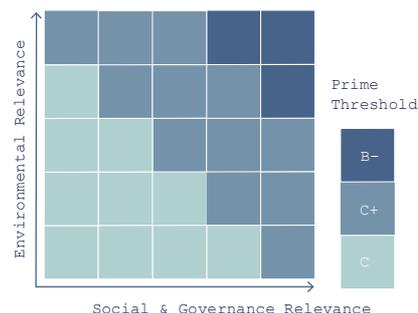
Severity of impact is categorized as Potential, Moderate, Severe, Very severe. This informs the ESG Corporate Rating.

Decile Rank - The Decile Rank indicates in which decile (tenth part of total) the individual Corporate Rating ranks within its industry from 1 (best – company's rating is in the first decile within its industry) to 10 (lowest – company's rating is in the tenth decile within its industry). The Decile Rank is determined based on the underlying numerical score of the rating. If the total number of companies within an industry cannot be evenly divided by ten, the surplus company ratings are distributed from the top (1 decile) to the bottom. If there are Corporate Ratings with identical absolute scores that span a division in decile ranks, all ratings with an equal decile score are classified in the higher decile, resulting in a smaller number of Corporate Ratings in the decile below.

Distribution of Ratings - Overview of the distribution of the ratings of all companies from the respective industry that are included in the ESG Corporate Rating universe (company portrayed in this report: dark blue).

Industry Classification - The social and environmental impacts of industries differ. Therefore, based on its relevance, each industry analyzed is classified in a Sustainability Matrix.

Depending on this classification, the two dimensions of the ESG Corporate Rating, the Social Rating and the Environmental Rating, are weighted and the sector-specific minimum requirements for the ISS ESG Prime Status (Prime threshold) are defined (absolute best-in-class approach).



Industry Leaders - List (in alphabetical order) of the top three companies in an industry from the ESG Corporate Rating universe at the time of generation of this report.

Key Issue Performance - Overview of the company's performance with regard to the key social and environmental issues in the industry, compared to the industry average.

Performance Score - The ESG Performance Score allows for cross-industry comparisons using a standardized best-in-class threshold that is valid across all industries. It is the numerical representation of the alphabetic ratings (D- to A+) on a scale of 0 to 100 with 50 representing the prime threshold. All companies with values greater than 50 are Prime, while companies with values less than 50 are Not Prime. As a result, intervals are of varying size depending on the original industry-specific prime thresholds.

Rating History - Development of the company's rating over time and comparison to the average rating in the industry.

Rating Scale - Companies are rated on a twelve-point scale from A+ to D-:

A+: the company shows excellent performance.

D-: the company shows poor performance (or fails to demonstrate any commitment to appropriately address the topic).

Overview of the range of scores achieved in the industry (light blue) and indication of the grade of the company evaluated in this report (dark blue).

Sources of Information - A selection of sources used for this report is illustrated in the annex.

Status & Prime Threshold - Companies are categorized as Prime if they achieve/exceed the sustainability performance requirements (Prime threshold) defined by ISS ESG for a specific industry (absolute best-in-class approach) in the ESG Corporate Rating. Prime companies are sustainability leaders in their industry and are better positioned to cope with material ESG challenges and risks, as well as to seize opportunities, than their Not Prime peers. The financial materiality of the Prime Status has been confirmed by performance studies, showing a continuous outperformance of the Prime portfolio when compared to conventional indices over more than 14 years.

Transparency Level - The Transparency Level indicates the company's materiality-adjusted disclosure level regarding the environmental and social performance indicators defined in the ESG Corporate Rating. It takes into consideration whether the company has disclosed relevant information regarding a specific indicator, either in its public ESG disclosures or as part of the rating feedback process, as well as the indicator's materiality reflected in its absolute weight in the rating. The calculated percentage is classified in five transparency levels following the scale below.

0% - < 20%: very low

20% - < 40%: low

40% - < 60%: medium

60% - < 80%: high

80% - 100%: very high

For example, if a company discloses information for indicators with a cumulated absolute weight in the rating of 23 percent, then its Transparency Level is "low". A company's failure to disclose, or lack of transparency, will impact a company's ESG performance rating negatively.

ANNEX 3: Quality management processes

SCOPE

Smurfit Kappa commissioned ISS ESG to compile a Green Finance Instrument SPO. The Second Party Opinion process includes verifying whether the Green Finance Framework aligns with the Green Bond and Loan Principles and to assess the sustainability credentials of its Green Finance Instruments, as well as the issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA Green Bond Principles, LMA Green Loan Principles
- ISS ESG KPI set relevant for Use of Proceeds categories selected by the issuer

ISSUER'S RESPONSIBILITY

Smurfit Kappa's responsibility was to provide information and documentation on:

- Framework
- Eligibility criteria
- Documentation of ESG risks management at the asset level

ISS ESG'S VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

ISS ESG has conducted this independent Second Party Opinion of the Green Finance Instrument to be issued by Smurfit Kappa based on ISS ESG methodology and in line with the ICMA Green Bond and Loan Principles.

The engagement with Smurfit Kappa took place in August 2021.

ISS ESG'S BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behaviour and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

About ISS ESG SPO

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

As part of our Sustainable (Green & Social) Bond Services, we provide support for companies and institutions issuing sustainable bonds, advise them on the selection of categories of projects to be financed and help them to define ambitious criteria.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: <https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

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