

# *Our Commitment*



# Sustainability Vision

Smurfit-Stone Container Corporation is committed to growing our business profitably, responsibly, and safely while protecting the environment, making wise use of our natural resources, and giving back to our communities.

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## *The Purpose of this Report*

Smurfit-Stone Container Corporation is committed to solving the sustainable packaging requirements of today's customers without compromising the ability of future generations to meet their own needs. The following pages contain a detailed assessment of where we stand in meeting our environmental and other sustainability objectives. They also provide concrete examples of how we work to balance our obligation to shareholders for sound financial returns and long-term economic growth with environmentally responsible operations, conservation of natural resources, and long-lasting social well-being in the communities in which we operate.



## Company Overview

Smurfit-Stone Container Corporation is reshaping the world of packaging to drive profitable growth for our business and our customers' businesses by delivering the strongest price-value equation in the marketplace.



Our products are made from renewable resources. Smurfit-Stone Container Corporation is the industry's leading integrated manufacturer of paperboard and paper-based packaging products and services, and is one of the world's largest paper recyclers. Smurfit-Stone is reshaping the world of packaging to drive profitable growth for our business and our customers' businesses by delivering the strongest price-value equation in the marketplace. The company is a leading provider of custom, proprietary and standard automated packaging machines, offering customers turnkey installation, automation, line integration and packaging solutions. Smurfit-Stone is a member of the World Business Council for Sustainable Development, the Sustainable Forestry Initiative® and the Chicago Climate Exchange. The company conducts its business in compliance with the environmental, health, and safety principles of the American Forest & Paper Association.

We remain focused on our goal of becoming the safest and most profitable company in the industry. Safety is at the heart of our operating culture, and we have been the industry leader in safety performance every year since 2001.

As the world's largest containerboard producer and a supplier of market pulp, Smurfit-Stone is a trusted partner to hundreds of national and international manufacturers and thousands of local and regional customers. Our containerboard mills produce a full line of paperboard for conversion into corrugated containers and retail products. Our corrugated containers are made from high quality linerboard and corrugating medium supplied primarily by our own network of paper mills.

We strive to be the kind of company where employees enjoy challenging careers. We provide competitive compensation and benefits necessary to attract and retain the best employees; provide regular training and professional development opportunities; and have a corporate culture that rewards employee ingenuity and effort.

Smurfit-Stone trades on the NASDAQ stock market under the symbol SCCC.

## Success Beyond Profits

Our sustainable commitment starts with the belief that success extends beyond profits. One of Smurfit-Stone's core values is that we care about the world in which we live. We intend to make a difference in the quality of the environment, the character of our communities and the well-being of our employees. I welcome this opportunity to share with you some of our success stories.

We are a founding member of the Sustainable Forestry Initiative® (SFI), an organization I proudly serve as a board member. Smurfit-Stone belongs to the Chicago Climate Exchange (CCX), where we have made a voluntary and legally binding commitment to make significant reductions in our greenhouse gas emissions. We have met Phase I of our CCX obligation, and we are well on our way to achieving the additional emissions reductions required by Phase II. By 2010, Smurfit-Stone will have met its CCX obligation to reduce greenhouse gas emissions by six percent from a 1999-2001 baseline.

Our company accepted an invitation to become a member of the World Business Council for Sustainable Development (WBCSD). This is a CEO-led, global association of companies that deals exclusively with business and sustainable development. The WBCSD provides a platform for companies to explore sustainable development, share knowledge, experiences and best practices, and to advocate business positions on these issues in a variety of forums, working with governments, non-governmental and intergovernmental organizations.

Smurfit-Stone strives to be at the forefront of industry and environmental issues, whether providing sustainable packaging solutions to our customers, helping identify and preserve a rare prairie in Louisiana or reseeding fish populations in Michigan.

Smurfit-Stone's sustainable packaging solutions are designed using recyclable corrugated material and produced using renewable energy sources. Our packaging engineers are experts at redesigning packaging systems to reduce the consumption of natural resources. One example of this is the new display system we developed for a customer's snack pudding product. Our design team reduced the total number of display components by 90 percent and the board square footage in the tray design by 15 percent.

We work hard to reduce our environmental footprint wherever and whenever possible. Our company has reduced its total energy usage by more than 16 percent from a 1999-2001 average. As a result, we have been able to reduce our fuel costs, use environmentally friendly alternative fuels such as biomass, and produce fewer greenhouse gases.

Our nurseries annually distribute more than 24 million seedlings for planting on private and public lands.

We do all of this while maintaining the most impressive safety record in the industry.

I am proud of what our employees have accomplished by giving back to our communities, replenishing our natural resources and creating innovative packaging solutions. This report highlights Smurfit-Stone's commitment to environmental stewardship, employee safety, sustainability, and social responsibility.



Patrick J. Moore  
Chairman and Chief Executive Officer



## Planning for Tomorrow

Long-term sustainability requires a commitment to delivering value to various stakeholders, providing a safe work environment as well as professional development opportunities for our employees, and making wise use of our natural resources.

At Smurfit-Stone, we provide products and services that help our customers and our company grow profits while reducing our environmental footprint. For example:

- Our automated packaging systems group has developed the META KD-8™ case erector corrugated packaging system. This system is designed to erect an eight-sided META® case, offering material reduction and efficiency while at the same time providing increased stacking strength, enhanced graphic and display capabilities, and stronger shelf impact.
- Our structural and graphic design teams provide customers with total value chain sustainable packaging solutions, including EnviroShell™ which replaces traditional blister packs with a recyclable corrugated sheet and easily separated recycled PET insert, resulting in an 89 percent reduction in plastic usage from traditional blister packs.
- Our Recyclacorr™ wax replacement medium complies with recyclable requirements adopted by the American Forest & Paper Association, and provides a recyclable alternative to wax-coated containers.
- Our corrugated pallets provide environmentally friendly and cost-effective alternatives to wood pallets.

Smurfit-Stone's corrugated container operations have earned the SFI® Certified Sourcing Label. Our U.S. wood procurement operations and Canadian forestland – approximately 1 million acres – subscribe to SFI® and International Organization for Standardization (ISO) 14001 Environmental Standards. Both programs incorporate science-based standards, best management practices, rigorous third-party audits and a demand for continuous improvement.

For our customers, the SFI® label proves that their packaging is sourced using the highest standards of environmental sustainability.

Our company is one of the largest paper recyclers in the world. We use recovered paper as raw material for our processes and continue to expand our recycling capabilities beyond paper to handle other recyclables, including metals, plastics and glass.

Smurfit-Stone has led the industry in safety performance every year since 2001. In 2007, our mill in Hodge, LA, became the first mill in Smurfit-Stone history to work two million hours without a recordable injury. And, our Hopewell, VA, mill celebrated working one million hours without a recordable injury. Only seven paper mills have ever achieved one million hours worked without a recordable accident as defined by the Occupational Safety and Health Administration (OSHA), and five of them are Smurfit-Stone mills. We believe we can do even better and are striving to achieve a 0.99 OSHA recordable case rate in 2007 with a goal of 0.85 by 2010.

Smurfit-Stone seeks to exceed environmental and safety regulations because we believe it is the right thing to do for our shareholders, customers, employees, and our communities.



Steven J. Klinger  
President and Chief Operating Officer



## Responsible Environmental Management

Smurfit-Stone is committed to 100 percent compliance with environmental laws, acting as good stewards of our earth's natural resources and conducting all aspects of our business in an environmentally responsible manner.

We demonstrate our commitment to responsible use and protection of natural resources every day by incorporating sound practices into all of our manufacturing operations.

Responsible environmental management is a cornerstone of Smurfit-Stone's Operational Excellence program. This includes educating our employees on key issues, regularly measuring our performance, and identifying opportunities to minimize the environmental impacts of our manufacturing operations.

Our fiber procurement process ensures that our wood supply is grown and harvested in an environmentally, economically and socially responsible manner. We provide landowners with the advice they need to manage their lands in a way that will conserve ecological resources for future generations. We also are working in our communities to spread a balanced message about the importance of forestry and related environmental issues.

Smurfit-Stone conducts routine, internal evaluations of our regulatory compliance status and the environmental management systems in our facilities. These evaluations, while ensuring compliance, also enable us to identify best practices and pollution prevention opportunities, which are shared and implemented across our business units.

During the last two years, Smurfit-Stone has reduced its total air emissions per ton of product manufactured by approximately 4.5 percent. We have reduced our discharges to water, as measured by the amount of Biochemical Oxygen Demand and Total Suspended Solids in the effluent produced per ton of product, by more than 3 percent.

Energy innovation and efficiency at Smurfit-Stone have resulted in significant reductions in our greenhouse gas emissions. We are on target to achieve additional greenhouse gas emissions reductions by 2010 as required by the voluntary and legally binding commitments we made in joining the Chicago Climate Exchange. Smurfit-Stone's progress toward this goal will be closely tracked and audited through CCX.

As the packaging industry evolves, Smurfit-Stone continues to transform the way we conduct business. We look forward to the opportunities this transformation presents to drive further environmental improvements. Our customers, shareholders, employees, and communities can be assured that we remain committed to growing our business profitably, operating our facilities in an environmentally responsible manner, maintaining our industry-leading role in safety, and to protecting our treasured natural resources.



Nina E. Butler  
Vice President  
Environmental Affairs



## *Commitment to Safety & Sustainable Forestry*



Smurfit-Stone is committed to maintaining a safe and sustainable work environment. Safety is at the core of our operating culture.

Smurfit-Stone has led the industry in safety performance every year since 2001 and is a recognized leader in creating and maintaining a safe work environment.

We act as good stewards of our earth's natural resources by conducting our forestry operations, and all aspects of our business, in an environmentally responsible manner.

## Employee Safety

Employee health and safety is one of our top operating priorities. Smurfit-Stone has set the industry standard in safety every year since 2001, outperforming all the major integrated companies in the pulp and paper industry based on annual statistics compiled by the Pulp & Paper Safety Association (PPSA) and the American Forest & Paper Association (AF&PA).

In 2006, our U.S. operations worked nearly 47 million total hours and had an OSHA recordable case rate (RCR) of 1.15, reflecting our company-wide commitment to do things the right way. Our dedication to Operational Excellence starts with safety, because a safe operation is a well-run operation.

### MAINTAINING A SAFE WORK ENVIRONMENT

The OSHA RCR represents the number of cases requiring medical treatment per 100 full-time employees per year. Smurfit-Stone's 1.15 RCR for 2006 represents an approximate 84 percent improvement over 1995, when the company began implementing the Smurfit-Stone Accident-Free Environment (SAFE) process. A total of 68 Smurfit-Stone operations achieved a 0.0 RCR in 2006.

Manufacturing industry standards recognize companies as being "world class" in safety once they achieve an RCR of 1.0 or better. At Smurfit-Stone, we hold ourselves to an even higher standard. Our goal is to achieve an RCR of 0.85 by 2010. Smurfit-Stone's domestic operations worked nearly 27 million hours in the first half of 2007 and had an RCR of 0.99.

Smurfit-Stone offers safety training for key managers, an in-house SAFE leadership training program for line supervisors, and a host of additional data analyses and employee development processes to encourage safe practices as we move toward our ultimate goal of an accident-free workplace. Pat Moore, chairman and chief executive officer of Smurfit-Stone, is a past recipient of the PPSA Executive Eagle Award, the safety association's highest honor, and has been recognized by the National Safety Council as a "CEO Who Gets It."

### SAFETY IS ABOUT PEOPLE

Safety is about more than numbers, of course. It's about people. Our people are our greatest asset, and we are committed to protecting their health and well-being. Our SAFE process focuses on five core beliefs:

- 1 All injuries are preventable.
- 2 Safety is everyone's responsibility.
- 3 Working safely is a condition of employment.
- 4 Training employees to work safely is essential.
- 5 Safety is good business.



## 10 YEARS Without an Injury in Nashville

Smurfit-Stone's Nashville recycling plant has gone more than 10 years without a recordable injury, earning recognition from the AF&PA, the National Safety Council and the PPSA.

RECORD SAFETY ACCOMPLISHMENTS

**Hodge Sets Company Safety Standard**

In 2007, our Hodge, LA, mill became the first Smurfit-Stone mill ever to achieve two million hours worked without an OSHA recordable incident, and our Hopewell, VA, mill hit the one-million hour mark. To truly put these accomplishments into perspective, consider that according to the Pulp & Paper Safety Association, only seven mills have ever achieved the million-hour level of hours worked without an OSHA recordable incident. Five of those are Smurfit-Stone mills. In addition to Hodge and Hopewell, the others are Stevenson, AL; Brewton, AL (since sold); and West Point, VA.

**Safest Mill In Canada**

Smurfit-Stone's La Tuque, QC, mill had only one recordable case (0.17 RCR) in 2006, earning the designation of safest mill in Canada from the trade publication *Pulp and Paper Canada* in the category of mills working between 50,000 and 100,000 hours per month.

**Tennessee Governor's Award of Excellence Recipient**

Smurfit-Stone's corrugated container manufacturing facility in Memphis, TN, worked more than 419,000 man-hours without a lost-time or restricted-duty incident in 2005 and 2006 and received the Tennessee Governor's Award of Excellence for Workplace Safety.

**Working Safely In Alberta**

Our Edmonton, AB, facility earned the prestigious Work Safe Alberta Best Performer Award from Alberta Human Resources and Employment. Smurfit-Stone is one of only 350 out of the province's 128,000 operating businesses to receive the award in recognition of the facility's ongoing commitment to the health and safety of Alberta's workers.



**AF&PA Safety Award Winners**

Four Smurfit-Stone facilities received the AF&PA's 2007 Safety Excellence Award, the highest safety recognition presented by the industry trade organization:

- ★ Hopewell, VA – paper mill
- ★ Uncasville, CT – paper mill
- ★ Adams, WI – container plant
- ★ Montgomery, AL – container plant

The Safety Excellence awards are based on results of the AF&PA's annual Safety Excellence awards survey and are presented to facilities with the lowest total RCR for 2006, based on the nature and operations of the facility.

In addition, 98 other Smurfit-Stone plants were recognized by the AF&PA for having zero days lost to industrial illness or injury in 2006.

**Other Facilities Recognized by AF&PA in 2006**

- |                                         |                                    |                                         |
|-----------------------------------------|------------------------------------|-----------------------------------------|
| Anchorage, AK, recycling                | Fort Smith, AR, sheet plant        | North Tonawanda, NY, container plant    |
| Aston, PA, container plant              | Fullerton, CA, container plant     | Oakland, CA, recycling                  |
| Atlanta (East), GA, container plant     | Galesburg, IL, container plant     | Orlando, FL, packaging systems          |
| Atlanta (South), GA, sheet plant        | Germantown, WI, container plant    | Philadelphia (West), PA, sheet feeder   |
| Augusta, GA, recycling                  | Glendale, AZ, container plant      | Philadelphia, PA, recycling             |
| Bakersfield, CA, recycling              | Grand Prairie, TX, container plant | Portland (East), OR, recycling          |
| Bedford Park, IL, sheet feeder          | Highland, IL, container plant      | Raleigh, NC, sheet plant                |
| Beloit, WI, sheet plant                 | Homerville, GA, sawmill            | Ravenna, OH, container plant            |
| Birmingham, AL, container plant         | Humboldt, TN, container plant      | Richmond (North), VA, container plant   |
| Blue Springs, MO, sheet feeder          | Jacksonville, FL, recycling        | Rochester, MN, sheet plant              |
| Bradenton, FL, container plant          | Jacksonville, FL, container plant  | Rogers, AR, container plant             |
| Bridgeview, IL, container plant         | Jacksonville, FL, preprint         | Sacramento (East), CA, recycling        |
| Bridgeview (North), IL, container plant | Joliet, IL, container plant        | Sacramento (West), CA, recycling        |
| Carthage, IN, mill                      | Jonesboro, AR, sheet plant         | Salinas, CA, container plant            |
| Chicago, IL, recycling                  | Kansas City, KS, recycling         | San Jose, CA, recycling                 |
| Chicago, IL, container plant            | Knoxville, TN, container plant     | Santa Fe Springs, CA, container plant   |
| Chattanooga, TN, container plant        | Lewisburg, TN, container plant     | Sioux City (North), IA, container plant |
| Chesterfield, MO, container plant       | Lexington, KY, sheet plant         | Springfield, MO, sheet plant            |
| Collierville, TN, sheet plant           | Louisville, KY, recycling          | St. Charles, IL, recycling              |
| Columbus, IN, container plant           | Mansfield, OH, container plant     | St. Cloud, MN, container plant          |
| Covington, GA, container plant          | Martinsville, VA, container plant  | St. Joseph, MO, container plant         |
| Denver, CO, container plant             | Memphis, TN, container plant       | St. Louis, MO, container plant          |
| Des Moines, IA, sheet plant             | Milwaukee, WI, container plant     | St. Paul, MN, container plant           |
| Elkhart, IN, sheet plant                | Milwaukee, WI, sheet feeder        | Tampa, FL, recycling                    |
| Evansville, IN, recycling               | Minneapolis, MN, container plant   | Torrance, CA, recycling                 |
| Fargo, ND, container plant              | Mishawaka, IN, container plant     | Tupelo, MS, sheet plant                 |
| Fernandina Beach, FL, container plant   | Murfreesboro, TN, container plant  | Wakefield, MA, container plant          |
| Fernandina Beach, FL, forest resources  | Muskogee, OK, container plant      | Wilson, NC, container plant             |
| Fresno, CA, container plant             | Nashville, TN, sheet plant         |                                         |
| Fresno, CA, recycling                   | Nashville, TN, recycling           |                                         |
| Fort Lauderdale, FL, recycling          | Nashville, WI, sheet plant         |                                         |
|                                         | North Chicago, IL, container plant |                                         |

**SPOTLIGHT ON ERGONOMICS**

Smurfit-Stone’s corporate safety team has joined forces with several industry leaders for a program targeting ergonomic issues in the workplace. The Ergonomic Alliance, a collaborative effort between the PPSA, AF&PA, and OSHA, promotes ergonomic awareness by providing educational resources to workers within the pulp, paper and forest products industry. Several Smurfit-Stone division, plant and safety managers work directly with the PPSA Ergonomic & Occupational Health subcommittee.



At Smurfit-Stone, approximately half of all workplace injuries are categorized as soft tissue injuries, musculoskeletal disorders or repetitive motion disorders. The majority of these involve varying degrees by ergonomic issues: strains, sprains or conducting repetitive tasks the wrong way.

By working with top industry organizations and involving employees, the safety team is raising awareness of ergonomic issues, as well as how to properly identify, evaluate and resolve ergonomic problems.

In the past, we identified ergonomic issues on a case-by-case basis. Now, we focus our attention on educating, implementing and applying the results of those findings. This new approach applies to all employees so they can recognize, evaluate and resolve ergonomic issues as they arise.

**SAFETY RECOGNITION**

The following Smurfit-Stone facilities recorded an OSHA *recordable case rate* of 0.0 in 2006.

<u>Corrugated Container Division</u>	<u>Recycling Division</u>	<u>Mill Division</u>
Adams, WI	Montgomery, AL	Carthage, IN
Atlanta (South), GA	Murfreesboro, TN	Dalton, GA, tube
Beloit, WI	Muskogee, OK	Homerville, GA, sawmill
Bradenton, FL	Naperville, IL, sheet	Hopewell, VA
Collierville, TN	Neenah, WI	Hodge, LA
Des Moines, IA	North Chicago, IL	Uncasville, CT
Edmonton, AB	Olive Branch, MS, display	
Etobicoke, ON	Queretaro, MX	
Fernandina Beach, FL	Raleigh, NC	
Frankfort, IN	Richmond, BC	
Fresno, CA	Richmond (West), VA	
Ft. Smith, AR	Rochester, MN, sheet	
Grand Prairie, TX	San Juan, PR	
Houston, TX	Sioux City (North), IA	
Humbolt, TN	Springfield, MO, sheet	
Jacksonville, FL, preprint	St. Joseph, MO	
Jacksonville, FL	St. Laurent, QC	
Joliet, IL	St. Paul, MN	
Kansas City, KS	Tijuana, MX	
Lewisburg, TN	Toronto, ON, display	
Memphis, TN	Tupelo, MS	
Milton, ON	Wilson, NC	
Mishawaka, IN		

## Forestry Resources



Smurfit-Stone’s forest resources program is responsible for providing high-quality virgin wood fiber to our North American mills, as well as managing approximately one million acres of Canadian forestlands. Our fiber procurement process ensures that our wood supply is grown and harvested in an environmentally, economically and socially responsible manner. With virtually no forestland of our own in the United States, Smurfit-Stone is committed to broadening the practice of sustainable forestry on privately held lands. Smurfit-Stone supports sustainable forestry on owners’ woodlands by encouraging prompt reforestation and best management practices to maintain and improve long-term forest health and productivity. One way we do so is through our nursery and tree improvement program, which annually produces more than 24 million pine and hardwood seedlings at the company’s Rock Creek, AL, nursery for planting on private and public lands.

### PROTECTING THE DIVERSITY OF OUR FORESTS

A forest is more than trees. It is also wildflowers, native plants, birds, mammals and other wildlife. Some forests have unique ecological or geologic characteristics. Others might have historical or cultural significance. Smurfit-Stone actively promotes the training of wood producers, as well as the use of qualified resource professionals, to help landowners protect water bodies and riparian zones, enhance the quality of wildlife habitat, encourage biodiversity and minimize the visual impact of harvesting. One of our foresters, while on a logging project, identified a rare Jackson Prairie in Winn Parish, LA (see article on page 13). Smurfit-Stone worked with the landowner to preserve the prairie and reforest the land around it once the harvest was complete. Smurfit-Stone is committed to protecting these unique environments while producing the wood and paper products our economy needs, and to wisely harvesting and maintaining vital forests for generations to come.

### USING EVERY PART OF EVERY TREE

The manufacturing process used by our kraft paper mills utilizes every part of the tree. Here’s how:

- The debarked tree goes through a chipping process. The resulting chips, cut to identical thickness, go into a digester or pressure cooker, which separates the lignin (an organic polymer integral to the cell walls of plants) from the wood fiber.
- The fiber is refined to make paper while the remaining chemicals, lignin, fats, and other fluids go through processing to extract the turpentine and tall oils.
- The remaining black liquor (processing chemicals and lignin) is fed into recovery boilers, where the mixture is sprayed through a fire to produce steam. The fire burns away the lignin while the inorganic chemicals drop to the bottom of the boiler for recovery and reuse.
- Bark and sawdust from the processed pulpwood trees and wastewater treatment solids are another source of biomass fuel in our boilers.
- Steam from the boilers powers turbines, provides process heat and heats drums on the paper machines and, in some cases, is used for drying the paper.
- Bark and sawdust from processed pulpwood trees serves as biomass fuel in our boilers.
- Chemical companies use by-products of the pulping process such as turpentine and tall oil to make fragrances for products such as household cleansers, fabric softener, women’s perfumes and men’s colognes.
- Some of the wood residuals that cannot be used on site are shipped to third parties who can beneficially reuse them either as a biomass fuel or for the enhancement of soil quality.



**A SUSTAINABLE COMMITMENT**

Smurfit-Stone’s U.S. wood procurement operations, and approximately one million acres of Canadian forestland, meet or exceed the environmental management standards set by the ISO 14001 and the SFI®. From protecting water quality and wildlife habitat to reforestation after harvest, our fiber procurement process ensures that our wood supply is grown and harvested in an environmentally, economically and socially responsible manner. Smurfit-Stone conducts its U.S. wood procurement operations in a manner that ensures forest

productivity, while conserving the unique character of special areas and preserving forest health and beauty. Smurfit-Stone’s U.S. wood procurement operations have been ISO and SFI® certified since 2002. The company’s Canadian forest resources group in La Tuque, QC, achieved SFI® certification in 2006. These internationally recognized and respected programs both require independent third-party audits. In addition, the SFI® program includes a comprehensive system of principles, objectives and performance measures that integrate the growing and harvesting of trees with sound environmental stewardship. Smurfit-Stone Chairman and CEO Pat Moore serves on the SFI® board of directors.



**PARTNERING WITH LANDOWNERS, GROWING THE FUTURE**

Smurfit-Stone harvests more than 18 million tons of wood in the United States each year and grows approximately 24 million disease-resistant pine seedlings and about a half million hardwood seedlings each year at the company’s Rock Creek, AL, nursery. Approximately seven million seedlings are distributed to private land owners in conjunction with the Cooperative Land Management Program (CMP). The roughly 20 different varieties of hardwoods produced by the nursery are used for wildlife habitat, ornamental landscaping,

food plots and wetlands restoration. Smurfit-Stone’s mills in Fernandina Beach and Panama City, FL, and Hodge, LA, assist in distributing free seedlings to landowners from whom we have purchased timber. Millions more of these tiny trees are sold on the open market or given away. Smurfit-Stone foresters collaborate with family forest landowners to assist with preparation and tree planting. Our foresters provide expert counsel on everything from effective herbicide application to proper replanting techniques.

**LOUISIANA JACKSON PRAIRIE: A THREATENED LANDSCAPE SAVED**

While assisting a Winn Parish, LA, landowner with the sustainable management and improvement harvest of his forest, Smurfit-Stone’s forestry operations uncovered a crown jewel on the 40-acre tract of land – an 8-acre Jackson Calcareous Prairie.

Jackson Prairies are small, naturally treeless areas ranging in size from less than one acre, up to 80 or more acres. The soil in these prairies is stiff calcareous clay, with very high shrink-swell characteristics, and ranges in color from red to olive-tan to gray-black. Common plants include three-awn grasses, panic grasses, bristle grasses, drop seeds, Indian grass and paspy grasses, among many others.

Historically, only 2,000 to 10,000 acres of Jackson Prairies were thought to exist, with only 5 to 10 percent remaining today. The majority of the prairies have been lost to land use changes, including conversions to agriculture or pine plantations. Fire suppression, road construction and timber harvesting have also contributed to the loss of these prairies.

In 2005, a new Sustainability Forest Initiative Standard (SFIS) went into effect to protect critically imperiled communities, plants and animals. Shortly after receiving SFIS training, a Smurfit-Stone forester identified the prairie and advised the landowner.

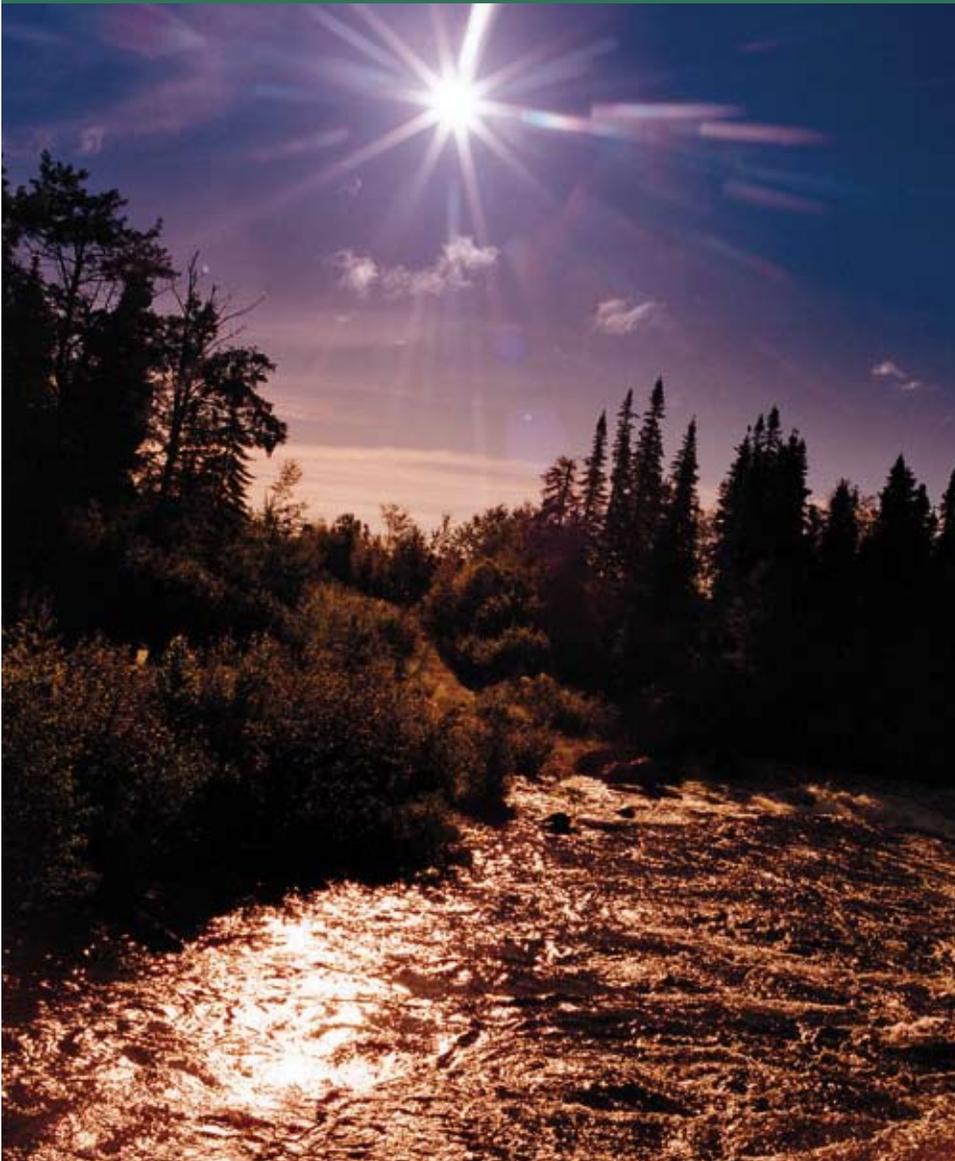


Originally, the forester thought the area was a Saline Prairie because it was located fairly close to a saline lake. In addition, there were no state resources on hand to document the difference between the prairies.

To assist in making those resources more readily available, Smurfit-Stone teamed up with the Louisiana Forestry Association's SFI State Implementation Committee and the Louisiana Department of Wildlife and Fisheries to develop fact sheets on the various plants, animals and communities that are classified as (G1) critically imperiled, (G2) imperiled, and threatened and endangered under the U.S. Endangered Species Act. The fact sheets, along with photos, are posted on the department's web site to help future generations of landowners and foresters identify and preserve these areas.

Meanwhile, Smurfit-Stone is continuing to work with the prairie's landowner by providing educational materials and recommendations on how to protect and preserve this rare gem.

## PARTNERING FOR EDUCATION AND THE ENVIRONMENT



Smurfit-Stone is a member of all state forestry associations in our operating areas. Through these memberships, the company supports landowner forums, educational programs, forest management training and logger training. Smurfit-Stone is an active supporter of the Sustainable Forestry Initiative® State Implementation Committees in each state where the company has major operations. The company also participates in the National Council for Air and Stream Improvement, the Rocky Mountain Elk Foundation, the Longleaf Alliance, the Wild Turkey Federation, the Michigan United Conservation Club, Alabama Treasure Forest Association, the Ruffed Grouse Society, and several cooperatives for issues related to tree improvement, nursery management, and wood quality. Smurfit-Stone subscribes to the environmental, health and safety principles of the American Forest and Paper Association and participates in many land grant universities with schools of forestry and agricultural sciences.

## *Commitment to Operational Excellence*



Smurfit-Stone is committed to improving manufacturing operations while making it easier for our customers to do business with us. We are refining our processes and establishing a culture that allows us to provide the highest quality products and services with the greatest value to our customers.

## Corrugated Container Division



Operational Excellence and environmental responsibility go hand in hand at Smurfit-Stone. For example, improving a facility’s maintenance procedures in a way that results in less oil use reduces the amount of oil that needs to be recycled and creates less exposure to possible oil spills.

Smurfit-Stone’s Operational Excellence program provides our corrugated container facilities with the necessary tools and processes to increase manufacturing standardization and product consistency with the ultimate goal of becoming a best-in-class manufacturing operation.

Customer orders are becoming increasingly complex, and manufacturing facilities are required to produce more finished products than ever. While Operational Excellence is centered on driving rapid, continuous improvement in the ability to manufacture and deliver quality products, these efforts also provide Smurfit-Stone with an opportunity to realize certain environmental benefits. These include:

- Reduced use of raw materials and chemicals
- Reduced waste generation
- Fewer regulatory obligations
- Additional product stewardship
- Increased opportunities in sustainable packaging

Smurfit-Stone’s corrugated container plants have environmental management systems in place that include elements such as designated environmental coordinators, environmental steering teams, compliance calendars, permit logs, chemical management procedures, training, and environmental reporting procedures. Smurfit-Stone conducts regular audits of these facilities to ensure that the established management systems are effective in ensuring compliance with environmental regulations and corporate policies.

### THE SEAL OF SUSTAINABILITY

Smurfit-Stone’s corrugated container operations have earned the SFI Certified Sourcing Label from the Sustainable Forestry Initiative® Inc. (SFI®).

The SFI® forest certification program requires participants to focus on perpetually growing, nourishing and harvesting trees while providing long-term protection of wildlife, plants, soil and water.

To earn and maintain the designation, our container plants must obtain at least two-thirds of their packaging raw materials from independent, third-party SFI®-certified sources and one-third from other credible sources.

The SFI® standard also requires participants to engage in efforts to educate landowners and wood harvesting professionals on the importance of sustainable forestry practice.



**SUSTAINABLE FORESTRY INITIATIVE®**



## Mill Division

Our mill system effectively and efficiently responds to changing market demands, thanks largely to the people who implement a system of processes that protect the integrity of our products and the environment.

Every activity undertaken at a mill depends on people thinking and working safely and is supported by training, regular meetings, and safety audits, as well as a collaborative problem-solving approach to continuously improving the health and well-being of mill team members.

Environmental responsibility is inherent to all manufacturing operations and is a required mindset of mill team members. Team members are trained to understand and identify environmental compliance issues and to seek opportunities to reduce the environmental impact of the mill's operations. Comprehensive environmental audits are routinely conducted at all of our mills to assure compliance with corporate policies and all regulations and laws – local, state and federal.



Our mills often generate energy as part of their manufacturing processes. Mills have continuously looked for ways to improve efficiency as a means to reduce costs and improve environmental performance. For years, we have been leaders in the use of carbon-neutral biomass as fuel and have made a concerted effort to substitute biomass for fossil fuels.

We recognize the importance of partnering with local communities and other interested parties, including involvement with non-governmental organizations to advance environmental issues. Several of our mills have entered into partnerships related to habitat protection, recycling, and environmental education. Other mills utilize community advisory panels (CAPs), which serve as direct links to key leaders in their respective communities. The CAPs promote engagement, partnership and collaboration on the key issues of environmental protection, as well as social and economic issues in the community.

### REDUCING Environmental Impact

Smurfit-Stone mills often generate energy as part of our manufacturing processes.



### RESTORING ECOLOGICAL BALANCE IN LAKE SUPERIOR: THE ONTONAGON GOOD NEIGHBOR PROGRAM

Our Ontonagon, MI, mill is working hand-in-hand with the Michigan Department of Natural Resources (MDNR) to help restore ecological balance along the south shore of Lake Superior.

The mill is a cooperative conservation partner with the MDNR and shares a common vision for protecting and enhancing sustainability, diversity and productivity of natural resources. As a partner, the mill provides financial assistance and manpower. Many of the mill's employees volunteer their time to help the department with its fishery conservation programs.

Some of the ways the mill has helped the MDNR include planting fish in three rivers, constructing walleye rearing ponds, and pen-rearing king salmon in the Big Iron River. The mill also provided funding for the rental of a helicopter to plant brook trout in Mirror Lake.

The partnership between the Ontonagon mill and the MDNR underscores Smurfit-Stone's commitment to responsible corporate citizenship and sustainable management of natural resources.

### TAKING THE LEAD IN EMISSIONS REDUCTION: THE FLORENCE, SC, EVAPORATOR PROJECT



A new energy-efficient evaporator system installed at Smurfit-Stone's Florence, SC, containerboard mill in February 2007 is reducing emissions by twice the amount required by federal regulations and saving the company approximately \$8 million in annual fuel costs.

The system complies with new guidelines set by the U.S. Environmental Protection Agency (EPA) to meet the requirements of the Maximum Achievable Control Technology (MACT I) Clean Condensate Alternative regulation to reduce emissions of air pollutants in the pulp/paper industry. The alternative compliance project approved by the EPA includes a new energy-efficient evaporator system set with an advanced foul condensate segregation process and an integrated steam stripper.

The new evaporator and stripper systems use less steam to evaporate the water, thus less fuel to make the steam. The old evaporator system used approximately one pound of steam to evaporate 3½ pounds of water. The old stripper used about 20,000 pounds of steam per hour. In contrast, the new evaporator system uses one pound of steam to evaporate approximately five pounds of water and the new stripper uses waste steam from the evaporator.

The new system allowed the mill to idle one boiler and reduce fuel oil usage by approximately seven million gallons annually. That will lower the annual emissions of carbon dioxide (CO<sub>2</sub>) by approximately 93,500 tons, sulfur dioxide (SO<sub>2</sub>) by approximately 650 tons and nitrous oxide (NO<sub>x</sub>) by approximately 92 tons.

## Recycling Division

Smurfit-Stone operates one of the world’s largest paper reclamation businesses and handled about 6.6 million tons of recovered paper in 2006. Smurfit-Stone consumes approximately 2.5 million tons of recovered paper internally and markets the remaining fiber to other mills in the domestic and international marketplace, shipping to more than 30 countries.

Already a global leader in the reclamation and sale of recycled paper products, Smurfit-Stone’s recycling division continues to expand its recycling capabilities beyond paper to include plastics, metals, and glass. We increased the amount of our non-paper recyclables by nearly 20 percent in 2006 versus 2005.

### Non-paper Recyclables Collected in 2005 vs. 2006

RECYCLED MATERIALS	2005	2006
Plastics	65,300 tons	85,300 tons
Aluminum	11,300 tons	11,700 tons
Glass	25,700 tons	24,500 tons
Metals	5,400 tons	6,400 tons
<b>Total non-paper recyclables</b>	<b>107,700 tons</b>	<b>127,900 tons</b>



### NEW OPPORTUNITIES

Smurfit-Stone’s recycling division recently introduced new sorting equipment to increase the volume of fiber and other recyclables recovered from the waste stream. The company is in the process of retooling a plastics recycling plant in Stockton, CA, to enable it to handle fiber as well as plastics. The company is aggressively expanding and making significant capital upgrades in several of its reclamation plants to allow Smurfit-Stone to take commingled loads and go deeper into the waste stream to recover more fiber and other recyclable materials. We also have started exploring opportunities with waste haulers to recover recyclable materials on-site at transfer stations and landfills.

## NEARLY 20% INCREASE

in Non-paper Recyclables Since 2005

Smurfit-Stone continues to expand its recycling capabilities to include plastics, metals, and glass.

## Waste Reduction Services

Smurfit-Stone Waste Reduction Services (SWRS) is a full-service waste management business that provides single-source, cost-effective solutions. In addition to streamlining waste management for customers, SWRS annually diverts approximately 560 million cubic feet of waste from landfills. That is enough material to fill the Empire State Building 15 times.

### FINDING WASTE REDUCTION SOLUTIONS FOR OUR CUSTOMERS

SWRS earned 100 percent of retailer JCPenney's U.S. recycling business by finding ways to reduce the retailer's transportation costs while increasing the company's recycling revenues.

When JCPenney needed to clear the old corrugated containers (OCC) out of its stores more quickly – particularly after the holidays – Smurfit-Stone created a plan to backhaul trucks using JCPenney's 13 distribution support centers.

Under the program, trucks that drop off clothing and merchandise to JCPenney stores are reloaded with the stores' baled OCC before returning to the retailer's distribution centers. The bales gathered at the centers are then shipped for recycling, thus eliminating extra handling and transportation costs.

Now, JCPenney gets more money per ton for bales, and Smurfit-Stone was able to cut out nearly 1,200 pickups – reducing transportation costs and CO<sub>2</sub> emissions.

Smurfit-Stone recycles JCPenney's clear plastic bags using the same system, and has helped the retailer find new avenues for recycling plastic hangers, too.

As a result of this program, approximately 20,000 tons of recyclable material are being diverted from landfills.

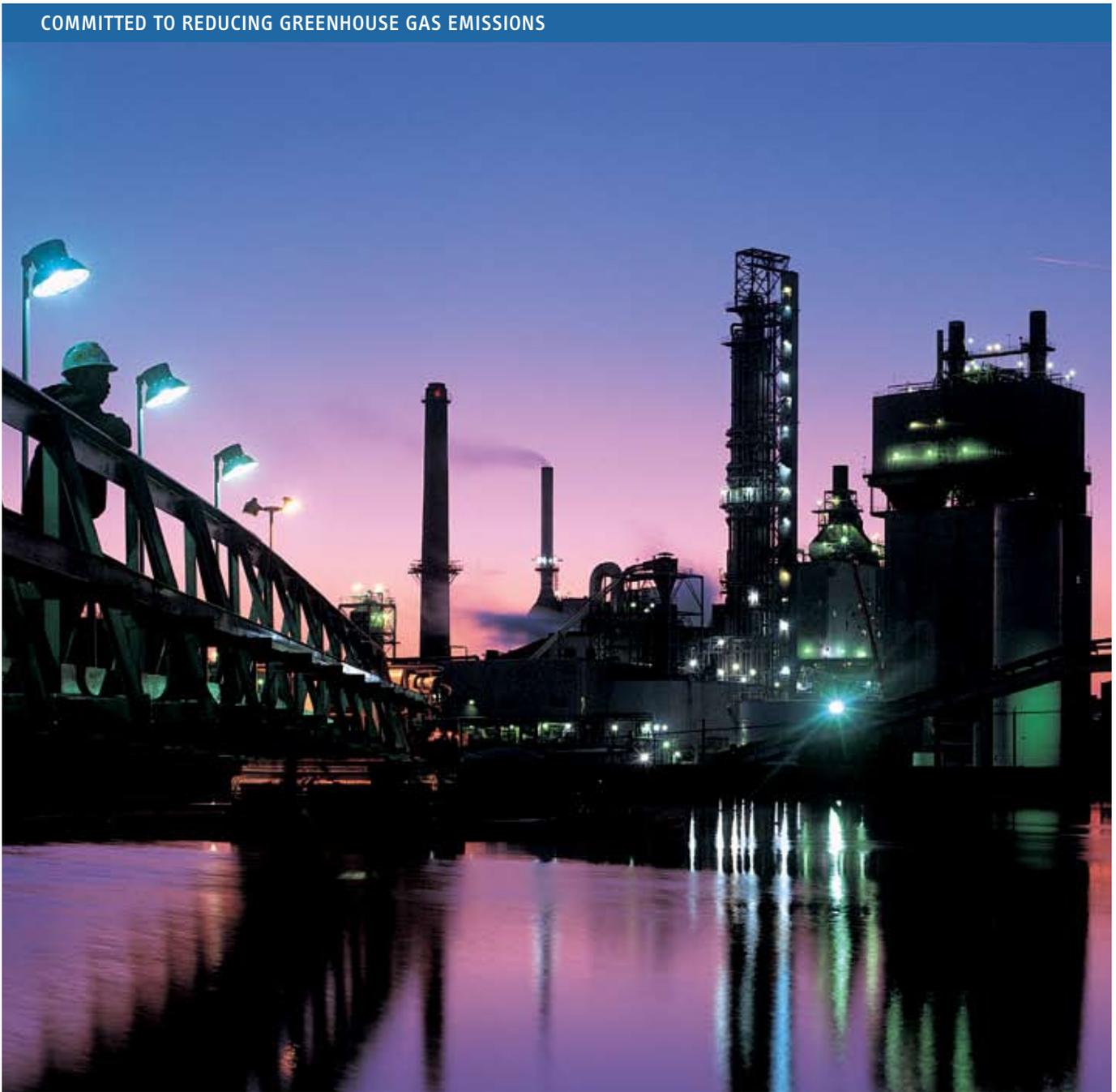
### FUELING EFFICIENCY THROUGH COMBINED HEAT AND POWER SYSTEMS

In addition to burning biomass, most Smurfit-Stone mills use a process called combined heat and power (CHP) that involves producing electricity and process steam simultaneously to use fuel more efficiently. The U.S. Environmental Protection Agency promotes the use of CHP systems because of the significant (and cost-effective) greenhouse gas and other air emissions reductions achieved through CHP. A thermal energy efficiency of more than 60 percent results from the application of CHP technology, which compares to the 33 percent thermal efficiency

of a typical fossil-fueled power plant. The CHP systems are operating at our company's mills in Fernandina Beach, FL; Florence, SC; Hopewell, VA; and West Point, VA. These mills have cogeneration capabilities and can sell excess electricity, reducing demand on coal-fired electric generating plants. Our Uncasville, CT, and Jacksonville, FL, mills participate in CHP systems by utilizing residual steam heat from neighboring utilities that otherwise would be wasted in cooling towers.



## COMMITTED TO REDUCING GREENHOUSE GAS EMISSIONS



Smurfit-Stone has committed to achieving greenhouse gas emission reductions of six percent below baseline as a result of joining the Chicago Climate Exchange (CCX).

The CCX is a self-regulatory exchange that administers a voluntary, legally binding, program for reducing and trading greenhouse gas emissions in North America.

Smurfit-Stone achieved the Phase I greenhouse gas (GHG) emission reduction obligation for CCX members of four percent below baseline in 2006 (compared to baseline emissions from 1998-2001) and we are well on our way to meeting the six percent total reduction obligation by 2010.

The pulp and paper industry as a whole has made great strides in reducing GHG emissions. From 2000 to 2004, AF&PA members, including Smurfit-Stone, collectively achieved a 12 percent reduction in CO<sub>2</sub> emissions per ton of production. Through the Department of Energy Climate Vision Program, AF&PA member companies have established a goal of reducing GHG intensity by 12 percent over 2000 levels by 2012.

## Responsible Environmental Practices

Smurfit-Stone demonstrates our commitment to responsible environmental management by incorporating good environmental practices into manufacturing operations. We have implemented a comprehensive, company-wide environmental management system and put processes in place to ensure ongoing compliance with environmental requirements. We also make investments in technology, educate our employees on environmental issues, and share best management practices in an effort to minimize the environmental impacts of our operations. And, we measure our processes to drive continuous improvement in our environmental performance.



### INVESTING in the Environment

Smurfit-Stone continues to invest tens of millions of dollars on environmental projects.

#### INVESTMENTS

In order to comply with the complex and extensive environmental regulations that apply to our business, Smurfit-Stone continues to invest tens of millions of dollars in technology required to ensure that our manufacturing operations can meet applicable environmental requirements. In 2006, Smurfit-Stone spent \$62 million on capital for compliance-related environmental projects. Over the past four years, Smurfit-Stone has spent an average of \$50 million per year on environmental projects. Many of our environmental projects will have benefits beyond meeting the letter of the law.

#### ENVIRONMENTAL MANAGEMENT SYSTEMS

An Environmental Management System (EMS) is a set of processes and practices that enables an organization to reduce its environmental impact and increase operating efficiencies.

All Smurfit-Stone manufacturing facilities are required to implement our established environmental management systems. These systems include the requirement to have steering teams that meet regularly to discuss environmental issues and impacts, as well as a variety of compliance tools such as compliance calendars, permit logs and environmental operating procedures. We evaluate our manufacturing

facilities' EMS during our internal environmental compliance audits to ensure that these systems are more than just a set of procedures that sit on a shelf.

Our forestry operations also have EMS plans in place and each operation has certified its system against the ISO 14001 standard. In order to maintain their ISO 14001 certifications, our forestry operations are subject to rigorous third-party audits.

#### TRAINING

Education is an important component of our environmental compliance strategy. In 2006, approximately 200 facility managers and key environmental personnel participated in our corporate environmental awareness and other environmental training programs. Even greater numbers of our employees have participated in facility-level environmental training programs. Smurfit-Stone's goal is to give employees the information they need to make environmentally responsible decisions. We currently use a variety of training platforms to deliver the most effective training in the most efficient way. We are taking advantage of technology advances such as computer-based training and web seminars so that we can reach even more of our employees with environmental training.

### AUDITING

Smurfit-Stone's environmental management program consists of comprehensive, routine, internal evaluations of our facilities' compliance status and environmental management systems. These evaluations are critical to ensuring that we have a thorough understanding of how we are complying with applicable environmental laws and regulations. The audit process continues long after the audit team leaves a site. Smurfit-Stone tracks corrective action for all issues identified during the audit until all items are complete. These evaluations also have an important objective that goes beyond compliance. Through our auditing process, we are able to identify environmental best practices that we can share and implement across our business units. Summaries of audit trends and issues are reported quarterly to the senior executives of our operating divisions and are reported annually to our board of directors.



### PRODUCT CERTIFICATION

Our commitment to safety and environmental performance is reflected in the products we make. Smurfit-Stone manufactures products that are recyclable and printed with water-based inks. In order to ensure compliance with domestic and international regulations applicable to manufactured products, Smurfit-Stone has established a corporate product certification program. This program incorporates procedures to prevent the inadvertent introduction of chemicals that may not be appropriate for a particular end use. These procedures include raw material approval and inspection, employee training on proper use of chemicals, and testing of final products for an extensive array of chemical and microbiological parameters. Much of this testing is performed on an annual basis. The extensive data that we collect as part of our product certification program allows us to meet a wide variety of stewardship requirements for the packaging products we make.

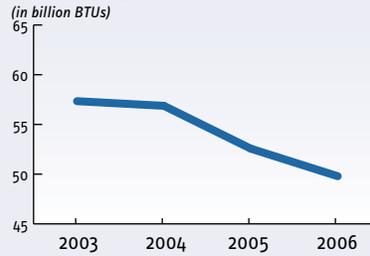
### MEASURES

We have high standards for environmental performance at Smurfit-Stone and have developed metrics to use in identifying opportunities to increase our energy efficiency, reduce environmental impact and improve our environmental processes.

ENERGY EFFICIENCY

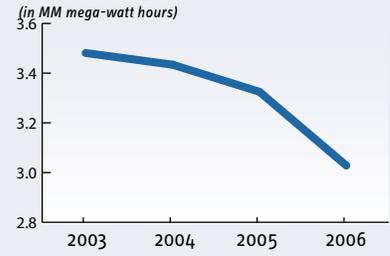
Smurfit-Stone is intensely focused on energy efficiency. The company has made wise investments in technology and implemented best management practices to reduce the amount of energy consumed by our manufacturing operations. In addition to reduced energy consumption, our investments in energy efficiency have yielded environmental benefits in the form of reduced emissions.

**Direct Energy Consumption**



Smurfit-Stone's direct energy consumption has dropped 19.6 percent over its baseline average from 1999-2001.

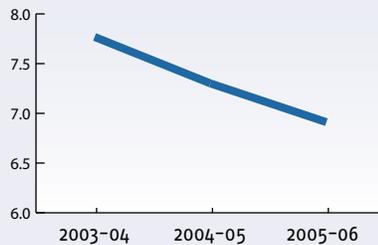
**Indirect Energy Consumption**



Smurfit-Stone has reduced indirect energy consumption by 14.3 percent over its baseline average from 1999-2001.

**Greenhouse Gas (GHG) Emissions**

*(two-year rolling average in million tons)*

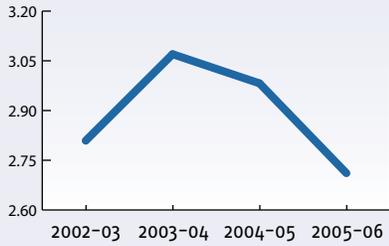


Carbon dioxide, methane and other greenhouse gas emissions from cars, electric utilities, industries, and other sources are strongly linked to the discussion about human affects on global warming. In an effort to minimize its impact on the environment, Smurfit-Stone has reduced its average greenhouse gas emissions by 13 percent since 2003-04. We are well on our way to meeting our commitment to the Chicago Climate Exchange to make further reductions in GHG emissions by 2010.

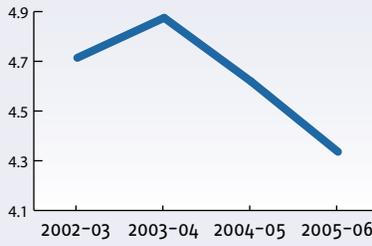
As part of its strategy for reducing greenhouse gas emissions, Smurfit-Stone has not only reduced the total amount of energy consumed but shifted the type of fuels used. Smurfit-Stone has increased the percentage of carbon-neutral biomass fuels used to a 2006 average of approximately 69 percent.

ENVIRONMENTAL IMPACTS

**Water Quality: Total Suspended Solids (TSS)**  
*(two-year rolling average in pounds per ton)*

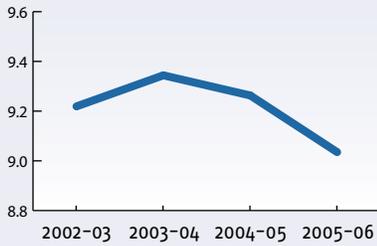


**Water Quality: Biological Oxygen Demand**  
*(two-year rolling average in pounds per ton)*



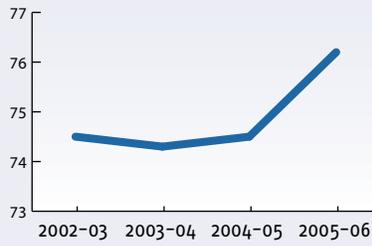
Minimizing impacts on the water bodies into which our facilities discharge is an important part of our environmental management program. We are continually working to reduce pollutants in our wastewater discharges, including discharges of solids (known as Total Suspended Solids) and materials that reduce the amount of oxygen available for aquatic species by creating Biochemical Oxygen Demand (BOD). Discharges of these pollutants from Smurfit-Stone mills have steadily declined over time.

**Water Use**  
*(thousand gallons per ton)*



Smurfit-Stone is striving to minimize impact on water resources by reducing the amount of water needed for our manufacturing processes. Smurfit-Stone is using less water in its containerboard mill operations as the result of our continuing focus on water conservation efforts.

**Recovery Rate**  
*(two-year rolling average)*

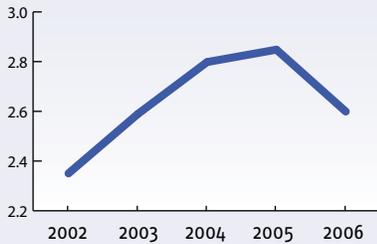


The percentage of corrugated products sold that are reclaimed at the end of their useful life has increased since 2003, according to the most recent figures published by the American Forest and Paper Association.

ENVIRONMENTAL PROCESSES

**Toxics Release Inventory (TRI)**

*(in pounds per ton)*

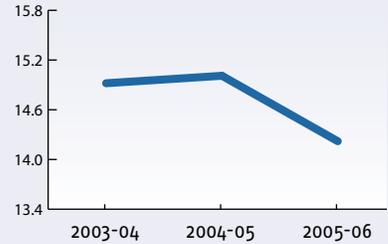


The Toxics Release Inventory (TRI) is an annual reporting program that tracks the presence, movement, and release of threshold amounts of approximately 650 chemical substances in a range of industries. Created in 1988 and authorized by the Emergency Planning and Community Right-To-Know Act of 1986, the TRI contains no information about toxicity levels or potential risk of exposure. With certain exceptions, the releases reported on the TRI are authorized by environmental permits that have been issued to our containerboard mills.

The EPA has reported that year-to-year changes in TRI releases at facilities are more likely to reflect “estimation technique changes” and factors other than significant physical, engineering, or production changes.

**Air Emissions: NO<sub>x</sub>, SO<sub>x</sub>, VOC, and TRS**

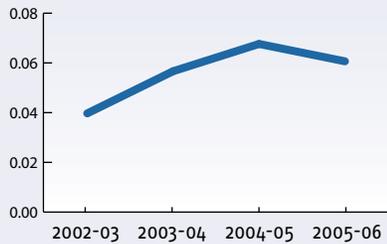
*(two-year rolling average in pounds per ton)*



We routinely measure and report emissions of air pollutants from our facilities, including emissions of Nitrogen Oxide (NO<sub>x</sub>), Sulfur Oxide (SO<sub>x</sub>), Volatile Organic Compounds (VOCs), Total Reduced Sulfur (TRS) and Particulate Matter (PM). Smurfit-Stone’s total emissions of these pollutants have declined steadily in recent years and are near record lows.

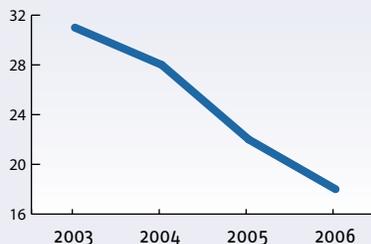
**Waste Beneficially Used**

*(two-year rolling average; tons of waste per ton of product)*



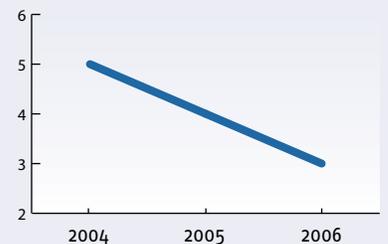
We reuse and recycle pulping liquors and many other process chemicals rather than managing them as waste. Additionally, Smurfit-Stone has partnered with farmers, foresters and other landowners to use residuals from our manufacturing operations as agricultural soil amendments, landfill cover, and for a variety of other beneficial reuses.

**Notices of Violation (NOV)**



A notice of violation (NOV) frequently serves as a formal means of informing responsible parties that violations of rules or permits may have occurred. An NOV identifies alleged violations at the facility. An NOV also may contain a proposed penalty amount for each alleged violation, and/or a description of the procedure for negotiating an agreement designed to return the facility to compliance in a timely manner. Incidents of noncompliance that have resulted in NOVs have decreased nearly 42 percent at Smurfit-Stone since 2003, even though the regulatory environment in which we operate has become increasingly complex. In all cases, Smurfit-Stone aggressively investigates and corrects all issues raised by a regulatory agency.

**Reportable Spills**



Smurfit-Stone operated approximately 180 facilities throughout North America at the end of 2006. Occasionally, equipment failures lead to spills which require reporting to environmental and other government agencies. Whenever a spill occurs, Smurfit-Stone takes aggressive action to minimize any short- or long-term impact on the environment. Smurfit-Stone realizes that the best way to minimize the impact of spills is to prevent them from occurring. Through improved equipment maintenance, employee training and other preventative measures, Smurfit-Stone has reduced the number of EPA reportable spills by 40 percent since 2004.

## *Commitment to People*



Smurfit-Stone is committed to hiring, developing and retaining the most diverse and talented employees. By attracting, developing, rewarding, and retaining top talent, we capitalize on the differences and uniqueness of our employees, suppliers, and the communities in which we operate.

Smurfit-Stone actively participates in the communities where we live and work through environmental stewardship, philanthropy, community education, and civic involvement. Each year, Smurfit-Stone contributes to worthy organizations across North America. Our employees make numerous personal donations and volunteer valuable time to many causes and activities.

*continued on page 28*

*Commitment to People, continued from page 27*

Smurfit-Stone’s vision is to be the safest and most profitable company in our industry. It takes the best people to achieve such a vision and Smurfit-Stone is committed to attracting, retaining, developing and rewarding top talent.

**The company’s core values are at the root of every business decision:**

- 1 Keep employees safe.
- 2 Maximize profitability.
- 3 Provide the best products and services.
- 4 Care about the environment and the world in which we live.
- 5 Live by the rules.
- 6 Win with the best people.
- 7 Share information with each other.



**TALENT MANAGEMENT**

Smurfit-Stone’s focus is to put the right people in the right positions and help them develop their talents to get to the next level of performance. Smurfit-Stone depends on its people for creativity and commitment to excellence as the company strives to become the safest and most profitable in the industry. Simply put, talented and motivated employees help companies yield better financial results.

Smurfit-Stone provides employees with targeted leadership training opportunities and aligns all training and development initiatives with key business initiatives, sponsorship and support from senior leadership, and clear post-training evaluation measures.

Recruiting is another important aspect of talent management, and Smurfit-Stone has an internal recruiting team that provides dedicated resources to identify the strongest candidates for every position. We believe in developing a balance of promoting from within and attracting external talent.

**DIVERSITY**

Diversity at Smurfit-Stone is not just about representation. It’s also about inclusion. We believe that recognizing and understanding our differences allows us to better serve our customers. Smurfit-Stone is committed to attracting and retaining employees who reflect the diverse world in which we live and operate.

Smurfit-Stone’s diversity training program is designed to help all employees understand their roles and the importance of the company’s diversity strategy focusing on workforce, supplier, and community diversity measures.

The training, which is mandatory for all Smurfit-Stone employees, is led by certified diversity facilitators.

**Workforce** diversity includes both current and prospective employees, with a focus on retention and recruitment, performance management, succession planning, mentoring, affinity groups, training and communications. Our Women in Leadership team, for example, provides female employees with professional tools and networking skills needed to advance their careers.

**Supplier** diversity consists of meeting customer requirements regarding increasing the amount of business we do with minority- and women-owned businesses. It also includes developing a program that meets and exceeds industry standards, distinguishes Smurfit-Stone from competitors and promotes a more inclusive supply chain.

**Community** diversity efforts are aimed at areas in which we serve and from where we recruit. Community involvement focuses on building strong relationships within our communities and mirroring those communities with our employee and supplier bases.

## Community Involvement

Smurfit-Stone strives to be a responsible corporate citizen in all the communities in which we operate. This can take place through landowner and community education programs, industry-leading safety performance, fiscal and corporate responsibility, and involvement in civic and non-profit organizations.

### MILL DONATION HELPS WEST POINT, VA, OPEN NEW YMCA

On March 14, 2007, Smurfit-Stone turned over to the town of West Point, VA, the deed to the building that previously housed the company’s wellness center. The town subsequently leased the building to the Greater West Point Family YMCA.

The donation demonstrated our commitment to establishing a strong relationship with the West Point community to foster the well-being of our employees and neighbors.

The YMCA’s chief executive officer, Danny Carroll, said the positive partnership between the town, the mill and community residents all played a role in making the project a reality.

“This (was) a team effort that would not have been possible if it were not for Smurfit-Stone’s generous contribution of the site of its former wellness center,” Carroll told a reporter for the local newspaper, *The Tidewater Review*. “The Greater West Point community is truly blessed to have a corporate citizen like Smurfit-Stone. The company’s contribution of the wellness center made it possible for the board to open a new YMCA Family center in less than six months.”

West Point Mayor Jim Hudson said the donation of the building to the town was another example of the mill’s continuing strong support of West Point and its citizens.

“Through the years, the mill has always been a strong supporter of the community, providing volunteers and other contributions to numerous organizations,” Hudson said. “The town is pleased to accept the donation of the building and is thankful we are able to make this facility available to the YMCA.”

### COMMUNITY OUTREACH HELPS STUDENTS MAKE INFORMED DECISIONS ABOUT THE ENVIRONMENT



If you are good stewards of the land and take care of it, it will take care of you. That is the lesson our forest resources group shares with children through Smurfit-Stone’s forestry outreach program.

Employees from our forestry groups participate in educational programs including Earth Day events, tree plantings and papermaking demonstrations, with the goal of providing students with accurate information about our natural resources.

Designed for students and teachers at all levels, the program offers hands-on nature activities that appeal to all age groups. The goal is to provide students with the information they need to make wise environmental choices throughout their lives.

One essential component of Smurfit-Stone’s educational outreach program is a tree planting demonstration, which uses trees provided by state departments of forestry.

At Southside Elementary School in Virginia, our forestry resources group helps plant two trees per class each year on Earth Day and Arbor Day. Approximately 300 trees have been planted.

Demonstrators show how to plant a tree, including which types of trees thrive in different geographic areas. The forestry resources group also provides schools with nature trails and outdoor classrooms to allow teachers to carry their classroom lessons into the woods.

## CHARITABLE GIVING

Smurfit-Stone provides funding support to help improve the quality of life in our communities. In tandem with the volunteer hours donated by employees, Smurfit-Stone is making a positive impact in many ways. Some examples of significant local contributions and employee volunteer efforts include:

**Amelia Island Book Festival**

- In addition to the cash contribution made by our Fernandina Beach, FL, mill, employees volunteer their time to help support the Amelia Island Book Festival.

**American Cancer Society**

- For more than 10 years, Smurfit-Stone's recycling division has sponsored fundraising events to benefit the American Cancer Society, raising nearly \$1 million for this worthy cause. The money generated through the division's "Taste of Italy" events and "Tournament of Hope" golf fundraisers directly benefits the St. Louis Hope Lodge Center, a 44-room extended care cancer center that allows patients and one of their caregivers to stay free of charge during the course of their treatment.

**American Red Cross**

- Smurfit-Stone contributed \$35,000 to the American Red Cross St. Louis chapter. The financial support is used to help train thousands of area residents during community safety presentations and for thousands more to learn first aid and CPR skills. The company contributes to numerous American Red Cross chapters across the country.

**Appomattox Library**

- Our Hopewell, VA, mill was a key contributor to a capital development project for the new Appomattox District Library. The mill also contributed \$10,000 for a Smurfit-Stone reading room, which will focus on the environment.

**Food Banks**

- Our Coshocton, OH, mill and employees regularly support the Salvation Army food pantry through food drives and cash donations.

**KidSmart**

- Smurfit-Stone participates in the annual KidSmart "Push for Pencils" campaign, which has resulted in the collection of more than 275,000 school supplies and more than \$45,000 in donations for underprivileged children in the St. Louis area. KidSmart is committed to helping all of these children with supplies to be successful in school.

**Special Olympics**

- Our mill in Jacksonville, FL, is a regular contributor to the Special Olympics of Nassau County.

**United Way**

- Smurfit-Stone and its employees companywide contributed more than \$1 million to the United Way in 2006.
- Our Missoula, MT, mill received the Spirit of Missoula award from the United Way. The plant and its employees have been involved with the Missoula County YMCA for seven years and are the largest contributors in the county. Employees also serve on the United Way board and promote volunteerism in the community.

**YMCA**

- Smurfit-Stone Chairman and CEO Pat Moore chairs the YMCA of Greater St. Louis development campaign, aimed at raising \$30 million by 2009.

Among the many other organizations that have benefited from Smurfit-Stone's contributions and volunteer efforts are:

- American Heart Association
- Big Shoulders of Chicago
- Boys Hope/Girls Hope of St. Louis
- Cardinal Glennon Children's Foundation
- Chicago Cares Serv-A-Thon
- Juvenile Diabetes Research Foundation
- Lupus Foundation of America
- March of Dimes
- Museum of Science and Industry (Chicago)
- National Multiple Sclerosis Society
- St. Patrick Center Homeless Services

## *Corporate Governance*

Smurfit-Stone's board of directors has adopted corporate governance guidelines and principles and charters for each of its standing committees that promote accuracy and integrity in our financial reporting and independence in all aspects of the governance and management of the company. Each of Smurfit-Stone's board of directors (other than the Chairman and Chief Executive Officer) is an independent director under the listing standards of the The NASDAQ Stock Market, Inc.

The board of directors has established a code of conduct, which is applicable to all of its employees and directors, as well as a code of ethics for its senior financial officers, which set forth the company's high standards of professional and ethical conduct. In addition, the board of directors has adopted stock ownership guidelines that mandate minimum levels of company stock ownership by executive officers and directors to ensure alignment of interests with the stockholders of the company.

### **ETHICS AND COMPLIANCE**

Smurfit-Stone believes in ethical, legal, and responsible business conduct, and in treating everyone with respect. Through the company's ethics and compliance hotline, employees have a risk-free way to anonymously report illegal or wrongful workplace activities. All calls to the hotline are reported to management to facilitate appropriate action.



## Glossary of Terms

**Biochemical Oxygen Demand (BOD):** A measure of the amount of oxygen consumed in the biological processes that breakdown organic matter in water.

**Biomass:** Wood waste or bark burned for energy as part of the papermaking process.

**Biosolids:** Nutrient-rich organic materials resulting from the treatment of process wastewater. When treated and processed, these residuals can be recycled and applied as fertilizer to improve and maintain productive soils and stimulate plant growth.

**Carbon sequestration:** The uptake and storage of carbon. Trees and plants, for example, absorb carbon dioxide, release oxygen and store carbon.

**Closed-loop effluent system:** System allowing the reuse and recycling of process effluent. Such a system virtually eliminates the discharge of process effluent into the environment. Additionally, closed-loop systems significantly reduce freshwater consumption and energy costs because recycled water does not have to be reheated.

**Effluent:** Wastewater from manufacturing processes that is discharged into water bodies after treatment.

**Particulate matter:** The fine liquid or solid particles such as dust, smoke, mist, fumes, or dirt found in the air or air emissions.

**Recordable Case Rate (RCR):** The number of cases requiring medical treatment per 100 full-time employees per year, as measured by the U.S. Occupational Safety and Health Administration.

**Total Suspended Solids (TSS):** The amount of solid particles that are suspended in a sample of water.

**Total Reduced Sulfur (TRS):** Consists of the total sulfur from the following compounds: hydrogen sulfide (H<sub>2</sub>S), methyl mercaptan (CH<sub>3</sub>SH), dimethyl sulfide ((CH<sub>3</sub>)<sub>2</sub>S), and dimethyl disulfide (CH<sub>3</sub>SSCH<sub>3</sub>). TRS compounds occur naturally in the environmental and are also present in some of the gases produced by the paper manufacturing process.

The environmental data in this report covers all of Smurfit-Stone's containerboard mill operations in the U.S. and Canada, except for the data provided on the Toxic Release Inventory (TRI) and reportable spills. These are programs of the United States Environmental Protection Agency and are not applicable in Canada. Environmental data for our corrugated container and recycling plants are not included because these facilities do not have significant air emissions, wastewater discharge or other environmental impacts that are significant when compared to our other manufacturing operations. Corrugated container and recycling plants are included in the energy and greenhouse gas emissions data as these data were collected primarily for submission to the Chicago Climate Exchange.

The containerboard mill data used in this document were compiled from internal, company databases, primarily for the purposes of responding to information requests from the American Forest & Paper Association and the Chicago Climate Exchange. The data in this report represent the values obtained by averaging data from our internal databases in two-year increments. All environmental data contained in this report were reviewed by internal, subject-matter experts to ensure its accuracy.



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